

SRPSKA BANKA a.d. BELGRADE

Financial Statements as of and 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 and 2025 Financial Statements originally issued in the Serbian language*

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originally issued in the Serbian language*

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF  
Srpska banka a.d. Belgrade

### Opinion

We have audited the financial statements of Srpska banka a.d. 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 Matters

The financial statements of the Bank as of and for the year ended 31 December 2024 were audited by another auditor, who expressed an unqualified opinion on those financial statements on 17 March 2025.

### 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 conducted procedures in accordance with the Law on Accounting. These procedures include verification whether the Bank's Annual Business Report has been prepared in accordance with the applicable provisions of the Law on Accounting.



## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF  
Srpska banka a.d. Belgrade (Continued)

### Other Information (Continued)

Solely based on the work we have performed during the audit of the financial statements, in our opinion:

- The information provided 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 ended 31 December 2025; and
- The Annual Business Report has been prepared in accordance with the provisions of the Law on Accounting.

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  
Srpska banka a.d. 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, 17 March 2026

  
(Danijela Krtinic  
Certified Auditor



**SRPSKA BANKA a.d.  
BELGRADE**

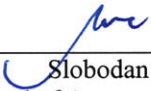
**FINANCIAL STATEMENTS AND  
NOTES TO THE  
FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
31 DECEMBER 2025**


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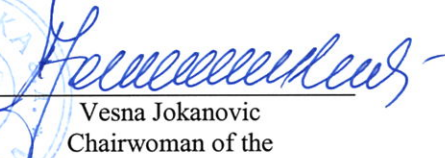
**INCOME STATEMENT**  
**For the year ended 31 December 2025**  
**(In RSD thousand)**

	Note	2025	2024
<b>OPERATING INCOME AND EXPENSES</b>			
Interest income	5	2,519,540	2,328,893
Interest expenses	5	(496,148)	(546,592)
<b>Net interest income</b>		<b>2,023,392</b>	<b>1,782,301</b>
Fee and commission income	6	450,706	388,412
Fee and commission expense	6	(27,505)	(20,707)
<b>Net fee and commission income</b>		<b>423,201</b>	<b>367,705</b>
Net gains/(losses) from fair value changes of financial instruments	9	(348,512)	(206,881)
Net hedging gains	10	16	12
Net foreign exchange (losses) / gains and effects of contracted foreign currency clause	7	(42,927)	16,145
Other operating income	8	42,410	42,428
Net gains/(losses) from impairment of financial assets not measured at fair value through profit or loss	11	(394,945)	5,165
<b>TOTAL NET OPERATING (EXPENSE)/INCOME</b>		<b>1,702,635</b>	<b>2,006,875</b>
Salaries, compensations and other personal expenses	12	(349,467)	(288,706)
Amortisation and depreciation expense	13	(68,933)	(69,745)
Other income	8	4,647	4,645
Other expenses	14	(451,668)	(406,334)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>837,214</b>	<b>1,246,735</b>
Income taxes		-	-
Deferred tax income		-	-
Deferred tax expense	15	(6,281)	(2,793)
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>830,933</b>	<b>1,243,942</b>

Belgrade, 16 March 2026

  
 Slobodan Lecic  
 Head of Accounting, Finance  
 and Reporting Department

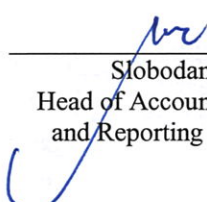
  
 Branka Vukovic  
 Member of  
 the Executive Board

  
 Vesna Jokanovic  
 Chairwoman of the  
 Executive Board

**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 December 2025**  
**(In RSD thousand)**

	<u>2025</u>	<u>2024</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	830,933	1,243,942
<b>Other comprehensive income for the period</b>		
<i>Items of other comprehensive income that cannot be reclassified into profit or loss:</i>		
Actuarial (losses)/gains	(817)	(309)
Increase in revaluation reserves arising from intangible assets and fixed assets	45,918	20,272
Gains/(losses) from the taxes related to the other comprehensive income of the period	(6,888)	(3,041)
Positive/negative effects of fair value changes on securities	<u>24,648</u>	<u>474,179</u>
Total positive/(negative) other comprehensive income for the period	<u>62,861</u>	<u>491,101</u>
<b>TOTAL POSITIVE/(NEGATIVE) OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>893,794</u></b>	<b><u>1,735,043</u></b>

Belgrade, 16 March 2026

  
 \_\_\_\_\_  
 Slobodan Lecic  
 Head of Accounting, Finance  
 and Reporting Department

  
 \_\_\_\_\_  
 Branka Vukovic  
 Member of  
 the Executive Board

  
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 Vesna Jokanovic  
 Chairwoman of the  
 Executive Board



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

	Note	2025	2024
<b>ASSETS</b>			
Cash and balances with Central Bank	16	7,464,293	10,336,321
Pledged financial assets	17	-	2,187,500
Securities	17	18,846,801	12,473,572
Derivatives		-	3,455
Loans and placements to banks and other financial institutions	18	28,538,173	39,922,663
Loans and placements to customers	19	6,352,046	5,001,988
Intangible assets	20	44,238	27,276
Property, plant and equipment	20	1,630,373	1,498,830
Investment property	21	508,810	507,219
Other assets	22	73,845	46,020
<b>TOTAL ASSETS</b>		<b>63,458,579</b>	<b>72,004,844</b>
<b>LIABILITIES AND EQUITY</b>			
Derivatives		32,881	11,941
Deposits and other liabilities due to banks, other financial institutions and Central Bank	23	1,427,297	2,274,737
Deposits and other liabilities due to other customers	24	56,289,639	64,238,173
Provisions	25	48,521	44,491
Deferred tax liabilities	15	98,598	85,429
Other liabilities	26	86,306	146,275
<b>TOTAL LIABILITIES</b>		<b>57,983,242</b>	<b>66,801,046</b>
Share capital	27	2,846,076	2,846,536
Profit	27	831,210	1,243,942
Reserves	27	1,798,051	1,113,320
<b>TOTAL EQUITY</b>		<b>5,475,337</b>	<b>5,203,798</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>63,458,579</b>	<b>72,004,844</b>

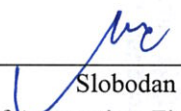
Belgrade, 16 March 2026


 <hr/> Slobodan Lecic Head of Accounting, Finance and Reporting Department	 <hr/> Branka Vukovic Member of the Executive Board	 <hr/> Vesna Jokanovic Chairwoman of the Executive Board
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**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2025**  
(In RSD thousand)


	Share and other capital	Reserves from profit	Revaluation reserves	Unrealised (losses) gains arising from securities	Retained earnings	Total equity
<b>Balance as of 1 January 2024</b>	<b>2,846,536</b>	<b>241,166</b>	<b>478,843</b>	<b>(429,198)</b>	<b>331,407</b>	<b>3,468,754</b>
Profit distribution	-	331,407	-	-	(331,407)	-
Profit for the year	-	-	-	-	1,243,942	1,243,942
Effects of property valuation	-	-	20,272	-	-	20,272
Deferred taxes	-	-	(3,041)	-	-	(3,041)
Actuarial gains/losses	-	-	(308)	-	-	(308)
Effects of securities valuation	-	-	-	474,179	-	474,179
<b>Balance as of 31 December 2024</b>	<b>2,846,536</b>	<b>572,573</b>	<b>495,766</b>	<b>44,981</b>	<b>1,243,942</b>	<b>5,203,798</b>
<b>Balance as of 1 January 2025</b>	<b>2,846,536</b>	<b>572,573</b>	<b>495,766</b>	<b>44,981</b>	<b>1,243,942</b>	<b>5,203,798</b>
Profit distribution	-	621,871	-	-	(621,871)	-
Dividends paid	-	-	-	-	(622,071)	(621,071)
Profit for the year	-	-	-	-	830,933	830,933
Effects of property valuation	-	-	45,918	-	-	45,918
Deferred taxes	-	-	(6,888)	-	-	(6,888)
Actuarial gains/losses	-	-	(817)	-	-	(817)
Effects of securities valuation	-	-	-	24,647	-	24,647
Other increases/decreases	(460)	-	-	-	277	(183)
<b>Balance as of 31 December 2025</b>	<b>2,846,076</b>	<b>1,194,444</b>	<b>533,979</b>	<b>69,628</b>	<b>831,210</b>	<b>5,475,337</b>

Belgrade, 16 March 2026

  
\_\_\_\_\_  
Slobodan Lecic  
Head of Accounting, Finance and Reporting  
Department

  
\_\_\_\_\_  
Branka Vukovic  
Member of  
the Executive Board

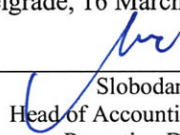


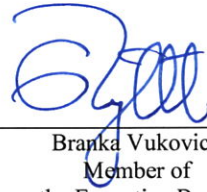
  
\_\_\_\_\_  
Vesna Jokanovic  
Chairwoman of the  
Executive Board

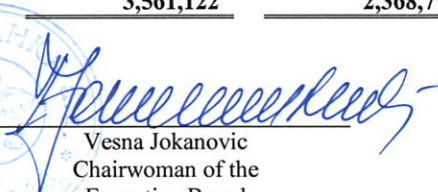
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2025**  
**(In RSD thousand)**

	2025	2024
<b>Cash flows from operating activities</b>	<b>3,141,763</b>	<b>2,983,765</b>
Interest receipts	2,487,603	2,340,322
Fee and commission receipts	450,050	387,845
Receipts from other operating activities	203,862	255,326
Receipts from dividends and profit sharing	248	272
<b>Cash outflows from operating activities</b>	<b>(1,681,177)</b>	<b>(1,752,620)</b>
Interest paid	(503,891)	(550,155)
Fees and commission paid	(20,648)	(22,244)
Payments for gross salaries, compensations and other personal expenses	(337,382)	(278,356)
Taxes, contributions and other duties paid	(71,237)	(61,696)
Other operating expenses	(748,019)	(840,169)
<b>Net cash from operating activities before increase or decrease in placements and deposits</b>	<b>1,460,586</b>	<b>1,231,145</b>
<b>Decrease in placements and increase in deposits</b>	<b>13,429,162</b>	<b>24,306,556</b>
Decrease in loans and advances to banks, other financial institutions, Central Bank and customers	13,406,211	-
Decrease in receivables for securities and other financial assets not intended for investment	-	-
Decrease in receivables for hedging derivatives and fair value changes of hedged items	3,827	-
Increase in deposits and other liabilities due to banks, other financial institutions, Central Bank and customers	-	24,306,556
Increase in liabilities arising from financial derivatives	19,124	-
<b>Increase in placements and decrease in deposits</b>	<b>(12,847,648)</b>	<b>(24,020,577)</b>
Increase in loans and receivables from banks, other financial institutions, Central bank and customers	-	(2,175,749)
Increase in receivables for securities, derivatives and other financial assets not intended for investment	(4,015,993)	(21,837,333)
Increase in receivables for hedging derivatives and fair value changes of hedged items	-	(3,826)
Decrease in deposits and other liabilities due to banks, other financial institutions, Central Bank and customers	(8,831,655)	-
Decrease in liabilities arising from hedging derivatives and fair value changes of hedged items	-	(3,669)
<b>Net cash generated from operating activities before income tax</b>	<b>2,042,100</b>	<b>1,517,124</b>
Dividends paid	(622,071)	-
<b>Net cash (used in)/from operating activities</b>	<b>1,420,029</b>	<b>1,517,124</b>
<b>Cash flows from investing activities</b>	<b>(222,942)</b>	<b>(60,086)</b>
Purchase of intangible assets, property, plant and equipment	(222,942)	(60,086)
<b>Net cash (used in)/from investing activities</b>	<b>(222,942)</b>	<b>(60,086)</b>
<b>Cash flows from financing activities</b>	<b>(968)</b>	<b>(18,796)</b>
Outflows from borrowings	-	(15,056)
Other outflows from financing activities	(968)	(3,740)
<b>Net cash used in financing activities</b>	<b>-(968)</b>	<b>(18,796)</b>
<b>Total cash inflows</b>	<b>16,570,925</b>	<b>27,290,321</b>
<b>Total cash outflow</b>	<b>(15,374,806)</b>	<b>(25,852,079)</b>
<b>Net decrease/(increase) in cash and cash equivalents</b>	<b>1,196,119</b>	<b>1,438,242</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,368,774</b>	<b>901,381</b>
<b>Foreign exchange (losses)/gains, net</b>	<b>(3,771)</b>	<b>29,151</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>3,561,122</b>	<b>2,368,774</b>

Belgrade, 16 March 2026

  
 Slobodan Lecic  
 Head of Accounting, Finance and  
 Reporting Department

  
 Branka Vukovic  
 Member of  
 the Executive Board

  
 Vesna Jokanovic  
 Chairwoman of the  
 Executive Board

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

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**1. CORPORATE INFORMATION**

Srpska banka a.d. Belgrade (hereinafter "the Bank") was established as a legal successor of a specialized organizational unit within the National Bank of Yugoslavia (NBY), based on decision of the National Bank of Yugoslavia G.no. 920 dated 4 November 1996. The bank was registered in the register of the Commercial Court in Belgrade in accordance with the court decision no. VI / Fi-19015/96 dated 14 November 1996 under the name "YU GARANT BANKA" a.d..

The Article of Association dated 17 September 1996 specify 1 January 1997 as the date for the commencement of the Bank operations. By decision of the Commercial Court in Belgrade no. IV-Fi-9043/2003 from 1 September 2003, the business name "YU GARANT BANKA" a.d. was changed to Srpska banka a.d. Belgrade.

The Bank's majority shareholder and founder is the Republic of Serbia, whose interest in the share capital as of 31 December 2019 amounts to 76.69%.

In accordance with the Law on Banks, the Decision on Establishment and the Articles of Association, the Bank is registered for the following activities: loan and deposit activities, payment transaction services in the country and abroad, foreign exchange and currency exchange transactions; issuance of payment cards; issuance of guarantees, guarantees on a bill of exchange and other forms of collaterals; as well as the other activities in accordance with applicable regulations.

The Bank's head office is located in Belgrade, at Bulevar kralja Aleksandra I Karadjordjevic 25. The Bank is comprised of one branch office. As of 31 December 2025, the Bank had 97 employees (31 December 2024: 89 employees).

The Bank's management bodies are: the Bank's Assembly, the Management Board and the Executive Board. The Bank has formed the following committees: Asset-Liability Committees (ALCOs), Audit Committee, Credit Committee and Committee for Monitoring and Management of Non-Performing Exposures.

The Bank's registration number is 07092288, and the tax identification number is 100000387.

**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS****2.1. Basis of Preparation and Presentation of the Financial Statements**

The accompanying 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 (IASB) and Interpretations (collectively, "IFRS Accounting Standards"), and with the regulations of the National Bank of Serbia governing the financial reporting of banks.

The Bank, as a large legal entity, is obliged to apply IFRS Accounting Standards 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 IASB and the IFRS Interpretations Committee (IFRIC).

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

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**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)****2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)**

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

- Property measured at revalued amount;
- Financial assets measured at fair value through other comprehensive income; and
- Derivative financial instruments stated at fair value through profit or loss.

The Bank's accompanying financial statements have been prepared on a going concern basis, which assumes that the Bank will continue to operate in the foreseeable future.

The accompanying financial statements are presented in the format prescribed by the National Bank of Serbia's Decision on Forms and Content of Items in Financial Statement Forms for Banks ("RS Official Gazette", No. 93/2020 and 56/2025).

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

In the preparation of these financial statements, the Bank has adhered to the accounting policies described in Note 5.

The accounting policies and estimates used in preparing these financial statements are consistent with those applied in the preparation of the Bank's financial statements for the year ended 31 December 2025, except for the amended IFRS Accounting Standards adopted from 1 January 2025, as disclosed in Note 2 (2.2), where applicable.

The accompanying financial statements have been prepared under the historical cost convention unless otherwise stated in the accounting policies described below. In the preparation of these financial statements, the Bank has adhered to the accounting policies disclosed in Note 3.

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

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

Amendments to Illustrative Examples on 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". During November 2025, the IASB issued illustrative examples on reporting uncertainties in financial statements, which include, but are not limited to, the effects of climate change. 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.

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

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**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.

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

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**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)****2.4. Statement of Compliance**

The Bank financial statements for the year 2025 have been prepared in accordance with International Financial Reporting Standards (hereinafter: IFRS) issued by the International Accounting Standards Board (IASB). The accompanying financial statements were approved by the Executive Board of the Bank on 16 March 2026.

**2.5. Use of Estimates and Assumption**

The preparation of financial statements requires of the management to use best estimates and reasonable assumptions that affect reported amounts of assets and liabilities as well as to disclose potential receivables and liabilities at the date of preparation of financial statements, as well as income and expenses during the reporting period.

These estimates and related assumptions are based on information available as of the date of preparation of the financial statements. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an on-going basis, and changes in estimates are recognised in the periods in which they become known.

**2.6. Historical Cost Convention**

The accompanying financial statements of the Bank as of and for the year ended 31 December 2025 have been prepared under the historical cost convention, except for the financial assets available for sale measured at fair value through profit or loss and other items as set for the in the accounting policies.

**2.7. Comparative Figures**

Comparative figures include audited financial statements for the year ended 31 December 2024 prepared in accordance with IFRSs.

**2.8. Going Concern Assumption**

The accompanying financial statements of the Bank are prepared in accordance with the going concern principle, which implies that the Bank will continue its operations in foreseeable future, covering a period of at least twelve months from the date of the financial statements. The bank incurred profit in 2024 and 2025, but did not reconcile the indicator of the bank's total investments in entities other than entities in the financial sector and into fixed assets and investment property of the bank with the prescribed indicators. The Bank's management takes the necessary measures in order to reconcile this indicator. Furthermore, in the process of business planning for 2025, the Bank's management envisaged the smooth implementation of the Bank's business plans and compliance with the relevant regulations governing banking operations in the Republic of Serbia. Accordingly, the activities planned by the Bank in the coming period primarily aimed at profitable operations, all with the aim of providing a more stable business environment for the Bank and permanent transition into the profit zone.

**2.9. Functional and Reporting Currency**

The Bank's financial statements are presented in thousands of dinars (RSD). The dinar is the functional currency and the currency of presentation.

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

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**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)****2.10. Reconciliation of Outstanding Balances of Receivables and Payables with Counterparties**

Pursuant to Article 22 of the Law on Accounting, the Bank has reconciled its outstanding balances of receivables and payables with its counterparties, which is corroborated by authentic documentation. The Bank submitted confirmations (IOS forms) to its customers as of 30 November 2025.

Reconciled assets are related to balance sheet and off-balance sheet assets in the amount of RSD 112,024,092 thousand, whereas liabilities amounted to RSD 48,383,188 thousand.

The total amount of unreconciled receivables is RSD 121 thousand or 0,0%.

The total amount of unreconciled payables is RSD 34 thousand or 0,0%.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****3.1. Interest Income and Expenses**

Interest income and interest expenses, including penalty interest and other income and other expenses from interest-bearing assets, as well interest-bearing liabilities are recognized on an accrual basis, based on obligatory terms defined by a contract between the Bank and its customers.

Interest income and expenses are recognized in the income statement using the effective interest rate method, which represents a rate that precisely discounts estimated future payments or receipts over the expected life of the financial instrument, to the gross book value of the financial asset (amortized value before deduction for expected credit losses). or the amortized value of the financial liability.

When calculating the key policy rate for financial instruments that are not credit-impaired at the time of approval, nor have they undergone a significant modification of the contracted cash flows as credit-impaired, the Bank estimates future cash flows taking into account all the contractual terms of the financial instrument, but not including expected credit losses. When the loan is POCI, the benchmark interest rate adjusted for credit risk is calculated, using estimated future cash flows that include expected credit losses. Interest income is recognized on financial assets that are valued at amortized value as well as debt instruments that are valued through other results.

Interest expenses are recognized on financial liabilities that are valued at amortized cost. Interest expenses on deposits are accrued and recognized in the income statement in the period to which they relate.

Fees for granted loans are accrued according to interest calculation algorithm applying effective interest rate, and maturity of deferred income from fee is monitored by the state of the basic debt on the loan. Income from loan approval fees is recognized in the income statement as interest income.

After recognizing impairment of loans and placements, the Bank will recognize interest income on impaired placements using the approach of recognizing interest income on impaired placements by applying the effective interest rate on the amortized cost of the placement or its net value. Impaired loans and advances are those granted to customers and are stated as default defined by the Bank's corporate by-law.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.2. Fee and Commission Income and Expenses**

Fee and commission income and expense that are integral part of effective interest rate of financial asset or liability are included in determining the effective interest rate and are recognized in the income statement as interest income.

Income from fees and commissions for banking services are recognized on causality principle and determined for period when they are realized or when the service was provided. Fees and commissions primarily consist of fees for payment services, foreign exchange transactions, purchase and sale of foreign currency, fees for maintaining accounts with the Bank and other banking services.

Fees for the issuance of guarantees and other sureties are accrued over the term of the guarantee or suretyship, using the pro rata method of calculation and recognized in the income statement as income from fees. Other expenses from fees and commissions mainly relate to fees based on performed transactions and services and are recorded at the time of receiving the service.

*Dividend Income*

Dividend income is recognized when the Bank's right to receive payment is established.

**3.3. Foreign Currency Translation**

Monetary assets and liabilities expressed in foreign currency as of the balance sheet date are translated into dinars at the official middle rate of dinars published by the National Bank of Serbia.

Items included in the Bank's financial statements are measured applying currency of the primary environment in which the Bank operates (functional currency) as stated in Note 2.9.

Income and expenses arising from transactions of purchase and sale of foreign currency and effective foreign currency with natural and legal persons during the period are shown in the Bank's income statement, under the item "Net income based on fees and commissions".

Exchange rate differences resulting from the translation of one currency into another currency at different exchange rates, including exchange rate differences based on the currency clause, are shown in the Bank's income statement, within the item "Net (expenditure)/income from exchange rate differences and the effect of the contracted currency clause".

Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated into the functional currency according to the exchange rate valid on the date when the fair value was determined. Non-monetary assets and liabilities stated at historical cost in a foreign currency are translated using the exchange rate prevailing on the date of the transaction.

Foreign exchange gains/losses incurred during the conversion of monetary assets and liabilities into foreign currency on the balance sheet date are recorded in the Bank's income statement as income or expense based on exchange rate differences. Bank's foreign currency commitments and contingent liabilities as of the balance sheet date were translated into RSD at the middle exchange rate prevailing at the balance sheet date.

Receivables and liabilities containing a foreign currency clause are translated into dinars at the contracted exchange rate applicable as of the balance sheet date. The resulting effects are credited or charged, as appropriate, to the income statement, as foreign exchange gains or losses and effects of the contracted currency clause in the reporting period.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.3. Foreign Currency Translation (Continued)**

Exchange rates of major currencies used in the translation of balance sheet items denominated in foreign currencies, as determined on the interbank foreign exchange market as of 31 December 2025, were as follows:

<u>Currency</u>	<u>31/12/2025</u>	<u>31/12/2024</u>	<u>31/12/2023</u>
CHF	126.0013	124.5237	125.5343
GBP	134.4515	141.1178	135.0550
USD	99.9165	112.4386	105.8671
EUR	117.2820	117.0149	117.1737

**3.4. Financial Instruments**

All financial instruments are initially recognised at fair value (usually equal to the consideration paid) including any directly attributable incremental costs of acquisition or issue, except for financial assets and financial liabilities which are valued at fair value through profit and loss where the above-mentioned costs are recognised through expenses in the profit or loss statement. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions on the market, are recognised on the trade date (or settlement date), i.e. on the date when the Bank commits to purchase or sell the assets (or the date when the Bank commits to receive or transfer the assets).

Financial assets and financial liabilities are recognised in the Bank's balance sheet on the date upon which the Bank becomes counterparty to the contractual provisions of a specific financial instrument. All regular way purchases and sales of financial assets are recognised on the settlement date, i.e. the date the assets are delivered to the counterparty.

**3.4.1. Classification of Financial Assets**

An estimate of how a financial asset will be classified is based on the bank's business model and the performance of the contracted cash flow characteristics test.

Financial assets are classified into the following categories, depending on the valuation method:

- Financial assets measured at amortised cost (AC),
- Financial assets measured at fair value through profit or loss (FVTPL) and
- Financial assets measured at fair value through other comprehensive income (FVOCI).

**Amortised cost (AC)** – financial assets held for the purpose of collecting contracted cash flows, and generated cash flows must consist solely of principal payments (the nominal value of the relevant financial assets to be charged on maturity) and interest (consideration in cash in lieu of borrowed funds), which represents the amount at which the financial asset is measured at initial recognition with an increase or decrease in cumulative depreciation using the effective interest rate method for all differences between the initial amount and the amount at maturity, net of all payments and adjustments based on the calculated expected credit losses.

Rare sales, even high value sales or frequent sales, are small, sales made shortly before the maturity of the financial assets (less than 3 months before maturity) and when the revenue from such sales is roughly the amount that would be collected on the basis of the remaining contractual cash flows, sales due to increased credit risk of financial assets, sales attributable to an isolated event that is out of control of the Bank and which is one-off, are not in contradiction with this model.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Financial Instruments (Continued)****3.4.1. Classification of Financial Assets (Continued)**

The Bank carried out an analysis of the business model for acquiring financial instruments. Furthermore, the Bank analysed the contractual clauses of all financial instruments in the Bank's portfolio to determine whether the contractual cash flows represent only principal payments and interest on the outstanding principal amount, i.e., whose contractual terms do not lead to cash flows that represent only payments of principal and interest on the contracted maturity date (SPPI test).

The Bank's preference, after analyses of the business model and the SPPI test is to measure loans, deposits and other placements at amortised cost. In addition, the Bank has decided to hold a portion of debt securities exclusively for the purposes of collecting contracted cash flows (including principal and interest), and, therefore, it measures them at amortised cost.

**Fair value through other comprehensive income (FVOCI)** – financial assets are held for the purpose of collecting the contracted cash flows and for the sale of that financial asset, as well as on the contractual terms that cash flows arise on certain dates that are only the payment of principal and interest on the outstanding amount of the principal. This model implies higher frequency or value of sales, mainly due to changes in market conditions, and / or for the purpose of maintaining liquidity.

The Bank's preference is to use this business model to evaluate debt securities. If debt securities do not satisfy the test of the characteristics of contracted cash flows, they are valued at fair value through profit or loss.

**Fair value through profit or loss (FVTPL)** – the business model, which results in measurement at fair value through profit or loss, implies that the Bank manages financial assets in order to generate cash flows through the sale of assets. The Bank makes a decision based on the fair value of assets and manages them in order to achieve these fair values. If debt securities or equity securities, including equity holdings, are acquired with the intent to sell them immediately or in the short term, they are classified as assets at fair value through profit or loss.

**3.4.2. Classification of Financial Liabilities**

Financial liabilities are classified as:

- Financial liabilities measured at amortized cost; and
- Financial liabilities measured at fair value through profit and loss (FVTPL).

Liabilities that are irrevocably classified as measured at fair value through profit and loss during the initial recognition are associated with the liability credit risk in terms of the accounting treatment of the effects of movements in that credit risk.

***Deposits from Other Banks and Customers***

All deposits from other banks and customers and interest-bearing borrowings are initially recognised at the fair value of the consideration received including transaction cost, except for financial liabilities through profit and loss. After initial recognition, interest-bearing deposits and borrowings are subsequently measured at amortised cost.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Financial Instruments (Continued)****3.4.2. Classification of Financial Liabilities (Continued)*****Borrowings***

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Borrowings are classified as current liabilities, unless the Bank has the indisputable right to postpone the settlement of obligations for at least 12 months after the balance sheet date.

***Accounts Payable***

Trade payables and other short-term liabilities are stated at nominal value.

**3.4.3. Subsequent Measurement**

The accounting treatment of subsequent measurement depends on the previously performed classification of financial instruments.

***Measurement at Amortised Cost***

The depreciated value of a financial asset or liability is the amount by which the assets or liabilities are measured, net of principal repayments, increased or decreased by accumulated depreciation using the effective interest rate method on the difference between the initial value and the nominal value as of the maturity date of the instrument, less impairment.

Financial assets are valued at amortised cost, if the two criteria are met and if they were not designated at fair value through profit or loss:

- The objective of the business asset management model is the collection of contracted cash flows and
- the contractual terms provide basis for collecting on certain dates of cash flows which are exclusively the collection of principal and interest on the remaining principal.

Financial assets valued at amortised cost relate to debt instruments for which in the procedure of subsequent measurement all related gains/losses are recognised in the income statement (interest income, impairment income/expenses, derecognition and FX gains/losses).

Financial assets measured at amortised cost require the use of effective interest method for calculating the amortised (net) value of financial assets, as well as for the allocation and recognition of interest income in the income statement for the period of the financial asset.

Loans and receivables are measured at amortised cost after initial recognition, using the effective interest rate method, except for loans that do not meet the initial SPPI test requirements at initial recognition and are valued at fair value through profit or loss.

After initial recognition and assessment, all financial liabilities, other than liabilities held for trading and derivatives that are liabilities, are measured at the cost of acquisition. After initial recognition, short-term liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid for the settlement of the liability. Long-term liabilities are measured at amortised cost using the effective interest method.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Financial Instruments (Continued)****3.4.3. Subsequent Measurement (Continued)***Measurement at Fair Value*

The fair value of financial instruments is the amount by which assets can be exchanged or liabilities settled in a transaction under market conditions between informed and willing parties.

The Bank performs valuation of financial instruments at:

- fair value through profit or loss and
- fair value through other comprehensive income.

Financial assets and liabilities classified at fair value through profit or loss are included in the fair value measurement procedure, without including the cost of selling or other costs when the business is terminated. Gains/losses arising from changes in the fair value of these financial instruments, their interest income and foreign exchange gains are recognised in the income statement.

After initial recognition, equity instruments are subsequently measured depending on whether they have a quoted market price. Equity instruments that have a quoted market price are measured at market value, and investments in equity instruments that do not have a quoted market price in an active market are measured using valuation techniques, combining more available approaches and techniques for measuring fair value.

Investments in equity instruments that are not held for trading and which are measured at fair value through other comprehensive income are subsequently measured at fair value, without including the cost of sales or other expenses in case of derecognition.

Investments in debt instruments that are valued at fair value through other comprehensive income are valued following the initial recognition as follows:

- gains/losses from impairment, derived from the same methodology, which is also applied to financial assets measured at amortised cost, are recognised in the income statement;
- gains/losses on exchange differences are recognised in the income statement;
- Interest income, which is calculated using the effective interest method, is recognised in the income statement;
- gains/losses from the fair value change are recognised through other comprehensive income;
- in case of modification made, gains/losses from modification are recognised in the income statement and
- in case of derecognition, cumulative gains/losses previously recognised through other comprehensive income are reclassified from equity to the income statement and adjustment due to reclassification.

Changes in the fair value of financial liabilities for liabilities measured at fair value in the case of changes in fair value that results from a change in their own credit risk are disclosed in the other comprehensive income, and the remaining amount of the change in the fair value of the liability is stated in the income statement.

When measuring fair values, the Bank chooses the approach/techniques that should maximise the use of relevant publicly available data, and minimise the use of data that are not publicly available.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Financial Instruments (Continued)****3.4.3. Subsequent Measurement (Continued)***Measurement at Fair Value (Continued)*

Determining the fair value of financial instruments and recognising the effects of an assessment is carried out in accordance with the Methodology for the valuation of financial instruments in accordance with IFRS 13, adopted by the Bank's Executive Board.

When calculating the effective interest rate, the Bank estimates the expected cash flows by taking into account all contractual terms of a financial instrument (prepayment, extension, purchase and similar options) but does not take into account the expected credit losses.

Calculation additionally includes all fees and items paid or received between the contracting parties which are an integral part of the effective interest rate, transaction costs and any other premiums or discounts.

The fees and charges that are part of the initial effective rates for loans are:

- processing fee (loan approval)
- all other fees representing the Bank's expense or income, with the exemption of fees which the Bank has been defaulting to debtors by third parties (costs of issuing bills of exchange, withdrawal of reports from the Credit Bureau, insurance premiums, and other)
- The loan application fee, which constitutes a part of the effective interest rate, is stated under interest income and expenses. Loan application fees are calculated and collected in advance on a one-time basis, they are accrued and discounted using the effective interest rate method during the loan validity period.

For the calculation of the initial effective interest rates for securities, the following fees are relevant:

- stock exchange commission
- clearing house/custody bank commission
- stock exchange commission based on block transactions for debt instruments
- clearing house commission based on block transactions for debt instruments
- clearing house/custody bank commission for the payment of coupons and principals.

In the case of financial assets with a variable interest rate, it is necessary to recalculate the effective interest rate periodically in accordance with interest rate changes in order to reflect the change in market conditions. In cases where it is not possible to reliably estimate cash flows or the expected life of a financial instrument (or a group of financial instruments), the Bank shall use contracted cash flows throughout the contractual period of a financial instrument (or a group of financial instruments).

**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Financial Instruments (Continued)****3.4.4. Modification of Contractual Cash Flows**

When contractual cash flows are re-contracted or otherwise modified and re-contracting or modifications do not result in derecognition of the financial asset, it is necessary to recalculate the gross carrying amount of the financial asset and to recognize the gain or loss on the modification in the income statement. The gross carrying amount of a financial asset is recalculated as the present value of the re-contracted or modified cash flows discounted using the original effective interest rate of the financial asset (or the credit adjusted effective interest rate for the purchased or issued credit impaired financial assets) or, where applicable revised effective interest rates. The carrying amount of a financial asset is adjusted for any costs or fees that are amortized over the remaining period of the modified financial asset.

In accordance with the requirements of IFRS 9, in the following periods, the loss from the modification will be amortized through interest income until the end of the loan period.

**3.4.5. Date of Recognition of Financial Instruments**

In cases where the purchase or sale of financial assets is preceded by a contract or order to a broker-dealer, the Bank uses the "settlement date and trading date" as the posting date. The settlement date is the date when the asset is delivered to the legal entity or the legal entity delivers the asset to the Bank. Trading date is the date when a legal entity undertakes to sell or buy financial instruments. The securities are recognized on the "trade date". Deposits, liabilities to banks and customers and loans are recognized when the Bank records a cash inflow or outflow.

**3.4.6. Derecognition of Financial Instruments**

The Bank derecognises a financial asset only when:

- contractual rights to cash flows from a financial asset cease to be valid, or
- contractual rights to receive cash flows from a financial asset are transferred, i.e. all risks and benefits from a financial assets are transferred.

If the Bank transfers a financial asset as part of a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it will recognize either the servicing asset or the servicing obligation for that service agreement. The Bank derecognises a financial liability (or part of a financial liability) when it is discharged - that is, fulfilled, cancelled, or expired.

**3.4.7. Reclassification of Financial Assets**

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

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

Each performed reclassification should be published with the following: date of reclassification and value of reclassified assets in each of the categories, reasons for reclassification and quantification of the impact of reclassification on the stated financial and yield position.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Financial Instruments (Continued)****3.4.8. Impairment of Financial Assets and Provisions for Risks**

The methodology for the calculation of the allowance for impairment in accordance with IFRS 9 (hereinafter: the Methodology) defines the principles and procedures for the calculation of the impairment of balance sheet assets and probable loss on off-balance sheet items, i.e. recognition and measurement of expected credit loss in accordance with International Accounting Standards and/or International Standards Financial Reporting. The valuation methods and techniques are supported by a software solution of external service provider, whose methodology is in line with the requirements of IFRS 9.

**a) Concept of Expected Credit Losses**

The Bank calculates and recognizes impairment for all financial instruments that are measured at amortized cost as well as for financial assets that are measured at fair value through other comprehensive income.

Expected credit loss (ECL) is a probability-weighted estimate of credit losses:

- for all financial instruments for which the credit risk has not increased significantly since the moment of initial recognition (level 1) is equal to the expected twelve-month credit losses (or a shorter period, if the expected maturity of the financial asset is shorter than 12 months)
- for all financial instruments for which the credit risk has increased significantly from the moment of initial recognition (level 2) or for which objective evidence of impairment has been identified (level 3) is equal to the expected credit losses over the entire life of the financial instrument.

**b) Allocation Between Calculation Levels**

In accordance with the credit risk assessment, the Bank divides financial instruments into three levels at each reporting date:

Level 1 - financial instruments in which credit risk has not significantly increased since initial recognition, for which the impairment is equal to the expected credit losses over the next year or less if the expected maturity of the financial instrument is shorter than 12 months;

Level 2 - financial instruments where credit risk has significantly increased since initial recognition, for which the allowance is equal to the expected credit losses over the life of the instrument;

Level 3 - financial instruments where there is identified objective evidence of impairment at the reporting date, for which the impairment is equal to the expected credit losses over the life of the instrument.

For each reporting period, the Bank assesses whether there has been a significant increase in credit risk or whether there is identified objective evidence of impairment for all financial instruments individually in relation to the date of initial recognition.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.4. Financial Instruments (Continued)**

**3.4.8. Impairment of Financial Assets and Provisions for Risks (Continued)**

*c) Portfolio Segmentation*

For the purpose of calculating the impairment, the loan portfolio is divided into the following homogeneous groups (portfolio segments):

- exposures to legal entities and entrepreneurs,
- exposures to state-owned legal entities,
- exposures to individuals,
- exposures to financial institutions (domestic and foreign banks and other financial institutions),
- exposures to countries and central banks.

*d) Calculation of Impairment - General Concept*

The Bank expected credit losses for the entire life of a financial instrument are calculated using the following formula:

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

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

In this way, estimated credit losses for the entire period of the financial instrument are losses recognised by the Bank for the purpose of calculating value adjustment at level 2, while the highest one-year share of credit losses calculated in this manner represents the expected credit loss recognized for financial instruments at level 1.

EAD, i.e. exposure at default, is an estimate of the book value in accordance with IFRS 9 at the time of default, taking into account the profile of contracted cash flows as well as possible additional withdrawals from approved lines before the default.

The Bank's approach in the context of EAD calculation depends on whether the Bank has contracted cash flows as well as an agreed maturity date.

Accordingly, for instruments where there are agreed cash flows, as well as where the maturity is clearly agreed, the Bank considers the agreed cash flows under the repayment schedule as relevant.

For financial instruments for which there are no defined cash flows, as well as agreed maturities, the Bank determines them based on empirical experience.

In cases of undefined maturities, the Bank defines the maturity of an individual financial instrument based on experience in similar cases.

Probability of default (PD), i.e. the probability that the debtor will reach the default status during the life of the financial instrument is one of the basic parameters used in the calculation of impairment in accordance with IFRS 9.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Financial Instruments (Continued)****3.4.8. Impairment of Financial Assets and Provisions for Risks (Continued)****d) Calculation of Impairment - General Concept (Continued)**

All of the following types of PDs are available both at the level of an individual financial instrument and at the level of internal rating within each of the segments individually:

- Marginal PD
- Forward PD
- Cumulative PD
- Forward lifetime PD

The Bank's approach to drafting multi-annual PDs is generally based on a transition matrix approach and takes into account the necessary adjustments over time (Point in time) and taking into account future information on macroeconomic conditions (forward-looking) to ensure consistency with the requirements of IFRS 9.

The Bank's calculation of PDs is based on transit matrices for each portfolio segment.

The assessment of the impairment of receivables by identified groups is determined on the basis of data from previous periods.

The parameter Loss given default, i.e. LGD, represents an estimate of the loss of an individual financial instrument, assuming the occurrence of the default, i.e. the default status.

In its assessment of credit losses measured in accordance with IFRS 9, the Bank wants to reflect the possibility of collecting cash flows from both regular cash flows, but also collateral and other collateral, which are directly related to the financial instrument. In that sense, the Bank generally applies the concept of separate LGD secured and LGD unsecured depending on the degree of security of an individual placement.

The assessment of the calculation of the allowance in Level 3 is performed for all exposures with the identified default status, i.e. default status. Within Level 3 of the calculation, and according to the criterion of materiality of receivables, the Bank divides into individual and group assessment of impairment.

For Level 3 financial instruments, for all legal entities regardless of the amount of exposure and individuals exceeding the materiality threshold of RSD 500,000, the Bank applies an individual assessment of impairment, taking into account several possible collection scenarios when estimating expected future cash flows.

As consistent with the standard, expected credit losses represent the probability of a weighted estimate of credit losses, the Bank recognizes the existence of several possible collection scenarios when estimating expected future cash flows. The Bank applies at least two scenarios, taking into account that the sum of the probabilities of all scenarios must be 100%.

For all other financial assets in Level 3, which do not meet the criteria for individual assessment, the collective valuation of impairment is applied. The Bank has no exposure to POCI assets in accordance with IFRS 9.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Financial Instruments (Continued)****3.4.9. Derivatives**

Derivatives are measured at fair value, and gains / losses on changes in fair value are recognized in the income statement. Hybrid financial assets are always assessed and reported as a whole. Hybrid financial assets are measured at amortized cost if the cash flows generated by the asset represent principal repayments and interest payments, or at fair value if this is not the case.

**3.5. Classification of Balance Sheet Assets and Off-Balance Sheet Items**

Classification of balance sheet and off-balance sheet items is calculated based on the Decision of the National Bank of Serbia on classification of balance sheet and off-balance sheet items (“Official Gazette of Republic of Serbia“ No. 94/2011, 57/2012, 123/2012, 43/2013, 113/2013, 135/2014, 25/2015, 38/2015, 61/2016, 69/2016, 91/2016, 101/2017, 114/2017, 103/2018, 8/2019, 10/2024, 52/2024, 21/2025 and 70/2025).

Total receivables from single debtor (balance and off-balance items) are classified in categories from A to D, depending on the potential of receivables collection. Collection of receivables from single debtor is based on timely settlement of debts, his financial position, days past due in principal and interest, as well as based on the quality of collaterals. Through its internal act, the Bank has defined the criteria and methodology for determining classification of receivables and calculation of special reserves for estimated losses in accordance with the criteria defined in the Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items. The basic criteria for classification of receivables include the debtor’s defaults in settlement of liabilities, financial position and business performance, adequacy of cash flows and collaterals.

**3.6. Cash and Cash Equivalents**

Cash is petty cash and demand deposits (giro account and foreign currency accounts) held by banks in the country and abroad, and cash equivalents are short-term highly liquid investments that can be redeemed directly with insignificant risk of impairment, deposits with the National Bank of Serbia and short-term securities that can be refinanced with the National Bank of Serbia. Cash and cash equivalents for cash flow statement include petty cash, giro account with the Central Bank and current accounts with other banks and instruments in the process of collection.

**3.7. Repurchase Agreements (“Repo Transactions”)**

Securities purchased under agreements to resell at a specified future date (repos), are recognized in the balance sheet.

The corresponding cash received, including accrued interest, is recognized in the balance sheet. The difference between the sale and repurchase prices is treated as interest expenses and is accrued over the life of the agreement.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.8. Intangible Assets**

Intangible assets are non-monetary assets identified even they do not have a physical feature (patents, licenses, accounting software). Intangible assets are measured at cost. After initial recognition, intangible assets are stated at cost less accumulated amortization and impairment losses.

The Bank's intangible assets include software licenses and intangible assets in preparation. The calculation of amortization of intangible assets starts from the following month in relation to the month in which the intangible assets are available for use. All intangible assets in use are amortized. Depreciation is calculated on a straight-line basis over the estimated useful lives of the costs. Expenses related to the maintenance of software programs are recognized as an expense in the period in which they are incurred.

Amortization of intangible assets is calculated by straight-line method to reduce it value to residual one over their estimated useful lives, as follows:

Intangible assets 20% (or more depending on the time of use specified in the contract)

Intangible assets are derecognised upon disposal or when they are permanently withdrawn from use. Gains or losses arising on disposal are determined as the difference between the net disposal proceeds and the carrying amount and are recognized as an expense or income in the income statement.

**3.9. Property, Plant and Equipment**

The Bank's fixed assets consist of land, buildings, equipment and other assets. Fixed assets are initially recognized at cost, which comprise the purchase price including all directly-attributable incremental costs, less any trade discounts and rebates.

Subsequent to initial recognition, land and buildings are measured at revalued amount, which represents their fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses.

Buildings are stated at estimated market value, less accumulated depreciation. The positive effect of revaluation of buildings was credited to revaluation reserves. The frequency of revaluation depends upon change in fair value in relation to the carrying amount of buildings. In 2025, the Bank performed market value appraisal of buildings (Note 20).

The Bank's equipment is stated at cost less accumulated depreciation.

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

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.9. Property, Plant and Equipment (Continued)**

Depreciation is calculated on a straight-line basis over the cost of property, plant and equipment, using the following prescribed annual rates in order to write them off completely over their useful life:

Vehicles	15.5%
Buildings	1.3%
Computer equipment	20%- 33.3%
Furniture	10%–12.5%
Other assets	4%-20%

Changes in the expected useful lives of assets are considered as changes in the accounting estimates. Calculation of depreciation of property and equipment starts at the beginning of the month following the month when asset is activated. Assets under construction are not depreciated. Depreciation charge is recognized as an expense in the period in which it is incurred.

Gains or losses from disposal of property and equipment are credited directly to other operating income, whereas any losses arising on disposal of property and equipment are charged to other operating expenses.

Depreciation and amortisation for tax purposes is calculated in accordance with the Law on Corporate Income Tax of the Republic of Serbia and the Rulebook on the Manner of Fixed Assets Classification in Groups and Depreciation for Tax Purposes. Since these are two separate depreciation model, it is not possible to regulate the same treatment in accounting policies. The temporary difference between depreciation according to accounting regulations and depreciation according to tax regulations is shown on the accounts of deferred tax assets or liabilities.

**3.10. Investment Property**

Investment property is property held in order to earn rentals or increase the value of capital, or both, and not for sale in the ordinary course of business or for administrative purposes.

Initial measurement of investment property on acquisition is carried out at cost. At initial measurement, attributable costs of acquisition are included in the cost of the investment property.

After initial recognition, subsequent measurement of investment property is performed using the fair value method. Gains or losses arising from changes in fair value of investment property are recognized as income or expense for the period in which they arise.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.11. Non-current Assets Held for Sale**

An entity is classified a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets is classified as that one if the following criteria are met:

- Asset (or group of assets) is available for immediate sale in its present condition subject;
- Committed sale plan and activities that begun upon implementation sales plan;
- There is active market for such asset and it is actively present in that market;
- Probability of sale is very high, i.e. there is expectation that the sale will be realized within a year from the day of classification as a Non-current assets held for sale.

A non-current asset held for sale is initially measured at the lower of its carrying amount or fair value less costs to sell.

From the moment the asset is classified as non-current assets held for sale, the depreciation ceases.

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

- Carrying amounts of the asset before the non-current asset is classified as held for sale, adjusted for the calculated depreciation and impairment that would have been recognized had the non-current asset not been classified as held for sale, and
- Recoverable amounts at the date of the subsequent decision not to sell the asset.

**3.12. IFRS 16 - Leases**

IFRS 16 applies to all lease agreements, including leases governed by sublease agreements.

A lease is a contract, or part of a contract, that assigns / transfers the right to use certain property during a given period in exchange for compensation. Assets with the right of use are assets that represent the right of the lessee - lessee to use the property during the lease.

From the first day of the lease, the Bank recognizes the right to use and the obligation under the lease (assets are recognized with the right to use, and liabilities are recognized as a lease for the entire estimated period of the lease).

The Bank shows in the Balance Sheet, assets and liabilities with right-of-use separately from other assets and liabilities.

The Bank has chosen not to apply the basic recognition, evaluation and presentation requirements for short-term leases and leases whose subject matter is small assets. All payments for such leases are recognized by the Bank as an expense on a straight-line basis over the term of the lease.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.12. IFRS 16 - Leases (Continued)***Initial Measurement of Right-of-Use Assets*

Right-of-use assets are valued at cost, which includes: the amount of initially measured lease liability, all payments from lease on or before the first day of lease, all initial direct costs, possible estimate of costs that the lessee will have when returning the property to its original condition and others.

*Initial Measurement of Lease Liabilities*

On the first day of the lease, the lease liability is measured at the present value of all lease payments that have not been made by that date. Liabilities are discounted at the incremental interest rate of the indebtedness.

The incremental borrowing rate of the lessee is the interest rate that the lessee would have to pay to borrow within a similar period and with similar guarantees the funds necessary for the acquisition of assets of similar value as assets with the right of use in a similar economic environment.

Based on the lease agreement, the Bank recognizes in the income statement depreciation expense, interest expense, exchange rate differences or the effects of the currency clause and the cost of tax (VAT).

In 2025 the Bank has a finance lease agreement.

**3.13. Impairment of Non-Financial Assets**

Assets with an indefinite useful life are not subject to depreciation; instead, they are reviewed annually to determine whether their value has been impaired. For assets that are subject to depreciation, an impairment test is performed when events or changed circumstances indicate that the carrying amount may not be recovered. An impairment loss is recognized in the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

**3.14. Provisions and Contingencies**

Provisions are recognized when the Bank has a present obligation, legal or constructive, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. In order to be maintained, the best possible estimates are considered, determined and, if necessary, adjusted at each balance sheet date. Provisions are measured at the present value of the expected expenditure to settle the obligation, using a discount rate that reflects current market assessments of the time value of money.

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

Contingent liabilities are not recognized in the financial statements. Contingent liabilities are disclosed in the notes to the financial statements, unless the possibility of outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.14. Provisions and Contingencies (Continued)****Employee Benefits****(a) Defined Benefit Plans**

In accordance with the regulations prevailing in the Republic of Serbia, the Bank is obliged to pay taxes and contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee and by the employer, in an amount calculated by applying specific rates prescribed by law. The Bank is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. The Bank has no legal obligation to pay further benefits due to its employees by the Pension Fund of the Republic of Serbia upon their retirement. Taxes and contributions related to defined benefit plans are recorded as expense in the period to which they relate.

The Bank does not have its own pension funds or options for shares payments to employees and thus any liabilities are not incurred as of 31 December 2025.

**(b) Other Employee Benefits - Retirement Benefits and Jubilee Awards**

According to the Employee Handbook, the Bank is obligated to pay retirement benefits in the amount equal to 3 average gross salaries realized in the Republic of Serbia, according to the latest data published by the state authority responsible for statistics.

Costs and liabilities under these plans are not provided by funds. Provisions for these benefits and related costs are recognized in the amount of present value of expected future cash flows using the actuarial design method per unit of interest (Note 25). Actuarial gains and losses and costs of previously rendered services are recognized in the income statement when incurred.

Bank's long-term liabilities arising from the provisions for retirement benefits after fulfilling the prescribed conditions in accordance with the Labor Law are stated as of 31 December 2025 and they represent the present value of future payments to employees, determined under the following assumptions:

- Discount rate: 6.00%;
- Salary growth rate in the Republic of Serbia: 8%;
- Employee turnover rate: 4,5%; and
- Basis for calculating mortality for the approximate age of employees are mortality tables in Serbia based on the last census.

**(c) Short-term Compensated Absences**

Accumulated paid leave may be carried forward and used in subsequent periods, if it is not fully utilized in the current period. Expected costs of paid leave are recognized in the amount of accumulated unused rights at the balance sheet date, which are expected to be used in the following period. In the case of non-accumulated paid leave, the liability or expense is not recognized until the time of leave is used.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.15. Equity**

Equity consists of share capital (ordinary shares) and other capital, revaluation reserves and retained earnings from the current and previous year (Note 27).

The positive effects of the valuation of buildings are recorded to revaluation reserves.

Gains and losses arising from fair value changes of securities measured at fair value through other comprehensive income are recorded within revaluation reserves.

**3.16. Financial Guarantees**

In the ordinary course of business, the Bank issues financial guarantees consisting of payment guarantees and performance guarantees, letters of credit, acceptance and other warranties. Financial guarantees are contracts that oblige the issuer of guarantee to make payment or compensate the loss to the recipient of guarantee, incurred if a certain creditor fails to settle its obligations in due time as required under the terms of the contract.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee is given, after the inflow of fees based on the approval of the financial guarantee. Subsequent to initial recognition, the Bank's liabilities arising from financial guarantees are measured at the amount of the amortized cost or the best estimate of the expenditure required to settle the financial liability arising from the guarantee, whichever is greater.

The increase in liabilities related to financial guarantees is recognized in the income statement. Fees received are recognized in the income statement within fee and commission income on a straight-line basis over the term of the guarantee.

**3.17. Deposits and Other Financial Liabilities**

Deposits from banks and customers, as well as other interest-bearing financial liabilities are initially recognized at fair value less transaction costs incurred, except financial liabilities at fair value through profit or loss.

After initial recognition, interest-bearing deposits and loans are stated at amortized cost obtained by effective interest method.

**3.18. Accounts payable**

Accounts payable are recognized at nominal value.

**3.19. Inventories**

Inventories are stated at the lower of cost and net realizable value.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.20. Taxes and Contributions**

*(a) Income Taxes*

*Current Income Tax*

Current income tax is calculated and paid in accordance with the provisions of the Law on Corporate Income Tax of the Republic of Serbia ("Official Gazette of the Republic of Serbia", No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015, 113/2017, 95/2018, 86/2019, 153/2020, 118/2021 and 94/2024) and relevant by-laws.

Current tax represents expected liability or receivables from taxable profit for the accounting period, using the tax rates that are or will be valid on the reporting date. Profit tax is calculated in accordance with the Law on Profit Tax of the Republic of Serbia and for 2025 is 15%. The tax base represents the business result before taxation shown in the income statement corrected in accordance with the tax regulations of the Republic of Serbia.

Tax regulations in the Republic of Serbia do not allow the tax losses from the current period to be used as a basis for the refund of taxes paid in a certain previous period. However, losses from the current period can be used to reduce the tax base of future accounting periods, but not longer than five years.

*Deferred income tax*

Deferred income tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and tax losses and credits, which may be carried forward to subsequent fiscal periods, to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized.

Current and deferred taxes are recognized as income and expense and are included in net profit for the period. Deferred income tax relating to items whose effects of changes in value are recognized directly in profit or loss is also charged or credited to equity. Deferred tax assets and liabilities are calculated at the tax rate that is expected to apply in the period in which the asset is realized, i.e. the liability is settled. As of 31 December 2025, deferred tax assets and liabilities were calculated at the rate of 15% (31 December 2024: 15%).

Current and deferred taxes are recognized as income and expense and are included in net profit for the period. Deferred income tax related to items whose effects of change in value are recorded directly to the benefit or charge of capital are also recorded as a charge or charge to capital. Deferred tax assets are subject to analysis at the end of each reporting period and are adjusted to the amount for which it is no longer probable that the necessary taxable profit will be realized.

*(b) Taxes and Contributions not related to Operating Result*

Taxes and contributions not related to operating result include property tax, value added tax, contributions on salaries charged to employer, as well as other taxes and contributions that are paid in accordance with the tax regulations of the Republic of Serbia and local tax regulations. These taxes and contributions are included within other expenses.

**3.21. Earnings per Share**

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

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.22. Funds Managed on Behalf of Third Parties**

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

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

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

**(a) Impairment of Financial Assets**

At each reporting date, the Bank assesses, whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are recognized only if there is objective evidence of impairment because of one or more events that occurred after the initial recognition of the asset (loss event) and when loss affects the estimated future cash flows of a financial asset or group of financial assets that can be estimated reliably.

When assessing impairment losses on loans, the Bank reviews its loan portfolio at least quarterly to assess whether there is any impairment. In determining whether an impairment loss should be recognized in the income statement, the Bank assesses whether there is reliable evidence that demonstrates a measurable decrease in the estimated future cash flows from the loan portfolio before impairment that can be identified on individual loans in the portfolio.

This evidence may include available information indicating adverse changes in the debtor's status with respect to the payment of a liability to the Bank, or national or local circumstances that have an adverse effect on the Bank's assets.

The Bank's management makes estimates based on experience of previous loan losses for all assets with credit risk characteristics and objective evidence of impairment similar to that of the loan portfolio that existed at the time of planning future cash flows. The methodology and assumptions used for estimating the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)****(b) Determination of Fair Value of Financial Instruments**

The fair value of financial instruments traded in active markets as of the balance sheet date is based on their quoted market prices, without any deductions for transaction costs. For all other financial instruments not listed in an active market, the fair value is determined using the appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

When market inputs are not available, they are determined by estimates that include a certain degree of assumptions in the estimate of fair value. Valuation models reflect the current market conditions as of the measurement date and do not necessarily represent market conditions before or after the date of measurement. Consequently, all valuation techniques are revised periodically, in order to appropriately reflect the current market conditions.

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

The determination of the useful lives of intangible assets, property and equipment is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions.

**(d) Impairment of Non-Financial Assets**

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

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

**(e) Provisions for Litigations**

A provision for legal costs is established when it is probable that a liability exists, the amount of which can be reliably estimated through careful analysis. The required provision may change in the future due to new events or new information.

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

**(f) Deferred Tax Assets**

Deferred tax assets are recognized for all tax losses and/or tax credits to the extent to which taxable profit will be available against which the unused tax losses /credits can be utilised. Significant estimate of the management is necessary to determine the amount of deferred tax assets which can be recognized, based on the period in which it was created and the amount of future taxable profits and the tax policy planning strategy.

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

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**

**(g) Retirement Benefits**

The costs of defined employee benefits payable upon the termination of employment, i.e. retirement in accordance with the legal requirements are determined based on the actuarial valuation. The actuarial valuation includes an assessment of the discount rate, future movements in salaries, mortality rates and fluctuations in the number of employees. As these plans are long-term ones, significant uncertainties influence the outcome of the assessment. The actuarial assumptions and calculation are disclosed in Note 3.14. to financial statements.

Were the discount rate used to differ by 1.0% percentage point (higher/lower) from management's estimates, the provision for retirement benefits would be by an estimated RSD 1,748 thousand lower or RSD 2,150 thousand higher than the provision stated in the Bank's financial statements for the year ended 31 December 2025.

**5. INTEREST INCOME AND EXPENSES**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
<b>Interest income</b>		
National Bank of Serbia	1,234,384	1,168,537
Banks and other financial institutions	43,301	64,606
Corporate customers	202,463	228,271
Public sector	763,868	466,314
Public enterprises	187,615	245,221
Retail customers	1,947	1,624
Foreign entities (banks)	85,962	154,320
	<b>2,519,540</b>	<b>2,328,893</b>
<b>Interest expenses</b>		
Banks	(1,769)	(2,978)
Insurance and financial services	(83,824)	(113,424)
Lease interest	(188)	(302)
Corporate customers	(24,959)	(8,918)
Public sector	(63,442)	(73,226)
Public enterprises	(274,928)	(228,286)
Bankrupt banks	(43,943)	(93,717)
Retail customers	(217)	(143)
Other customers	(2,878)	(25,598)
	<b>(496,148)</b>	<b>(546,592)</b>
<b>Interest income</b>	<b>2,023,392</b>	<b>1,782,301</b>

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

**5. INTEREST INCOME AND EXPENSES (Continued)**

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

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
<b>Interest income</b>		
Deposits with the National Bank of Serbia	1,234,384	1,168,537
Placements to banks	128,402	218,926
Placements to customers	430,163	485,870
Securities	726,591	455,560
	<b>2,519,540</b>	<b>2,328,893</b>
<b>Interest expenses</b>		
Deposits of financial institutions	(85,781)	(116,705)
Customer deposits	(410,367)	(429,887)
	<b>(496,148)</b>	<b>(546,592)</b>
<b>Interest income</b>	<b>2,023,392</b>	<b>1,782,301</b>

**6. FEE AND COMMISSION INCOME AND EXPENSES**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Fee and commission income		
Domestic payment transactions	60,192	54,565
Fee income from foreign exchange operations	93,896	76,959
Foreign payment transactions	69,441	56,754
Banking services per foreign currency transactions	48,273	49,758
Operations with retail customers	8,587	5,348
Card transactions	6,112	4,992
Warranty and other guarantee operations	161,451	135,993
Factoring	2,582	3,940
Other fees and commissions	172	103
	<b>450,706</b>	<b>388,412</b>
Fee and commission expenses		
Domestic payment transactions	(6,897)	(6,505)
Fee expenses from foreign exchange operations	(13,646)	(9,375)
Foreign payment transactions	(2,523)	(2,141)
Card transactions	(2,871)	(2,666)
Other fees and commissions	(1,568)	(20)
	<b>(27,505)</b>	<b>(20,707)</b>
<b>Fee and commission income</b>	<b>423,201</b>	<b>367,705</b>

Realized foreign exchange differences related to transactions under currency derivative contracts were reclassified, in the full amount recorded in 2024, from the line item Fee and commission income and expenses to Net loss from fair value changes of financial instruments (Note 9). Fee expenses from foreign exchange operations were reduced by the amount of RSD 223,320 thousand, while fee income from foreign exchange operations were reduced by RSD 6,445 thousand.

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

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

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Net foreign exchange gains	474,305	427,241
Net foreign exchange losses	(523,766)	(407,108)
<b>Net foreign exchange gains/(losses)</b>	<b>(49,461)</b>	<b>20,133</b>
Gains from contracted currency clause application	15,909	3,506
Losses from contracted currency clause application	(9,375)	(7,494)
<b>Net loss from contracted currency clause application</b>	<b>6,534</b>	<b>(3,988)</b>
<b>Net foreign exchange gains/(losses) and effects of contracted foreign currency clause</b>	<b>(42,927)</b>	<b>16,145</b>

**8. OTHER OPERATING INCOME AND OTHER INCOME**

a) Other operating income

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Operating income	1,334	1,420
Rental income	40,828	40,736
Other operating income	248	272
<b>Total other operating income</b>	<b>42,410</b>	<b>42,428</b>

b) Other income

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Gains from value changes of investment property	1,592	1,895
Gains from release of provisions	110	328
Other income	2,945	2,422
<b>Total other operating income</b>	<b>4,647</b>	<b>4,645</b>

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

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**9. NET LOSS FROM FAIR VALUE CHANGES OF FINANCIAL INSTRUMENTS**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Negative effects of value changes of derivatives	(582,154)	(381,214)
Negative effects of value changes of financial assets at fair value through profit or loss	(730)	(633)
<b>Total negative effects</b>	<b>(582,884)</b>	<b>(381,847)</b>
Positive effects of value changes of derivatives	232,774	173,279
Positive effects of value changes of financial assets at fair value through profit or loss	1,598	1,687
<b>Total positive effects</b>	<b>234,372</b>	<b>174,966</b>
<b>Net loss</b>	<b>(348,512)</b>	<b>(206,881)</b>

**10. NET INCOME FROM HEDGE ACCOUNTING**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Positive effects of value changes of derivatives intended for hedging purposes	16	12
<b>Net income</b>	<b>16</b>	<b>12</b>

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

**11. NET IMPAIRMENT GAINS / (LOSSES) FROM FINANCIAL ASSETS NOT  
MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
<b>Impairment losses of placements and provisions</b>		
- Cash and balances with the Central bank (Note 16)	(810)	(312)
- Loans and placements to banks and other financial institutions (Note 18)	(623,767)	(178,904)
- Loans and placement to customers (Note 19(c))	(241,261)	(156,700)
- Securities (Note 17)	(3,788)	(4,116)
- Other assets (Note 22)	(3,422)	(353)
	<b>(873,048)</b>	<b>(340,385)</b>
Provisions for losses on off-balance sheet assets (Note 25)	(15,881)	(15,163)
Expenses for write-offs of uncollectible receivables	(22)	-
	<b>(15,903)</b>	<b>(15,163)</b>
<b>Reversal of impairment losses of placements and provisions</b>		
- Cash and balances with the Central bank (Note 16)	959	52
- Loans and placements to banks and other financial institutions (Note 18)	115,161	197,214
- Loans and placement to customers (Note 19(c))	227,879	133,971
- Securities (Note 17)	4,540	3,238
- Other assets (Note 22)	3,259	328
	<b>351,798</b>	<b>334,803</b>
Gains from release of provision for off-balance sheet items (Note 25)	16,542	14,605
Recovery of receivables previously written-off	132,350	22,850
	<b>148,892</b>	<b>37,455</b>
Impairment of securities measured at fair value through other comprehensive income	(9,227)	(12,935)
Reversal of impairment losses of securities measured at fair value through other comprehensive income	2,543	1,390
<b>Total income/expenses</b>	<b>(394,945)</b>	<b>5,165</b>

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

**12. SALARIES, COMPENSATIONS AND OTHER PERSONAL EXPENSES**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Net salaries and compensations	245,438	203,089
Payroll taxes and contributions payable by the employee	93,569	77,463
Expenses for unused annual holidays	3,182	3,435
Provisions for retirement benefits and jubilee awards (Note 25)	5,720	3,800
Other personal expenses	1,558	919
<b>Total</b>	<b>349,467</b>	<b>288,706</b>

**13. DEPRECIATION AND AMORTISATION EXPENSE**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
- Depreciation of fixed assets (Note 20)	57,236	56,847
- Depreciation of leased equipment (Note 20)	1,304	1,304
- Amortization of intangible assets (Note 20)	10,393	11,594
<b>Total</b>	<b>68,933</b>	<b>69,745</b>

**14. OTHER EXPENSES**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Payroll contributions payable by the employer	50,354	41,869
Non-material services	81,151	75,508
Maintenance of fixed assets	186,501	170,608
PTT and telecommunications services	14,629	13,804
Taxes and charges	18,839	18,000
Advertising and marketing fees	239	239
Insurance premiums	15,329	12,674
Donations and sponsorships	4,323	4,366
Cash security and transportation costs	27,660	24,070
Cost of material and energy	26,387	24,682
Refurbishment of office premises	1,933	5,735
Provisions for litigations (Note 25)	866	918
Court expenses	3,106	2,968
Cost of lost disputes over fees and compensations	311	-
Fees of public bailiffs	2,301	2,626
Other	17,739	8,267
<b>Total other expenses</b>	<b>451,668</b>	<b>406,334</b>

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

**15. INCOME TAXES**

*(a) Components of Income Taxes*

Total tax income/(expense) comprises the following:

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Current income tax	-	-
Deferred tax income/(expense)	(6,281)	(2,793)
	<b>(6,281)</b>	<b>(2,793)</b>

*(b) Numerical Reconciliation of Income Tax and Profit for the Year before Tax Multiplied by the Statutory Income Tax Rate*

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Profit/loss before tax	837,214	1,246,735
Tax effect of expenses not deductible for tax purposes	556,292	22,781
Depreciation from the financial statements	68,932	69,745
Depreciation for tax purposes	(89,303)	(84,646)
Tax effects of income adjustment	(358)	(600)
Tax effect of interest income on debt securities	(1,851,591)	(1,333,634)
<b>Tax loss carried forward to the following periods</b>	<b>(478,813)</b>	<b>(79,619)</b>
Tax base	-	-
Tax rate	15%	15%
Computed tax	-	-
Deferred tax income/(expense)	6,281	2,793
<b>Income taxes</b>	<b>6,281</b>	<b>2,793</b>
<b>Effective tax rate</b>	<b>0.75%</b>	<b>0.22%</b>

*(c) Deferred Tax Liabilities*

Deferred tax liabilities are recognised for all temporary differences between carrying amount of fixed assets and intangible assets reported in the financial statements and their tax bases, as well as for temporary differences arising from the revaluation of fixed assets.

Deferred tax liabilities are calculated at the effective interest rate of 15%, the application of which is expected in the period when the liability will be settled.

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

**15. INCOME TAXES (Continued)**

*(c) Deferred Tax Liabilities (Continued)*

Movements in deferred tax liabilities during the year are shown in the following table:

	In RSD thousand	
	2025	2024
<b>Balance as of 1 January</b>	<b>85,429</b>	<b>79,595</b>
The effect of changes in revaluation reserves based on property fair value	6,888	3,041
The effect of temporary differences charged/credited to income statement	6,281	2,793
<b>Balance as of 31 December</b>	<b>98,598</b>	<b>85,429</b>

**16. CASH AND BALANCES WITH CENTRAL BANK**

	In RSD thousand	
	2025	2024
<b>In RSD</b>		
Current account	3,316,759	2,055,316
Cash on hand	34,282	23,732
Interest receivable from the National Bank of Serbia	1,474	1,874
Deposits of excess liquidity	-	4,000,000
	<b>3,352,515</b>	<b>6,080,922</b>
<b>In foreign currency</b>		
Required reserve with NBS	4,039,786	4,189,951
Cash on hand	66,392	51,660
Other cash equivalents	5,710	14,048
	<b>4,111,888</b>	<b>4,255,659</b>
<b>Total</b>	<b>7,464,403</b>	<b>10,336,581</b>
<i>Less: Allowance for impairment</i>	<i>(110)</i>	<i>(260)</i>
<b>Balance as of 31 December</b>	<b>7,464,293</b>	<b>10,336,321</b>

Pursuant to the National Bank of Serbia's Decision on Banks' Reserve Requirement with the National Bank of Serbia, the Bank is required to calculate and deposit its obligatory dinar reserve at the rate of 2% and 7% depending on the agreed maturity on the average daily balance of dinar funds during the preceding calendar month on its current account with the National Bank of Serbia. As of 31 December 2025, the calculated reserve requirement in dinars amounted to RSD 5,054,152 thousand (31 December 2024: RSD 4,709,837 thousand).

The interest rate on the allocated RSD required reserve during 2025 was 0.75% per annum.

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

**16. CASH AND BALANCES WITH CENTRAL BANK (Continued)**

The Bank calculates and sets aside the required foreign currency reserve by applying 23% for liabilities with contractual maturity of up to 730 days, and 16% for liabilities with contractual maturity of over 730 days to the amount of the average daily balance of foreign currency funds in the preceding calendar months, and exceptionally at the rate of 100% to the portion of foreign currency base including RSD liabilities indexed with the contracted foreign currency clause.

As of 31 December 2025, the required foreign currency reserve with the NBS amounted to RSD 3,841,333 thousand (31 December 2024: RSD 3,510,176 thousand).

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

The Bank deposits a surplus of its available dinar funds with the National Bank of Serbia on a daily basis. As of 31 December 2025, the Bank had no deposits of excess liquidity, whereas as of 31 December 2024 the deposited surpluses of available funds with the NBS amounted to RSD 4,000,000 thousand. The Bank earns interest based on deposits of excess liquidity.

An interest rate on overnight deposits of excess dinar liquidity with the NBS (deposit facilities) was 4.50% per annum in 2025, while in 2024 it ranged from 4.50% to 5.25% per annum.

Movements on the allowance for impairment of cash during the year were as follows:

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Balance as of 1 January	260	-
Reversal of impairment	(959)	(52)
New charges	809	312
<b>Balance as of 31 December</b>	<b>110</b>	<b>260</b>

An overview of the differences between the Cash and Balances line item with the Central Bank and the Statement of Cash Flows as of 31 December 2025 and 31 December 2024 is presented below:

	<b>In RSD thousand</b>		
	<b>Balance sheet</b>	<b>Statement of cash flows</b>	<b>Difference</b>
<b>In RSD</b>			
Current account	3,316,759	3,316,759	-
Cash on hand	34,282	34,282	-
Interest receivables	1,474	-	1,474
	<b>3,352,515</b>	<b>3,351,041</b>	<b>1,474</b>
<b>In foreign currency</b>			
Cash on hand	72,102	72,102	-
Foreign currency accounts	-	137,979	(137,979)
Foreign currency reserve requirement	4,039,786	-	4,039,786
Allowance for impairment	(110)	-	(110)
	<b>4,111,778</b>	<b>210,081</b>	<b>3,901,697</b>
<b>Balance as of 31 December 2025</b>	<b>7,464,293</b>	<b>3,561,122</b>	<b>3,903,171</b>

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

**16. CASH AND BALANCES WITH CENTRAL BANK (Continued)**

The required reserve with National Bank of Serbia is not available for the Bank's daily business transactions, which is why it is not part of the cash flows.

	<b>In RSD thousand</b>		
	<u>Balance sheet</u>	<u>Statement of cash flows</u>	<u>Difference</u>
<b>In RSD</b>			
Deposits of excess liquidity with the NBS	4,000,000	-	4,000,000
Current account	2,055,316	2,055,316	-
Cash on hand	23,732	23,732	-
Interest receivables	1,874	-	1,874
	<u>6,080,922</u>	<u>2,079,048</u>	<u>4,001,874</u>
<b>In foreign currency</b>			
Cash on hand	65,708	65,708	-
Foreign currency accounts	-	224,018	(224,018)
Interest receivables	-	-	-
Foreign currency reserve requirement	4,189,951	-	4,189,951
Allowance for impairment	(260)	-	(260)
	<u>4,255,399</u>	<u>289,726</u>	<u>3,965,673</u>
<b>Balance as of 31 December 2024</b>	<u>10,336,321</u>	<u>2,368,774</u>	<u>7,967,547</u>

Movements in liabilities arising from financing activities, loans received, were as follows:

	<b>In RSD thousand</b>	
	<u>2025</u>	<u>2024</u>
<b>Balance as of 1 January</b>	-	15,065
Settlement of liabilities arising from borrowings	-	(15,065)
The effect of exchange rate differences	-	-
<b>Balance as of 31 December</b>	-	-

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

**17. SECURITIES**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
<b>In RSD</b>		
Securities measured at fair value through profit and loss	6,008	5,161
Securities measured at amortised cost	2,700,270	2,587,126
Securities measured at fair value through other comprehensive income	12,259,724	6,291,728
Pledged financial assets	-	2,187,500
	<u>14,966,002</u>	<u>11,071,515</u>
<b>In foreign currency</b>		
Securities measured at fair value through other comprehensive income	3,519,737	2,874,156
Securities measured at amortised cost	366,486	721,574
	<u>3,886,223</u>	<u>3,595,730</u>
<b>Total securities</b>	<u>18,852,225</u>	<u>14,667,245</u>
<i>Less: Allowance for impairment of securities</i>	<u>(5,424)</u>	<u>(6,173)</u>
<b>Balance as of 31 December</b>	<u><u>18,846,801</u></u>	<u><u>14,661,072</u></u>

Financial assets measured at fair value through other comprehensive income in RSD as of 31 December 2025 include long-term bonds of the Republic of Serbia with interest rates ranging from 2.15% to 5.87% per annum.

Held-to-maturity financial assets denominated in RSD comprise long-term bonds of the Republic of Serbia with interest rates ranging from 4.35% to 6.15% p.a.

Foreign currency financial assets measured at fair value through other comprehensive income as of 31 December 2025 include long-term bonds of the Republic of Serbia with interest rates ranging from 1.50% to 5.50% p.a..

Held-to-maturity financial assets denominated in foreign currencies comprise long-term bonds of the Republic of Serbia with an interest rate of 4% p.a..

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

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Balance as of 1 January	6,173	5,298
Reversal of impairment (Note 11)	(4,540)	(3,238)
New allowances for impairment (Note 11)	3,788	4,116
Foreign exchange differences	(7)	7
<b>Balance as of 31 December</b>	<u>5,424</u>	<u>6,173</u>

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

**18. LOANS AND PLACEMENTS TO BANKS AND OTHER  
 FINANCIAL INSTITUTIONS**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
<b>In RSD</b>		
Short-term placements – repo transactions with the NBS	26,000,000	33,000,000
Short-term receivables from the NBS (a)		530,465
Short-term receivables from other domestic banks	2,214	3,067
Interest and fee receivables	-	-
Accrued interest	3,250	4,123
	<b>26,005,464</b>	<b>33,537,655</b>
<b>In foreign currency</b>		
Foreign currency accounts with banks (b)	137,979	224,018
Special-purpose deposit with other financial institutions	16,565	11,695
Non-purpose deposit placed with banks	1,081,037	5,893,037
Short-term placements	891,343	-
Covered letters of credit	417,092	285,186
Accrued interest	1,828	6,718
	<b>2,545,844</b>	<b>6,420,654</b>
<b>Gross receivables</b>	<b>28,551,308</b>	<b>39,958,309</b>
<i>Less:</i> Allowance for impairment	(13,135)	(35,646)
<b>Balance as of 31 December</b>	<b>28,538,173</b>	<b>39,922,663</b>

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

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Balance as of 1 January	35,646	53,265
New allowances for impairment (Note 11)	623,768	178,904
Reversal of impairment (Note 11)	(115,161)	(197,214)
Reversal of impairment based on permanent write-off	(530,465)	-
Foreign exchange differences	(653)	691
<b>Balance as of 31 December</b>	<b>13,135</b>	<b>35,646</b>

The concentration of loans and placements to banks and other financial institutions in net amounts as of 31 December 2025 and 31 December 2024 is presented as follows:

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Central bank	25,999,427	33,529,508
Other banks	2,534,132	6,388,515
Other financial institutions	4,614	4,640
<b>Balance as of 31 December</b>	<b>28,538,173</b>	<b>39,922,663</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. LOANS AND PLACEMENTS TO CUSTOMERS**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Loans on transaction accounts	24	16
Loans for working capital and liquidity	1,184,326	979,848
Investment loans	5,254,547	3,590,008
Cash loans	29,958	8,983
Other loans	70,696	269,305
Factoring placements	8,248	214,177
Placements based on discounting bills of exchange	15,000	115,950
Placements based on guarantee payments	30,220	34,595
Interest receivables	23,832	34,545
Accrued fees and commissions	1,575	949
Accrued interest	110	49
Deferred income from loan fees	(18,716)	(11,861)
	<b>6,599,820</b>	<b>5,236,564</b>
<b>Allowance for impairment</b>	<b>(247,774)</b>	<b>(234,576)</b>
<b>Balance as of 31 December</b>	<b>6,352,046</b>	<b>5,001,988</b>

	<b>In RSD thousand</b>					
	<b>2025</b>			<b>2024</b>		
	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
<b>In RSD</b>						
Public sector	24,195	260,417	284,612	20,451	383,191	403,642
Corporate	485,592	2,787,528	3,273,120	812,980	1,230,741	2,043,721
Retail customers	1,928	36,368	38,296	1,752	8,633	10,385
	<b>511,715</b>	<b>3,084,313</b>	<b>3,596,028</b>	<b>835,183</b>	<b>1,622,565</b>	<b>2,457,748</b>
<b>In foreign currency</b>						
Corporate	1,193,247	1,810,545	3,003,792	1,542,792	1,236,024	2,778,816
	<b>1,193,247</b>	<b>1,810,545</b>	<b>3,003,792</b>	<b>1,542,792</b>	<b>1,236,024</b>	<b>2,778,816</b>
<b>Balance as of 31 December</b>	<b>1,704,962</b>	<b>4,894,858</b>	<b>6,599,820</b>	<b>2,377,975</b>	<b>2,858,589</b>	<b>5,236,564</b>

Short-term and long-term RSD loans were approved to companies for financing various activities at interest rates ranging from 5.50% to 11.50% p.a, whereas interest rates on short-term and long-term loans with a currency clause ranged from 5.22% to 7.50% p.a.

Loans and placements to retail customers, which include consumer and cash loans and loans for refinancing liabilities (short-term and long-term) were approved at the interest rate of 7.5% per annum. An annual interest rate on authorised overdrafts on accounts of retail customers amounted to 13%, while annual interest rates on unauthorised overdrafts on accounts of retail customers ranged from 11.75% to 13%. An interest rate on credit cards approved to retail customers was 13% p.a.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. LOANS AND PLACEMENTS TO CUSTOMERS (Continued)**

Recourse factoring was approved to corporate customers at an annual interest rate of 9.0%. Discounting of bills receivable was approved to corporate customers at interest rates ranging from 0.75% to 0.85% on a monthly basis.

**(a) Maturity Structure of Loans and Placements to Customers**

The maturities of gross loans and placements to customers before the deduction of deferred fee income on loans, according to the remaining maturity structure as of 31 December 2025 and 2024, were as follows:

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Overdue receivables	34,937	524,430
Up to 30 days	79	294,358
From 1 to 3 months	86,768	84,605
From 3 to 12 months	1,583,178	1,478,581
Over one year	4,894,858	2,854,590
<b>Balance as of 31 December</b>	<b>6,599,820</b>	<b>5,236,564</b>

The maturity structure of overdue receivables is presented in the table below:

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Up to one month	23,426	330,225
From 1 to 6 months	-	70,483
From 6 to 12 months	-	6,426
Over a year	30,227	117,296
<b>Balance as of 31 December</b>	<b>53,653</b>	<b>524,430</b>

**(b) Industry Concentration of Loans and Placements**

The concentration of gross loans and placements to customers as of 31 December 2025 and 2024 is significant in the following industries:

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Trade	1,143,314	697,547
Processing industry and agriculture	2,581,597	2,184,980
Construction	1,096,558	800,177
Electricity, gas and steam supply	104,482	363,565
Other	1,635,573	1,179,910
Retail customers	38,296	10,385
<b>Balance as of 31 December</b>	<b>6,599,820</b>	<b>5,236,564</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. LOANS AND PLACEMENTS TO CUSTOMERS (Continued)**

*(c) Movements in Allowances for Impairment of Loans and Placements to Customers*

Movements in allowances for impairment of loans and placements to customers during the year were as follows:

	In RSD thousand	
	2025	2024
Balance as of 1 January	234,576	213,933
New allowances for impairment (Note 11)	241,261	156,700
Reversal of impairment (Note 11)	(227,879)	(133,971)
Derecognition of allowance for impairment	-	-
Foreign exchange differences	(184)	(2,086)
<b>Balance as of 31 December</b>	<b>247,774</b>	<b>234,576</b>

**20. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Intangible assets	In RSD thousand	
	2025	2024
Intangible assets under construction	-	6,758
Licenses and software	242,834	208,719
Total gross intangible assets	242,834	215,477
Less: Accumulated amortisation	(198,596)	(188,201)
<b>Balance as of 31 December</b>	<b>44,238</b>	<b>27,276</b>

Movements in Bank's intangible assets in 2024 and 2025 were as follows:

	In RSD thousand		
	Licenses and software	Intangible assets under construction	Total
<b>Cost</b>			
<b>Balance as of 1 January 2024</b>	<b>190,737</b>	<b>6,758</b>	<b>197,495</b>
Additions	-	17,983	17,983
Transfers	17,983	(17,983)	-
<b>Balance as of 31 December 2024</b>	<b>208,720</b>	<b>6,758</b>	<b>215,478</b>
<b>Balance as of 1 January 2025</b>	<b>208,720</b>	<b>6,758</b>	<b>215,478</b>
Additions	-	27,356	27,356
Transfers	34,114	(34,114)	-
<b>Balance as of 31 December 2025</b>	<b>242,834</b>	<b>-</b>	<b>242,834</b>
<b>Balance as of 1 January 2024</b>	<b>176,608</b>	<b>-</b>	<b>176,608</b>
Amortisation expense	11,594	-	11,594
<b>Balance as of 31 December 2024</b>	<b>188,202</b>	<b>-</b>	<b>188,202</b>
<b>Balance as of 1 January 2025</b>	<b>188,202</b>	<b>-</b>	<b>188,202</b>
Amortisation expense	10,393	-	10,393
<b>Balance as of 31 December 2025</b>	<b>198,595</b>	<b>-</b>	<b>198,595</b>
Carrying value as of:			
- 31 December 2024	20,518	6,758	27,276
- 31 December 2025	44,239	-	44,239

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**For the Year Ended 31 December 2025**

**20. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)**

Property, plant and equipment	In RSD thousand	
	2025	2024
Buildings and land	1,715,440	1,637,308
Equipment	470,276	357,064
Right-of-use assets - IFRS 16	6,521	6,521
<b>Total gross fixed assets</b>	<b>2,192,237</b>	<b>2,000,893</b>
Less: Accumulated depreciation of fixed assets	(558,713)	(500,216)
Less: Accumulated depreciation of right-of-use assets	(3,151)	(1,847)
<b>Balance as of 31 December</b>	<b>1,630,373</b>	<b>1,498,830</b>

Movements in Bank's property, plant and equipment in 2024 and 2025 were as follows:

	In RSD thousand				
	Land and buildings	Equipment	Construction in progress	Right-of-use assets	Total
<b>Cost</b>					
<b>Balance as of 1 January 2024</b>	<b>1,614,797</b>	<b>335,763</b>	-	-	<b>1,950,560</b>
Effect of revaluation	22,511	-	-	-	22,511
Additions	-	-	23,289	6,521	29,810
Transfers	-	9,331	(9,331)	-	-
Disposals	-	(1,988)	-	-	(1,988)
<b>Balance as of 31 December 2024</b>	<b>1,637,308</b>	<b>343,106</b>	<b>13,958</b>	<b>6,521</b>	<b>2,000,893</b>
<b>Balance as of 1 January 2025</b>	<b>1,637,308</b>	<b>343,106</b>	<b>13,958</b>	<b>6,521</b>	<b>2,000,893</b>
Effect of revaluation	53,670	-	-	-	53,670
Additions	-	-	144,352	-	144,352
Transfers	24,677	131,329	(156,006)	-	-
Disposals	(215)	(6,463)	-	-	(6,678)
<b>Balance as of 31 December 2025</b>	<b>1,715,440</b>	<b>467,972</b>	<b>2,304</b>	<b>6,521</b>	<b>2,192,237</b>
<b>Accumulated depreciation</b>					
<b>Balance as of 1 January 2024</b>	<b>213,307</b>	<b>229,811</b>	-	<b>543</b>	<b>443,661</b>
Effect of revaluation	2,239	-	-	-	2,239
Depreciation expense	17,307	39,540	-	1,304	58,151
Write-offs and disposals	-	(1,988)	-	-	(1,988)
<b>Balance as of 31 December 2024</b>	<b>232,853</b>	<b>267,363</b>	-	<b>1,847</b>	<b>502,063</b>
<b>Balance as of 1 January 2025</b>	<b>232,853</b>	<b>267,363</b>	-	<b>1,847</b>	<b>502,063</b>
Effect of revaluation	7,752	-	-	-	7,752
Depreciation expense	17,524	39,712	-	1,304	58,540
Write-offs and disposals	(32)	(6,459)	-	-	(6,491)
<b>Balance as of 31 December 2025</b>	<b>258,097</b>	<b>300,616</b>	-	<b>3,151</b>	<b>561,864</b>
<b>Carrying value as of:</b>					
<b>31 December 2025</b>	<b>1,457,343</b>	<b>167,356</b>	<b>2,304</b>	<b>3,370</b>	<b>1,630,373</b>
<b>31 December 2024</b>	<b>1,404,455</b>	<b>75,743</b>	<b>13,958</b>	<b>4,674</b>	<b>1,498,830</b>

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**20. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (Continued)**

*a) Property, plant and equipment*

As of 31 December 2025, the Bank had no buildings pledged as collateral to secure the loan repayments. The carrying value of buildings as of 31 December 2025 is related to the building located at Bulevar kralja Aleksandra I Karadjordjevica 25. The Bank has the complete ownership documentation. In 2025, the Bank hired an independent valuer to estimate the fair value of the land located at Bulevar kralja Aleksandra I Karadjordjevica 25, which accommodates the head office and the accompanying buildings. Based on the valuation, a value increase in the land and buildings in the amount of RSD 45,918 thousand was recognized under revaluation reserves.

The carrying value of equipment as of 31 December 2025 is mainly related to computer and telecommunications equipment, office furniture, and motor vehicles.

The carrying value of intangible assets as of 31 December 2025 is mainly related to investments in software and software licenses used by the Bank.

*b) Right-of-use assets*

The Bank is the beneficiary of a finance lease recorded in accordance with IFRS 16. In 2023, the Bank concluded a Lease Agreement for one car for a 60-month period, at an interest rate equal to three-month EURIBOR plus a margin percentage in a fixed amount.

The total amount of leased assets is RSD 6,521 thousand. The total depreciation calculated in 2025 amounts to RSD 1,304 thousand (2024: RSD 1,304 thousand), whereas the carrying value as of 31 December 2025 amounts to RSD 3,369 thousand (31 December 2024: RSD 4,674 thousand).

The amounts recognized in the Income Statement are shown below:

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Interest expense from lease liability	188	302
Depreciation	1,304	1,304
Net effect of FX differences	8	(29)
<b>Balance as of 31 December</b>	<b>1,500</b>	<b>1,577</b>

**21. INVESTMENT PROPERTY**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Investment property	508,810	507,219
<b>Balance as of 31 December</b>	<b>508,810</b>	<b>507,219</b>

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**21. INVESTMENT PROPERTY (Continued)**

Investment property as of 31 December 2025 amounts to RSD 508,810 thousand and refers to a part of the property at Bulevar kralja Aleksandra I Karadjordjevicica 25, whose total net book value amounts to RSD 429,596 thousand, to the property located at Narodnih heroja 63, whose total net book value is RSD 32,879 thousand, and the property at Takovska 31, whose total net book value is RSD 46,336 thousand.

In 2023, as a result of a foreclosure from a client, the Bank took possession of the commercial real estate - business premises at Takovska 31 through a direct agreement before the competent public bailiff, and leased the said premises for a three-month period. The lease term is extended based on annexes to the agreement. As of 31 December 2025, the value of this building amounts to RSD 46,336 thousand based on an independent valuation conducted by a certified appraiser (31 December 2024: RSD 45,740 thousand).

In 2015, the Bank leased a part of the property at Bulevar kralja Aleksandra I Karadjordjevicica 25 (the third and fourth floors and part of the fifth floor). As of 31 December 2025, the value of the leased property amounts to RSD 429,596 thousand based on an independent valuation conducted by a certified appraiser (31 December 2024: RSD 428,985 thousand).

The property at Narodnih heroja 63 was leased in 2016 for a period of five years (the lease period was extended until 2026 based on an annex). As of 31 December 2025, the value of this building amounts to RSD 32,879 thousand based on an independent valuation conducted by a certified appraiser (31 December 2024: RSD 32,494 thousand).

The effect of the value increase of investment property in 2025 in the amount of RSD 1,592 thousand (2024: RSD 1,895 thousand) is recognised under income from value changes in investment property.

**22. OTHER ASSETS**

	<b>In RSD thousand</b>	
	<b>2025</b>	<b>2024</b>
Inventories of material, spare parts and other inventories	1,132	1,202
Repossessed property following the foreclosure	14,528	14,528
Other receivables	53,133	20,045
Fees and commission receivables	469	392
Other accruals and deferred income	5,821	11,224
<b>Gross other assets</b>	<b>75,083</b>	<b>47,391</b>
<i>Less: Allowance for impairment</i>	<i>(1,238)</i>	<i>(1,371)</i>
<b>Balance as of 31 December</b>	<b>73,845</b>	<b>46,020</b>

In 2023, the Bank took ownership of real estate - an apartment in Belgrade in the amount of RSD 14,528 thousand as a result of collecting receivables from a debtor and recorded it as repossessed property following the foreclosure.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. OTHER ASSETS (Continued)**

Movements in allowances for impairment of other assets during the year are shown in the following table:

	In RSD thousand	
	2025	2024
Balance as of 1 January	1,371	1,084
New allowances for impairment (Note 11)	3,422	353
Reversal of impairment (Note 11)	(3,259)	(328)
FX differences	(296)	262
<b>Balance as of 31 December</b>	<b>1,238</b>	<b>1,371</b>

**23. DEPOSITS AND OTHER LIABILITIES TO BANKS, OTHER FINANCIAL INSTITUTIONS AND CENTRAL BANK**

	In RSD thousand					
	2025			2024		
	In RSD	In foreign currency	Total	In RSD	In foreign currency	Total
Transaction deposits	2,621	343	2,964	206,526	338	206,864
Other deposits	1,360,436	58,758	1,419,194	1,360,327	702,152	2,062,479
Interest payables	5,139	-	5,139	4,406	-	4,406
Accrued liabilities	-	-	-	-	988	988
<b>Balance as of 31 December</b>	<b>1,368,196</b>	<b>59,101</b>	<b>1,427,297</b>	<b>1,571,259</b>	<b>703,478</b>	<b>2,274,737</b>

**24. DEPOSITS AND OTHER LIABILITIES TO OTHER CUSTOMERS**

	In RSD thousand	
	2025	2024
Transaction deposits (a)	43,441,528	47,565,784
Other deposits (b)	12,818,408	16,631,326
Borrowings (c)	-	-
Interest, fees and commissions payable	22,335	26,652
Accrued interest	7,368	14,411
<b>Balance as of 31 December</b>	<b>56,289,639</b>	<b>64,238,173</b>

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**24. DEPOSITS AND OTHER LIABILITIES TO OTHER CUSTOMERS (Continued)**

*(a) Transaction deposits*

	In RSD thousand					
	2025			2024		
	In RSD	In foreign currency	Total	In RSD	In foreign currency	Total
Corporate customers	15,129,755	20,268,011	35,397,766	19,957,739	21,538,500	41,496,239
Public sector	2,814,765	11,983	2,826,748	1,117,269	11,460	1,128,729
Retail customers	172,720	164,841	337,561	120,205	149,390	269,595
Other customers	26,003	4,853,450	4,879,453	16,233	4,654,988	4,671,221
<b>Balance as of</b>	<b>18,143,243</b>	<b>25,298,285</b>	<b>43,441,528</b>	<b>21,211,446</b>	<b>26,354,338</b>	<b>47,565,784</b>

*(b) Other deposits*

	In RSD thousand					
	2025			2024		
	Short-term	Long-term	Total	Short-term	Long-term	Total
<b>In RSD:</b>						
Savings deposits	5,708	-	5,708	6,072	-	6,072
Special-purpose deposits	440,038	82,196	522,234	551,497	107,760	659,257
Other deposits	6,243,483	1,000,200	7,243,683	7,180,942	600,000	7,780,942
<b>Total:</b>	<b>6,689,229</b>	<b>1,082,396</b>	<b>7,771,625</b>	<b>7,738,511</b>	<b>707,760</b>	<b>8,446,271</b>
<b>In foreign currency:</b>						
Savings deposits	10,562	375	10,937	21,041	3,536	24,577
Special-purpose deposits	2,374,001	582,602	2,956,603	3,831,140	852,227	4,683,367
Other deposits	2,079,243	-	2,079,243	3,477,111	-	3,477,111
<b>Total:</b>	<b>4,463,806</b>	<b>582,977</b>	<b>5,046,783</b>	<b>7,329,292</b>	<b>855,763</b>	<b>8,185,055</b>
<b>Balance as of 31 December</b>	<b>11,153,035</b>	<b>1,665,373</b>	<b>12,818,408</b>	<b>15,067,803</b>	<b>1,563,523</b>	<b>16,631,326</b>

The structure of other deposits by customers is shown in the following table:

	In RSD thousand	
	2025	2024
Corporate customers	10,375,783	13,239,439
Public sector	1,224,781	1,167,899
Retail customers	76,746	69,800
Banks and other financial institutions under bankruptcy	1,113,000	2,151,000
Other customers	28,098	3,189
<b>Balance as of 31 December</b>	<b>12,818,408</b>	<b>16,631,326</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**24. DEPOSITS AND OTHER LIABILITIES TO OTHER CUSTOMERS (Continued)**

**(b) Other deposits (Continued)**

In 2025, the Bank paid an interest rate on RSD deposits of corporate customers ranging from 0% to 5.85% per annum. Interest rates on foreign currency deposits ranged from 0.00% to 2.25 % per annum. The indicated interest rates are related to transaction deposits, demand deposits and non-purpose term deposits. The Bank does not charge interest on special-purpose deposits - collaterals.

The Bank paid an annual interest rate of 1% on RSD demand savings of retail customers. Interest rates on foreign currency demand deposits of retail customers range from 0.05% to 0.1% p.a, i.e. 0.1% for EUR and 0.05% for USD.

**25. PROVISIONS**

	<i>In RSD thousand</i>	
	<u>2025</u>	<u>2024</u>
Provisions for litigations	1,079	1,919
Provisions for off-balance sheet exposures	23,641	24,372
Provisions for retirement benefits and jubilee awards	<u>23,801</u>	<u>18,200</u>
<b>Balance as of 31 December</b>	<b><u>48,521</u></b>	<b><u>44,491</u></b>

(a) The Bank's management estimated the outcome of litigation and established provisions for potential losses on that basis in the amount of RSD 1,079 thousand.

(b) If there is no objective evidence that the Bank will have an irreparable cash outflow for the commitments, the assessment of probable losses for off-balance sheet items is carried out by the Bank using the credit conversion regulatory factors prescribed by the Decision on Capital Adequacy, except for the unused amount of approved loans (0% of low-risk off-balance sheet items, 20 % moderate risk off-balance sheet items, 50% medium risk off-balance sheet items and 100% high risk off-balance sheet items). The basis for calculation is obtained by multiplying the off-balance sheet item by the credit conversion factor and subtracting it by the value of the first-class collaterals.

For off-balance sheet items for which it has been determined that there is objective evidence that the bank will have an irrecoverable cash outflow for the assumed off-balance sheet liability, the assessment of probable loss is performed in the same way as for balance sheet receivables for which there is objective evidence of impairment, provided that for short-term off-balance sheet liabilities discounting of the expected irrecoverable cash outflow is not performed, but the amount of probable loss based on off-balance sheet items is determined in an amount equal to those outflows.

(c) Long-term provision for retirement benefits upon retirement after fulfilling the prescribed conditions in accordance with the Labor Law stated as of 31 December 2025 represent the present value of future payments to employees determined under the following assumptions.

Discount rate 6.00%;  
Salary growth rate in the Republic of Serbia 8.0%;  
Turnover staff rate 4.5%; and  
Basis for calculating mortality for the approximate age of employees are mortality tables in Serbia according to last census.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**25. PROVISIONS (Continued)**

Movements in provisions during the year are shown in the following table:

	<i>In RSD thousand</i>	
	<u>2025</u>	<u>2024</u>
<b>Provisions for litigations</b>		
Balance as of 1 January	1,919	5,137
Charge for the year (Note 14)	866	918
Reversed unused provisions	(110)	(328)
Used provision	(1,596)	(3,808)
	<u><b>1,079</b></u>	<u><b>1,919</b></u>
<b>Provisions for losses on off-balance sheet assets</b>		
Balance as of 1 January	24,372	23,095
Charge for the year (Note 11)	15,881	15,163
Reversed unused provisions	(16,542)	(14,605)
Used provision	(70)	719
	<u><b>23,641</b></u>	<u><b>24,372</b></u>
<b>Provisions for retirement benefits and jubilee awards</b>		
Balance as of 1 January	18,200	14,887
Charge for the year (Note 12)	5,720	3,800
Retirement benefits paid	(119)	(487)
	<u><b>23,801</b></u>	<u><b>18,200</b></u>
<b>Balance as of 31 December</b>	<u><b>48,521</b></u>	<u><b>44,491</b></u>

**26. OTHER LIABILITIES**

	<i>In RSD thousand</i>	
	<u>2025</u>	<u>2024</u>
<b>In RSD</b>		
Trade payables	21,819	20,326
Liabilities for leased assets	2,771	3,740
Liabilities for taxes, contributions and other duties	4,964	5,503
Factorings	868	23,217
Unused holiday allowances	16,401	13,218
Accrued income from fees	25,953	35,237
Other liabilities	10,278	41,510
	<u><b>83,054</b></u>	<u><b>142,751</b></u>
<b>In foreign currency</b>		
Other liabilities	3,252	3,524
<b>Balance as of 31 December</b>	<u><b>86,306</b></u>	<u><b>146,275</b></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**26. OTHER LIABILITIES (Continued)**

*Liabilities from assets leased*

Liabilities from leased assets refer to a car acquired through Lease (Lease Agreement).

Future minimum lease payments are shown as follows:

	<i>In RSD thousand</i>	
	<u>2025</u>	<u>2024</u>
Up to a year	1,161	972
From 1 to 5 years	1,610	2,768
<b>Total</b>	<b><u>2,771</u></b>	<b><u>3,740</u></b>

**27. EQUITY**

*(a) Equity Structure*

The bank's equity structure is presented in the table below:

	<i>In RSD thousand</i>	
	<u>2025</u>	<u>2024</u>
Share capital - ordinary shares	2,846,076	2,846,076
Other capital	-	460
Revaluation reserves from fair value of property	537,866	498,835
Unrealized losses/gains from fair value of securities	42,011	24,078
Depreciation of securities	27,618	20,903
Actuarial gains/losses	(3,887)	(3,069)
Reserves from profit	1,194,443	572,573
Retained earnings	831,210	1,243,942
<b>Balance as of 31 December</b>	<b><u>5,475,337</u></b>	<b><u>5,203,798</u></b>

*(b) Share Capital*

As of 31 December 2025, subscribed and paid-in share capital of the Bank consists of 20,329,116 ordinary shares, with an individual nominal value of RSD 140 (31 December 2024: 20,329,116 ordinary shares with an individual nominal value of RSD 140). The bank is a closed joint stock company.

On 4 May 2017, the Bank's General Meeting of Shareholders passed a Decision on the increase of share capital of Srpska banka a.d. Belgrade from net assets by converting part of the profit into share capital, by increasing the nominal value of shares from RSD 130 to RSD 140 per share. Pursuant to the Decision, a part of profit in the amount of RSD 20,291,160 was used to increase the share capital, so that the nominal value was increased from RSD 130 to RSD 140 per share for 20,329,116 shares.

The majority shareholder of the Bank is the Republic of Serbia with a share of 76.69% in share capital, or 15,589,891 shares, and Jugoimport SDPR with a share of 23.31% in share capital, or 4,738,988 shares, as of 31 December 2025.

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

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**27. EQUITY (Continued)**

*(c) Revaluation Reserves*

Revaluation reserves arising from fair valuation of property as of 31 December 2025 amount to RSD 537,866 thousand (31 December 2024: RSD 498,835 thousand), most of which refer to reserves that arose as a result of the appraisal of buildings and land. At the end of 2025, the Bank recorded in its business books of account the effects of an independent valuation of the land located at Bulevar kralja Aleksandra I Karadjordjevica 25, which was performed by a certified appraiser, accommodating the Bank's head office, the surrounding land and the building at 25 Bulevar kralja Aleksandra I Karadjordjevica (Note 20), under the revaluation reserves in the amount of RSD 45,918 thousand. The stated amount is reduced by the effect of deferred tax liabilities in the amount of RSD 6,888 thousand and was also recognized through revaluation reserves.

The positive effects of the fair value of investments in securities carried at fair value through other comprehensive income on the market value amount to RSD 42,011 thousand, while the allowance for impairment of the same securities was charged against income statement and in favour of revaluation reserves in the amount of RSD 27,618 thousand. The Bank recorded actuarial losses in the amount of RSD 3,887 thousand as of 31 December 2025.

*(d) Basic Earnings Per Share*

Basic earnings per share is calculated by dividing the net profit or loss by the weighted average number of ordinary shares during the year.

	<u>2025</u>	<u>In RSD thousand</u> <u>2024</u>
Profit	830,933	1,243,942
Weighted average number of ordinary shares during the year	<u>20,329</u>	<u>20,329</u>
<b>Earnings per share in RSD</b>	<b><u>40.87</u></b>	<b><u>61.19</u></b>

*(e) Retained Earnings*

On 25 April 2025, the Bank's Shareholders Assembly adopted a Decision on the distribution of profit for 2024, whereby the profit stated in the 2024 financial statements in the amount of RSD 1,243,942 thousand was distributed as follows: the amount of RSD 621,871 thousand was allocated for the purpose of increasing profit reserves, while the amount of RSD 622,071 thousand was allocated for dividend payments (a dividend in the amount of RSD 622,067 thousand was paid).

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**27. EQUITY (Continued)**

*(f) Performance Indicators – Compliance with Legal Regulations*

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

Performance indicators	Prescribed	Realised
	Minimum	
1. Capital	EUR 10 million	39,221
2. Capital adequacy ratio	Minimum 8%	41.64%
3. The Bank's investment into entities not in the financial sector and investments in fixed assets and investment property	Maximum 60%	46.62%
4. Related parties exposure		0,02%
5. Indicator of large and largest permissible loans	Maximum 400%	118.05%
6. Average monthly liquidity ratios:		
- in the first month of the reporting period	Minimum 1	4.11
- in the second month of the reporting period	Minimum 1	4.43
- in the third month of the reporting period	Minimum 1	4.10
7. Average monthly narrow liquidity ratios:		
- in the first month of the reporting period	Minimum 0.7	2.28
- in the second month of the reporting period	Minimum 0.7	2.40
- in the third month of the reporting period	Minimum 0.7	2.11
8. Liquidity coverage ratio	Minimum 100%	210.48%
9. Net stable funding ratio	Minimum 100%	488.70%
10. Foreign currency risk indicator	Maximum 20%	1.09%
11. Exposures to a group of related parties	Maximum 25%	20.75%
12. Bank's investments in an entity which is not an entity from the financial sector	Maximum 10%	0.10%

As of 31 December 2025, all regulatory ratios were in compliance with the limits prescribed by the NBS.

**28. OFF-BALANCE SHEET ITEMS**

	<i>In RSD thousand</i>	
	2025	2024
Funds managed on behalf of third parties (a)	9,284,382	9,514,866
Guarantees and other irrevocable commitments (b)	7,241,890	10,527,817
Other derivatives at contracted value (c)	34,103,665	39,356,462
Other off-balance sheet items (d)	197,748,984	166,926,329
<b>Balance as of 31 December</b>	<b>248,378,921</b>	<b>226,325,474</b>

*(a) Funds Managed on Behalf of Third Parties*

	<i>In RSD thousand</i>	
	2025	2024
Placements on behalf of third parties:		
- housing loans for meeting the needs of members of the Serbian Army	529,130	546,260
- loans for flat repurchase	8,754,684	8,967,949
- loans for garages repurchase	538	528
- other	30	129
<b>Balance as of 31 December</b>	<b>9,284,382</b>	<b>9,514,866</b>

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

**28. OFF-BALANCE SHEET ITEMS (Continued)**

*(b) Guarantees and Other Irrevocable Commitments*

	<i>In RSD thousand</i>	
	<u>2025</u>	<u>2024</u>
<b>In RSD:</b>		
Payment guarantees	60,938	59,258
Performance guarantees	2,432,176	2,030,660
Guarantee facilities	-	-
Irrevocable commitments for undistributed loans and placements	-	730
Financial assets for securing liabilities	-	2,187,500
Records for sold foreign currency and receivables in dinars for sold foreign currency	626	234,115
	<u>2,493,740</u>	<u>4,512,263</u>
<b>In foreign currency:</b>		
Payment guarantees	432	817
Performance guarantees	4,741,142	6,008,177
Irrevocable commitments for undistributed loans and placements	6,576	6,560
	<u>4,748,150</u>	<u>6,015,554</u>
<b>Balance as of 31 December</b>	<u>7,241,890</u>	<u>10,527,817</u>

Irrevocable commitments refer to unused approved loans that cannot be cancelled unilaterally, namely: overdrafts, revolving loans for corporates, multi-purpose framework loans and other irrevocable commitments. Irrevocable commitments usually have fixed expiration dates or other expiration provisions. The Bank makes provisions for potential losses on guarantees and other risky off-balance sheet assets in accordance with the accounting policy disclosed in Note 25 (b).

As of 31 December 2025, the established provision for losses from guarantees and other irrevocable commitments amounts to RSD 23,641 thousand (31 December 2024: RSD 24,372 thousand).

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

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**28. OFF-BALANCE SHEET ITEMS (Continued)**

*(c) Other Off-balance Sheet Items*

	<i>In RSD thousand</i>	
	<u>2025</u>	<u>2024</u>
Letters of credit (LORO)	29,775,967	32,043,895
Performance guarantees until entry into force	2,397,127	68,492
Guarantees received from foreign banks and other financial entities	129,880,749	92,741,668
Mortgages as collaterals	6,411,416	5,302,655
Covered letters of credit	153,518	1,148,136
Suspended interest	183,423	283,444
Record of repo purchased securities	26,000,000	33,000,000
Other off-balance sheet items	1,055,794	919,420
Undertaken revocable liabilities for undrawn loans and placements	<u>1,890,990</u>	<u>1,418,619</u>
<b>Balance as of 31 December</b>	<b><u>197,748,934</u></b>	<b><u>166,926,329</u></b>

*(d) Other Derivatives at Agreed Value*

	<i>In RSD thousand</i>	
	<u>2025</u>	<u>2024</u>
Other derivatives at agreed value	<u>34,103,665</u>	<u>39,356,462</u>
<b>Balance as of 31 December</b>	<b><u>34,103,665</u></b>	<b><u>39,356,462</u></b>

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

**29. RELATED PARTY TRANSACTIONS**

A number of banking transactions are entered into with shareholders, employees and other related parties in the ordinary course of business.

a) The balances of accounts receivable and payables as of 31 December 2025 and 2024 arising from transactions with shareholders and other related parties are the result of ordinary business activities, and are presented in the following table:

	<i>In RSD thousand</i>	
	<b>As of 31 December 2025</b>	<b>As of 31 December 2024</b>
<b>Placements and loans</b>		
Other receivables from shareholders	690	-
	<b>690</b>	-
Loans granted to employees	8,410	2,191
<i>Less: Impairment</i>	(85)	(21)
	<b>9,015</b>	<b>2,170</b>
<b>Placements and loans, net</b>	<b>9,705</b>	<b>2,170</b>
Deposits and other liabilities		
Deposits and other liabilities of shareholders	4,304,419	12,187,556
Deposits and other liabilities of employees	31,609	34,796
	<b>4,336,028</b>	<b>12,222,352</b>
<b>Guarantees issued and irrevocable commitments undertaken</b>		
Shareholders	2,766,325	2,958,918
Employees in the Bank	335	310
<i>Less: Provision</i>	(4)	(4)
	<b>2,766,656</b>	<b>2,959,224</b>

b) Interest and fee income from transactions with related parties in 2025 amounted to RSD 41,293 thousand (2024: RSD 72,363 thousand). Interest and fee expenses from transactions with related parties in 2025 amounted to RSD 46,512 thousand (2024: RSD 40,746 thousand).

c) Remuneration of Boards of Directors and Executive Board (expressed in gross amount), in 2025 and 2024, are presented in the following table:

	<i>In RSD thousand</i>	
	<b>2025</b>	<b>2024</b>
Remuneration of Board of Directors and Executive Board	39,242	28,678
	<b>39,242</b>	<b>28,678</b>

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

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**30. RISK MANAGEMENT****30.1. Introduction**

Risk is the possibility of negative effects on equity and the financial results of the Bank as a result of transactions performed by the Bank and the macroeconomic environment in which it operates. Risk management in the Bank is a comprehensive process that includes the identification, measurement, assessment, mitigation, monitoring, control and reporting on all risks to which the Bank is exposed or may be exposed.

The Bank has established a comprehensive and reliable risk management system that is fully integrated into all business activities of the Bank. The risk management system is harmonized with the nature, scope and complexity of the Bank's operations and includes: risk management strategy, risk management policy, capital management strategy and plan, adequate organizational structure, effective risk management process, adequate system of internal controls, procedures and methodologies, a corresponding information system. Owing to the nature of its activities, the Bank is exposed to the following risks: credit risk and its associated risks, liquidity risk, operational risk, market risk (primarily foreign currency risk), concentration risk, interest rate risk, investment risk and country risk.

***Risk Management Structure***

In organizational terms, risk management and responsibility for managing that system, risk management strategy and capital management strategy, is entrusted to: the Board of Directors, Executive Board, Business Monitoring Committee, Assets and Liabilities Management Board and Non-performing Loans Monitoring Committee. Competencies of these bodies are determined by the regulations of the National Bank of Serbia, the Articles of Association and other internal documents of the Bank.

The Board of Directors of the Bank is responsible for establishing a unified risk management system in the bank and the supervising of such a system, establishing of internal controls system, and supervising the work of the Executive Board in accordance with approved policies and procedures. The Board of Directors adopts the risk management strategy, risk management policy and capital management strategy, plans and monitors their implementation.

The Executive Board implements the risk management strategy and policy, and capital management strategy and plan. It adopts procedures for identification, measurement and assessment of risks, as well as methodologies and other accompanying acts that further regulate risk management procedures and regularly controls and analyses the effectiveness of their application.

Operation Monitoring Committee adopts proposals for the Bank's risk management strategies and policies, internal control system, monitors the internal control system and supervises functioning of the Bank's risk management system, considering identified deficiencies and proposes to the Board the way to eliminate these shortcomings.

Assets and Liabilities Committee Management monitors the bank's exposure to risks arising from the structure of its balance sheet liabilities, receivables and off-balance sheet items, proposes measures for managing interest rate risk, liquidity risk and, if necessary, other risks.

Non-performing Loans Monitoring Committee is responsible for managing and monitoring the collection of the Bank non-performing placements, making decisions in the area of its competence, as well as proposing certain decisions to the competent boards, in order to resolve the status and collection of placements.

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

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**30. RISK MANAGEMENT (Continued)****30.1. Introduction (Continued)***Risk Management Structure (Continued)*

In terms of organization, for the application of special and uniform risk management system and ensure the functional and organizational separation of risk management activities from regular business activities of the Bank, the Bank has established a Risk Management Department.

The Bank's commitment is to develop risk management within its organization by improving the procedures of an orderly and documented decision-making process on risk assumption, with clearly and transparently defined responsibilities and powers of employees or individual committees involved in the risk management system.

*Internal Audit*

Internal audit ensures that risks are properly identified and controlled. This shall be provided by applying a systematic and documented approach to evaluating and improving the existing way of risk management, internal control systems and management process. Reports on internal audit activities, with findings and recommendations, are submitted to the competent management of the Bank, Business Monitoring Committee and the Board of Directors of the Bank.

*Risk Management and Reporting Systems*

The Bank's risks are measured using a method that reflects losses that may arise in the normal course of business and expected losses, which are estimates of ultimate actual losses based on probable events. The models use probabilities derived from available current and historical data, adjusted to reflect the current economic environment.

Risk monitoring and control is primarily based on the establishment of procedures and limits. These limits reflect the business strategy and market environment of the Bank, as well as the level of risk that the Bank is willing to accept. The Bank permanently monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all types of risks and activities.

Information compiled from all business activities is examined and processed to identify, analyse and control risks. This information is presented and explained to the Board of Directors, the Executive Board, the Business Monitoring Committee and the heads of each business division, through the established system of reporting on the Bank's operations and risk exposure, on a daily, monthly and quarterly basis.

**30.2. Credit Risk**

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties failed to discharge their contractual obligation, in a whole or partly, within agreed deadlines.

The Bank manages credit risk at the level of individual placements and at the level of the entire loan portfolio, striving to control and minimize negative effects that may affect the financial result and capital of the Bank, due to the debtor's failure to meet the terms of the contract with the Bank, and in particular the failure to settle the liability for principal, interest and fees. The Bank manages a portfolio of risky placements in order to form and maintain a stable and profitable portfolio.

The Bank shall determine the rules and procedures in which the process of credit risk management of individual placements and risks at the portfolio level is defined, i.e. the procedures for identifying, measuring and monitoring (controlling) placements, especially those with a high level of risk.

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

**30. RISK MANAGEMENT (Continued))**

**30.2. Credit Risk (Continued)**

*(a) Maximum Credit Risk Exposure by Balance Sheet and Off-Balance Sheet Items*

Breakdown of maximum credit risk exposures, presented in gross and net amounts, before collaterals held or other credit enhancement, as of 31 December 2025 and 2024, is presented in the table below:

	<b>As of 31 December 2025</b>		<i>In RSD thousand</i> <b>As of 31 December 2024</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
<b>Credit risk exposure by balance sheet items:</b>				
Cash and balances with the central bank	7,369,026	7,368,915	10,284,922	10,284,662
Securities	18,846,217	18,840,794	14,662,083	14,655,910
Loans and receivables from banks and other financial organizations	28,551,308	28,538,173	39,958,309	39,922,663
Loans and receivables from customers	6,599,818	6,352,046	5,236,564	5,001,988
Other assets	58,689	57,449	23,311	21,940
<b>Total</b>	<b>61,425,058</b>	<b>61,157,377</b>	<b>70,165,189</b>	<b>69,887,163</b>
<b>Credit risk exposure by off-balance sheet items:</b>				
Payment guarantees	61,370	45,112	60,075	43,711
Performance guarantees	7,173,318	7,169,498	8,038,837	8,033,091
Covered letters of credit	153,518	153,518	1,148,136	1,148,136
Irrevocable commitments	1,070,856	1,067,293	1,033,016	1,030,754
<b>Total</b>	<b>8,459,062</b>	<b>8,435,421</b>	<b>10,280,064</b>	<b>10,255,692</b>
<b>Total credit risk exposure</b>	<b>69,884,120</b>	<b>69,592,798</b>	<b>80,445,253</b>	<b>80,142,855</b>

As of 31 December 2025, the classified balance sheet assets amount to RSD 9,186,048 thousand. The maximum exposure to credit risk is higher than the classified balance sheet assets by the amount of RSD 52,239,010 thousand, of which RSD 7,363,316 thousand relate to cash and funds with the central bank, RSD 18,846,217 thousand, to government securities, RSD 26,003,250 thousand to placements with the NBS, and RSD 46,959 thousand to other receivables. Exposures on securities valued through the profit or loss account, in the amount of RSD 6,008 thousand and repossessed property following the foreclosure in the amount of RSD 14,528 thousand are classified, but do not represent exposure to credit risk, and therefore not presented in the table above.

The off-balance sheet exposure to be classified as of 31 December 2025 amounts to RSD 8,459,062 thousand, which is equal to the maximum credit exposure from off-balance sheet items.

When the financial instruments measured at fair value, the amounts shown represent the current exposure to credit risk, but not the maximum exposure to risk that may arise in the future as a result of changes in fair value.

The total exposure to credit risk is controlled by taking collateral (cash deposits and mortgages), as well as guarantees (sureties) from the Bank's corporate clients.

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

**30. RISK MANAGEMENT (Continued)**

**30.2. Credit Risk (Continued)**

*(a) Maximum Credit Risk Exposure by Balance Sheet and Off-Balance Sheet Items (Continued)*

Breakdown of balance sheet and off-balance sheet items' exposures to credit risk classified to levels 1, 2 and 3 as of 31 December 2025 is presented in the table below.

	<i>In RSD thousand</i>		
	<b>As of 31 December 2025</b>		
	<b>Gross exposure</b>	<b>Allowance for impairment and provisions</b>	<b>Net exposure</b>
<b>Regular placements, including cash with the central bank</b>	<b>42,400,959</b>	<b>(147,277)</b>	<b>42,253,682</b>
Level 1	41,769,706	(135,663)	41,634,043
Level 2	631,253	(11,614)	619,639
<b>Placements in default status –</b>			
<b>Level 3</b>	<b>177,882</b>	<b>(114,981)</b>	<b>62,901</b>
Group assessed	-	-	-
Individually assessed	177,882	(114,981)	62,901
<b>Securities – Level 1</b>	<b>18,846,217</b>	<b>(5,423)</b>	<b>18,840,794</b>
<b>Total balance items exposures</b>	<b>61,425,058</b>	<b>(267,681)</b>	<b>61,157,377</b>
<b>Off-balance sheet exposures</b>			
<b>Regular placements</b>	<b>8,443,956</b>	<b>(8,535)</b>	<b>8,435,421</b>
Level 1	8,335,165	(8,510)	8,326,655
Level 2	108,791	(25)	108,766
<b>Placements in default status –</b>			
<b>Level 3</b>	<b>15,106</b>	<b>(15,106)</b>	<b>-</b>
Group assessed	-	-	-
Individually assessed	15,106	(15,106)	-
<b>Total off-balance sheet exposures</b>	<b>8,459,062</b>	<b>(23,641)</b>	<b>8,435,421</b>

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

**30. RISK MANAGEMENT (Continued)**

**30.2. Credit Risk (Continued)**

*(a) Maximum Credit Risk Exposure by Balance Sheet and Off-Balance Sheet Items (Continued)*

Breakdown of balance sheet and off-balance sheet items' exposures to credit risk classified to levels 1, 2 and 3 as of 31 December 2024 is presented in the table below.

	<i>In RSD thousand</i>		
	<b>As of 31 December 2024</b>		
	<b>Gross exposure</b>	<b>Allowance for impairment and provisions</b>	<b>Net exposure</b>
<b>Regular placements, including cash with central bank</b>	<b>54,897,269</b>	<b>(111,388)</b>	<b>54,785,881</b>
Level 1	54,822,087	(108,165)	54,713,922
Level 2	75,182	(3,223)	71,959
<b>Placements in default status – Level 3</b>	<b>605,838</b>	<b>(160,465)</b>	<b>445,373</b>
Group assessed	-	-	-
Individually assessed	605,838	(160,465)	445,373
<b>Securities – Level 1</b>	<b>14,662,082</b>	<b>(6,173)</b>	<b>14,655,909</b>
<b>Total balance items exposures</b>	<b>70,165,189</b>	<b>(278,026)</b>	<b>69,887,163</b>
<b>Off-balance sheet exposures</b>			
<b>Regular placements</b>	<b>10,250,150</b>	<b>(7,780)</b>	<b>10,242,370</b>
Level 1	9,567,357	(6,787)	9,560,570
Level 2	682,793	(993)	681,800
<b>Placements in default status – Level 3</b>	<b>29,914</b>	<b>(16,592)</b>	<b>13,322</b>
Group assessed	-	-	-
Individually assessed	29,914	(16,592)	13,322
<b>Total off-balance sheet exposures</b>	<b>10,280,064</b>	<b>(24,372)</b>	<b>10,255,692</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**30. RISK MANAGEMENT (Continued)**

**30.2. Credit Risk (Continued)**

*(a) Maximum Credit Risk Exposure by Balance Sheet and Off-Balance Sheet Items (Continued)*

Breakdown of movements in and balances of provisions for expected credit losses by the type of a financial instrument in 2025:

<b>Movements in IFRS provisions in 2025</b>	<i>In RSD thousand</i>			
	<b>Cash and balances with the central bank</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Opening balance – as of 1 January 2025	260	-	-	260
Collection	(150)	-	-	(150)
<b>As of 31 December 2025</b>	<b>110</b>	<b>-</b>	<b>-</b>	<b>110</b>
<b>Movements in IFRS provisions in 2024</b>	<i>In RSD thousand</i>			
	<b>Cash and balances with the central bank</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Opening balance – as of 1 January 2024	260	-	-	260
New production	-	-	-	-
<b>As of 31 December 2024</b>	<b>260</b>	<b>-</b>	<b>-</b>	<b>260</b>
<b>IFRS provision movements in 2025</b>	<i>In RSD thousand</i>			
	<b>Securities</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Opening balance – as of 1 January 2025	27,076	-	-	27,076
Transfer into level 1	-	-	-	-
Transfer into level 2	-	-	-	-
Transfer into level 3	-	-	-	-
New production	2,940	-	-	2,940
Collection	(3,689)	-	-	(3,689)
FX differences	-	-	-	-
<b>As of 31 December 2025</b>	<b>26,327</b>	<b>-</b>	<b>-</b>	<b>26,327</b>
<b>Movements in IFRS provisions in 2024</b>	<i>In RSD thousand</i>			
	<b>Securities</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Opening balance – as of 1 January 2024	15,347	-	-	15,347
Transfer into level 1	-	-	-	-
Transfer into level 2	-	-	-	-
Transfer into level 3	-	-	-	-
New production	14,976	-	-	14,976
Collection	(2,986)	-	-	(2,986)
FX differences	(261)	-	-	(261)
<b>As of 31 December 2024</b>	<b>27,076</b>	<b>-</b>	<b>-</b>	<b>27,076</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**30. RISK MANAGEMENT (Continued)**

**30.2. Credit Risk (Continued)**

*(a) Maximum Credit Risk Exposure by Balance Sheet and Off-Balance Sheet Items (Continued)*

<b>Movements in IFRS provisions in 2025</b>	<i>In RSD thousand</i>			
	<b>Loans and receivables from banks and other financial organizations</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Opening balance – as of 1 January 2025	<b>35,646</b>	-	-	<b>35,646</b>
Transfer into level 1	-	-	-	-
Transfer into level 2	-	-	-	-
Transfer into level 3	-	-	-	-
New production	5,495	-	-	<b>5,495</b>
Collection	(28,006)	-	-	<b>(28,006)</b>
FX differences	-	-	-	-
<b>As of 31 December 2025</b>	<b>13,135</b>	-	-	<b>13,135</b>

<b>Movements in IFRS provisions in 2024</b>	<b>Loans and receivables from banks and other financial organizations</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	Opening balance – as of 1 January 2024	<b>53,265</b>	-	-
Transfer into level 1	-	-	-	-
Transfer into level 2	-	-	-	-
Transfer into level 3	-	-	-	-
New production	25,229	-	-	<b>25,229</b>
Collection	(43,539)	-	-	<b>(43,539)</b>
FX differences	691	-	-	691
<b>As of 31 December 2024</b>	<b>35,646</b>	-	-	<b>35,646</b>

<b>Movements in IFRS provisions in 2025</b>	<i>In RSD thousand</i>			
	<b>Loans and receivables from customers</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Opening balance – as of 1 January 2025	<b>72,172</b>	<b>3,223</b>	<b>159,181</b>	<b>234,576</b>
Transfer into level 1	-	-	-	-
Transfer into level 2	-	-	-	-
Transfer into level 3	(30,220)	-	30,220	-
New production	106,387	11,614	83,672	201,673
Collection	(60,666)	(3,223)	(124,586)	(188,475)
FX differences	-	-	-	-
<b>As of 31 December 2025</b>	<b>87,673</b>	<b>11,614</b>	<b>148,483</b>	<b>247,774</b>

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

**30. RISK MANAGEMENT (Continued)**

**30.2. Credit Risk (Continued)**

*(a) Maximum Credit Risk Exposure by Balance Sheet and Off-Balance Sheet Items (Continued)*

<b>Movements in IFRS provisions in 2024</b>	<b>Loans and receivables from customers</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Opening balance – as of 1 January 2024	<b>67,655</b>	<b>16,668</b>	<b>129,610</b>	<b>213,933</b>
Transfer into level 1	379	(379)	-	-
Transfer into level 2	(263)	263	-	-
Transfer into level 3		(4,329)	4,329	-
New production	47,228	-	50,570	97,798
Collection	(40,718)	(9,023)	(25,328)	(75,069)
FX differences	(2,109)	23	-	(2,086)
<b>As of 31 December 2024</b>	<b>72,172</b>	<b>3,223</b>	<b>159,181</b>	<b>234,576</b>

*In RSD thousand*

<b>Movements in IFRS provisions in 2025</b>	<b>Other assets</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Opening balance – as of 1 January 2025	<b>86</b>	-	<b>1,285</b>	<b>1,371</b>
Transfer into level 1	-	-	-	-
Transfer into level 2	-	-	-	-
Transfer into level 3	-	-	-	-
New production	88	-	117	205
Collection	(28)	-	(308)	(336)
FX differences	-	-	-	-
<b>As of 31 December 2025</b>	<b>146</b>	<b>-</b>	<b>1,094</b>	<b>1,240</b>

<b>Movements in IFRS provisions in 2024</b>	<b>Other assets</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Opening balance – as of 1 January 2024	<b>129</b>	<b>1</b>	<b>954</b>	<b>1,084</b>
Transfer into level 1	-	-	-	-
Transfer into level 2	-	-	-	-
Transfer into level 3	-	-	-	-
New production	-	-	331	331
Collection	(43)	(2)	-	(44)
FX differences	-	1	-	-
<b>As of 31 December 2024</b>	<b>86</b>	<b>-</b>	<b>1,285</b>	<b>1,371</b>

Breakdown of maximum credit risk exposure (gross risk-weighted balance sheet and off-balance sheet assets that are classified), before taking into account collateral and other credit risk buffers, as of 31 December 2025 and 2024 grouped by geographical locations is presented in the table below:

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

30. RISK MANAGEMENT (Continued)

30.2. Credit Risk (Continued)

(a) Maximum Credit Risk Exposure by Balance Sheet and Off-Balance Sheet Items (Continued)

*In RSD thousand*

	Cash and balances with the central bank	Loans and receivables from customers	Loans and receivables from banks and other financial organisations	Securities	Other assets	Guarantees and other commitment s	Total 2025
Serbia:							
- Belgrade	7,369,026	2,110,641	27,148,456	18,846,217	55,278	7,194,800	62,724,418
- Vojvodina	-	1,912,064	-	-	21	438,352	2,350,437
- the rest of Serbia	-	2,577,113	-	-	1,779	825,910	3,404,802
	<b>7,369,026</b>	<b>6,599,818</b>	<b>27,148,456</b>	<b>18,846,217</b>	<b>57,078</b>	<b>8,459,062</b>	<b>68,479,657</b>
European Union	-	-	335,375	-	633	-	336,008
The rest of Europe	-	-	270,034	-	1	-	270,035
The rest of the world	-	-	797,443	-	977	-	798,420
	-	-	<b>1,402,852</b>	-	<b>1,611</b>	-	<b>1,404,463</b>
<b>Total</b>	<b>7,369,026</b>	<b>6,599,818</b>	<b>28,551,308</b>	<b>18,846,217</b>	<b>58,689</b>	<b>8,459,062</b>	<b>69,884,120</b>

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

30. RISK MANAGEMENT (Continued)

30.2. Credit Risk (Continued)

(a) Maximum Credit Risk Exposure by Balance Sheet and Off-Balance Sheet Items (Continued)

*In RSD thousand*

	<u>Cash and balances with the central bank</u>	<u>Loans and receivables from customers</u>	<u>Loans and receivables from banks and other financial organisations</u>	<u>Securities</u>	<u>Other assets</u>	<u>Guarantees and other commitments</u>	<u>Total 2024</u>
Serbia:							
- Belgrade	10,284,922	2,072,491	35,766,827	14,662,083	19,874	7,853,080	70,659,277
- Vojvodina	-	806,883	585,448	-	41	708,990	2,101,362
- the rest of Serbia	-	2,357,190	-	-	1,730	1,717,994	4,076,914
	<u>10,284,922</u>	<u>5,236,564</u>	<u>36,352,275</u>	<u>14,662,083</u>	<u>21,645</u>	<u>10,280,064</u>	<u>76,837,553</u>
European Union	-	-	728,109	-	370	-	728,479
The rest of Europe	-	-	1,271,470	-	1	-	1,271,471
The rest of the world	-	-	1,606,455	-	1,295	-	1,607,750
	-	-	<u>3,606,034</u>	-	<u>1,666</u>	-	<u>3,607,700</u>
<b>Total</b>	<u>10,284,922</u>	<u>5,236,564</u>	<u>39,958,309</u>	<u>14,662,083</u>	<u>23,311</u>	<u>10,280,064</u>	<u>80,445,253</u>

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

**30. RISK MANAGEMENT (Continued)**

**30.2. Credit Risk (Continued)**

*(a) Maximum Credit Risk Exposure by Balance Sheet and Off-Balance Sheet Items (Continued)*

The Bank's credit risk exposure analysis (gross risk-weighted balance sheet and off-balance sheet assets that are classified), by industry sectors, before and after taking into account collateral and other credit risk buffers, as of 31 December 2025 and 2024 is presented in the table below:

	<i>In RSD thousand</i>			
	<b>Gross maximum exposure 2025</b>	<b>Net maximum exposure 2025</b>	<b>Gross maximum exposure 2024</b>	<b>Net maximum exposure 2024</b>
Retail	39,743	38,587	11,911	11,021
Agriculture, forestry and fishery	47,499	45,888	62,681	60,351
Mining, processing industry, water supply, wastewater management, control of waste disposal processes and similar activities	4,594,608	4,551,350	4,888,291	4,848,819
Electricity, gas and steam supply and air conditioning	104,484	103,615	363,567	360,470
Construction	1,557,049	1,519,777	1,416,456	1,398,681
Wholesale and retail trade, repair of motor vehicles and motorcycles	4,936,658	4,810,707	5,422,251	5,286,663
Transportation and storage, accommodation and catering, information and communication service	1,104,032	1,093,123	377,979	375,476
Real estate, professional, scientific, innovation and technical activities, administrative and support service activities, arts, entertainment and recreation, other service activities	2,351,544	2,332,669	2,537,000	2,516,537
Banks and the financial sector	35,930,814	35,917,522	50,249,519	50,213,569
Republic of Serbia	19,186,633	19,178,802	15,080,206	15,070,551
Other	31,056	758	35,392	717
	<b><u>69,884,120</u></b>	<b><u>69,592,798</u></b>	<b><u>80,445,253</u></b>	<b><u>80,142,855</u></b>

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

**30. RISK MANAGEMENT (Continued)**

**30.2. Credit Risk (Continued)**

*b) Portfolio Quality*

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

The quality of portfolio based on the Bank's classification system including repo transactions as of 31 December 2025 and 2024 is presented in the following table:

Categories	Placements to customers			Placements to banks			<i>Amount in RSD thousand</i>	
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Total 2025	Total 2024
							Placements to customers and banks	Placements to customers and banks
A	60,031	355	-	2,220,401	-	-	2,280,787	5,135,250
B	3,298,348	-	-	327,657	-	-	3,626,005	3,769,438
C	1,314,730	-	3,919	-	-	-	1,318,649	1,423,411
D	505,326	-	142,647	-	-	-	647,973	1,185,172
E	613,345	630,897	30,220	-	-	-	1,274,462	147,013
Unclassified	-	-	-	26,003,250	-	-	26,003,250	33,534,590
<b>Total</b>	<b>5,791,780</b>	<b>631,252</b>	<b>176,786</b>	<b>28,551,308</b>	<b>-</b>	<b>-</b>	<b>35,151,126</b>	<b>45,194,874</b>

\* items "Loans and receivables from customers" and "Loans and receivables from banks" are included

Breakdown of allowance for impairment and provisions established in accordance with the Bank's internal methodology, as of 31 December 2025 and 2024, is presented in the table below.

Categories	Allowance for impairment and provisions - customers			Allowance for impairment and provisions - banks			<i>Amount in RSD thousand</i>	
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Total 2025	Total 2024
							Placements to customers and banks	Placements to customers and banks
A	703	-	-	8,367	-	-	9,070	68,767
B	78,280	-	-	946	-	-	79,226	57,993
C	26,108	-	210	-	-	-	26,318	22,426
D	12,074	-	83,458	-	-	-	95,532	11,504
E	5,105	11,614	30,220	-	-	-	46,939	104,448
Unclassified	-	-	-	3,822	-	-	3,822	5,083
<b>Total</b>	<b>122,270</b>	<b>11,614</b>	<b>113,888</b>	<b>13,135</b>	<b>-</b>	<b>-</b>	<b>260,907</b>	<b>270,221</b>

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

**30. RISK MANAGEMENT (Continued)**

**30.2. Credit Risk (Continued)**

*(b) Portfolio Quality (Continued)*

The ageing analysis of loans and receivables from customers past due but not impaired as of 31 December 2025 and 2024 are presented in the tables below:

	<i>Amount in RSD thousand</i>			
	<b>Placements to customers and banks</b>			<b>Total 2025</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Receivables not past due	62	-	-	62
Past due receivables	31,897	-	-	31,897
1-30 days	31,897	-	-	31,897
31-60 days	-	-	-	-
61-90 days	-	-	-	-
> 90 days	-	-	-	-
<b>Total</b>	<b>31,959</b>	<b>-</b>	<b>-</b>	<b>31,959</b>

\* Overdue receivables that have not been fully impaired are presented.

	<i>Amount in RSD thousand</i>			
	<b>Placements to customers and banks</b>			<b>Total 2024</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Receivables not past due	623	47	-	670
Past due receivables	4,418	4,291	138,775	147,484
1-30 days	4,418	4,291	-	8,709
31-60 days	-	-	65,407	65,407
61-90 days	-	-	-	-
> 90 days	-	-	73,368	73,368
<b>Total</b>	<b>5,041</b>	<b>4,338</b>	<b>138,775</b>	<b>148,154</b>

***Collateral and Other Credit Enhancement***

The amount and type of collateral required depends on an estimated credit risk of each client. Terms of protection with respect to each placement are determined by the analysis of the client's creditworthiness, type of credit risk exposure, maturity of the placement, as well as the amount of the particular loan. The Bank uses its internal methodology to determine the types of collateral and the parameters of their valuation.

Standard types of collaterals accepted by the Bank are as follows:

- for commercial loans: real estate mortgages, cash deposits, guarantees by third parties and pledges on goods and receivables.

Management monitors the movements in the fair value of collaterals and demands additional collateral in accordance with the relevant contracts. In addition, management takes into account the fair value of the collateral when reviewing the adequacy of the allowance for impairment of the placements.

In accordance with the Bank's policies, the collateral is intended for sale in the ordinary course of business. Generally, the Bank does not occupy repossessed properties for business use.

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

**30. RISK MANAGEMENT (Continued)**

**30.2. Credit Risk (Continued)**

*(6) Portfolio Quality (Continued)*

The following table shows the amount of receivables secured by mortgages on real estate (whose estimated market value is not older than three years), the total amount of claims secured by mortgages on real estate, the average LTV indicator, and the amount of claims secured by mortgages against real estate within certain ranges of LTV indicators as of 31 December 2025 and 2024:

LTV indicator value	<i>In RSD thousand</i>	
	Value of receivables secured by a mortgage on property	
	31 December 2025	31 December 2024
Below 50%	953,555	942,541
From 50% to 70%	321,505	299,722
From 70% to 90%	530,486	76,863
From 90% to 100%	-	154,556
From 100% to 120%	-	-
From 120% to 150%	-	-
Over 150%	-	-
Total	1,805,546	1,473,682
Average LTV indicator	47.68%	45.64%

***Impairment Assessment***

The main consideration for the loan impairment assessment are: occurrence of default in payment of principal or interest due, noted difficulties in cash flows of customer, credit rating deterioration and non-compliance with contractual terms.

Items considered when determining allowance for impairment amount include the sustainability assessment of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen and the realisable value and timeframe of realisation of collaterals, availability of other financial support to clients, possibility of collection of overdue receivables, as well as timing of expected cash flows. The impairment losses are evaluated at each balance sheet date, except in case of non-performing loans, when unforeseen circumstances require more careful attention and more frequent review. Impairment of financial guarantees and letters of credit is assessed and provided for in a similar manner as for loans.

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

**30. RISK MANAGEMENT (Continued)**

**30.2. Credit Risk (Continued)**

*(c) Rescheduled Loans*

	<i>In RSD thousand</i>	
	<b>31 December 2025</b>	<b>31 December 2024</b>
Corporate clients (small and medium-size entities)	146,565	-
Retail customers	-	-
	<b>146,565</b>	<b>-</b>

*(d) Default Receivables*

The Bank gives special attention to default receivables by monitoring the total outstanding balance and trend of these receivables. Default is monitored at the Bank department level and most significant industry (for corporate customers and entrepreneurs), while the structure of retail placements is monitored at the products level (cash loans, consumer and housing loans, credit cards, etc.). Monitoring on a regular basis of the total balance and trend in the amount in order to react in a timely manner to their collection and to establish adequate amount of impairment. In determining the default event, the days of default, the existence of restructuring, write-off of receivables, bankruptcy or liquidation, as well as other indicators that may indicate reduced recoverability of placements are taken into account.

Breakdown of gross default receivables as of 31 December 2025 and 2024 is presented in the table below:

	<i>In RSD thousand</i>	
	<b>31 December 2025</b>	<b>31 December 2024</b>
Corporate customers	192,189	635,273
Retail customers	798	782
	<b>192,987</b>	<b>636,055</b>

The Bank had default exposures as of 31 December 2025 in the amount of RSD 192,987 thousand (as of 31 December 2024, the Bank had outstanding receivables in the amount of RSD 636,205 thousand).

**30.3. Liquidity Risk and Funding Management**

Liquidity risk is the risk that the Bank will not be able to meet its obligations as they fall due. To reduce or limit this risk, the Bank's management seeks to diversify its sources of funding, to manage assets by considering its liquidity, and to monitor the Bank's future cash flows and daily liquidity. This includes an estimate of expected cash flows and the existence of highly-grade collateral that can be used to provide additional funding, if required.

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

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**30. RISK MANAGEMENT (Continued)**

**30.3. Liquidity Risk and Funding Management (Continued)**

The Bank maintains a portfolio consisting of highly marketable securities and diverse assets that can be easily converted into cash in the event of unpredictable and negative fluctuations in the Bank's cash flows. The Bank also maintains required level of obligatory dinar and foreign currency reserves, in accordance with the requirements of the National Bank of Serbia.

The Assets and Liabilities Committee Management is responsible for monitoring liquidity risk, managing liquidity risk and proposing to the Executive Board measures and activities to maintain liquidity, harmonize maturity structure, financing reserve plan and other measures important for the Bank's financial stability.

The Assets and Liabilities Management Committee monitors the main liquidity parameters, striving to balance the inflows and outflows of funds so that the daily liquidity ratio moves within the limits prescribed by the National Bank of Serbia. The basis for quality management and providing the required level of liquidity is the compliance of the maturity of placements with their sources. Deciding on the maturity of placements is based on data on the maturity of deposits, and especially on information on the movement of deposits of significant depositors, as well as their short-term needs. In making its decisions, the Bank shall pay particular attention to the need not to use assets from short-term sources for long-term placements.

The level of liquidity is expressed by the liquidity ratio, which represents the ratio of sum of liquid assets of the first and second order (cash, funds on accounts with other banks, deposits with the National Bank of Serbia, receivables in the process of realization, quoted financial instruments and other receivables due within months) and the sum of liabilities on demand without agreed maturity date and liabilities with agreed maturity date up to a month.

The liquidity ratio during 2025 and 2024 was as presented in the table:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Average during the period	4.15	4.07
Highest	4.88	5.28
Lowest	2.41	3.12
As of 31 December	4.38	3.81

In accordance with the Bank's Liquidity Risk Management Decision, the Bank also calculates and monitors liquidity coverage ratio (LCR), which represents the ratio of the bank's liquidity buffer and the net outflow of liquid assets that would occur during the next 30 calendar days from the date of calculation of this ratio in assumed stress conditions.

Liquidity coverage ratio (LCR) as of 31 December 2025 and 2024 was as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
LCR	210.48%	218.22%

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

**30. RISK MANAGEMENT (Continued)**

**30.3. Liquidity Risk and Funding Management (Continued)**

*Analysis of Financial Liabilities by Remaining Contractual Maturity*

The following table shows the maturity profile of the Bank's financial liabilities as of 31 December 2025 and 2024, which is based on contractual undiscounted repayment obligations. The Bank expects that many customers will not request repayment on the earliest date the Bank could require to pay.

<b>2025</b>	<i>In RSD thousand</i>					
	<b>Sight</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total 2025</b>
Deposits and other liabilities to banks, other financial institutions and the central bank	62,159	1,174,639	190,499	-	-	1,427,297
Deposits and other liabilities to other customers	45,214,555	2,595,884	6,813,521	1,661,838	3,841	56,289,639
Other liabilities	86,306	-	-	-	-	86,306
	<b>45,363,020</b>	<b>3,770,523</b>	<b>7,004,020</b>	<b>1,661,838</b>	<b>3,841</b>	<b>57,803,242</b>

<b>2024</b>	<i>In RSD thousand</i>					
	<b>Sight</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total 2024</b>
Deposits and other liabilities to banks, other financial institutions and the central bank	212,648	1,252,089	810,000	-	-	2,274,737
Deposits and other liabilities to other customers	49,675,991	7,036,494	5,962,163	1,559,693	3,832	64,238,173
Other liabilities	-	146,275	-	-	-	146,275
	<b>49,888,639</b>	<b>8,434,858</b>	<b>6,772,163</b>	<b>1,559,693</b>	<b>3,832</b>	<b>66,659,185</b>

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

**30. RISK MANAGEMENT (Continued)**

**30.3. Liquidity Risk and Funding Management (Continued)**

*Analysis of Financial Liabilities by Remaining Contractual Maturity  
(Continued)*

The maturity structure of undrawn loans and limits, i.e. irrevocable commitments, guarantees and letters of credit according to the remaining period as of 31 December 2025 and 2024 to the contractual maturity date is presented in the table below:

<i>In RSD thousand</i>						
<b>2025</b>	<b>Sight</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total 2025</b>
Guarantees	1,058,599	1,362,997	3,530,885	1,274,571	7,637	7,234,689
Letters of credit	-	60,328	93,190	-	-	153,518
Irrevocable commitments	6,886	-	109,893	954,076	-	1,070,855
	<b>1,065,485</b>	<b>1,423,325</b>	<b>3,733,968</b>	<b>2,228,647</b>	<b>7,637</b>	<b>8,459,062</b>

<i>In RSD thousand</i>						
<b>2024</b>	<b>Sight</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total 2024</b>
Guarantees	756,793	3,095,876	2,414,927	1,823,697	7,619	8,098,912
Letters of credit	-	1,115,299	32,837	-	-	1,148,136
Irrevocable commitments	7,066	-	121,910	904,040	-	1,033,016
	<b>763,859</b>	<b>4,211,175</b>	<b>2,569,674</b>	<b>2,727,737</b>	<b>7,619</b>	<b>10,280,064</b>

The Bank expects that not all of contingent liabilities and irrevocable commitments will be withdrawn before the expiry of the commitments.

***Maturity Mismatch Analysis***

The liquidity of the Bank, as its ability to settle its liabilities as they fall due, depends upon the structure of the Bank's deposits on the one hand, and coordinating inflows and outflows of pecuniary assets, on the other hand.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**30. RISK MANAGEMENT (Continued)**

**30.3. Liquidity Risk and Funding Management (Continued)**

*Maturity Mismatch Analysis (Continued)*

The table below presents analysis of the remaining maturities of the Bank's assets and liabilities based on the agreed payment terms. The agreed maturities of assets and liabilities are determined on the basis of the remaining period on the balance sheet date in relation to the contractual maturity date. Maturity mismatch of assets and liabilities as of 31 December 2025 and 2024 is presented in the table below:

	<i>In RSD thousand</i>					
	<u>Up to 30 days</u>	<u>From 1 to 3 months</u>	<u>From 3 to 12 months</u>	<u>From 1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<b>Assets</b>						
Cash and balances with the central bank	7,464,293	-	-	-	-	7,464,293
Receivables from derivatives						-
Securities	2,251,867	-	-	5,676,358	10,918,575	18,846,801
Loans and receivables from banks and other financial organizations	28,163,566	105,307	54,198	215,102	-	28,538,173
Loans and receivables from customers	229,999	361,269	2,486,220	3,273,448	1,111	6,352,046
Intangible assets	-	-	-	-	44,238	44,238
Property, plant and equipment	-	-	-	-	1,630,373	1,630,373
Investment property	-	-	-	-	508,810	508,810
Other assets	73,845	-	-	-	-	73,845
<b>Total assets</b>	<b><u>38,183,570</u></b>	<b><u>466,576</u></b>	<b><u>2,540,418</u></b>	<b><u>9,164,908</u></b>	<b><u>13,103,107</u></b>	<b><u>63,458,579</u></b>
<b>Liabilities and equity</b>						
Liabilities from derivatives	32,881	-	-	-	-	32,881
Deposits and other liabilities to banks, other financial institutions and the central bank	62,159	1,174,639	190,499	-	-	1,427,297
Deposits and other liabilities to other customers	45,214,555	2,595,884	6,813,521	1,661,838	3,841	56,289,639
Provisions	48,521	-	-	-	-	48,521
Deferred tax liabilities	-	98,598	-	-	-	98,598
Other liabilities	86,306	-	-	-	-	86,306
Capital	-	-	-	-	5,475,337	5,475,337
<b>Total liabilities</b>	<b><u>45,444,422</u></b>	<b><u>3,869,121</u></b>	<b><u>7,004,020</u></b>	<b><u>1,661,838</u></b>	<b><u>5,479,178</u></b>	<b><u>63,458,579</u></b>
<b>Maturity mismatch as of 31 December 2025</b>	<b><u>(7,260,852)</u></b>	<b><u>(3,402,545)</u></b>	<b><u>(4,463,602)</u></b>	<b><u>7,503,070</u></b>	<b><u>7,623,929</u></b>	<b><u>-</u></b>
<b>Cumulative mismatch as of 31 December 2025</b>	<b><u>(7,260,852)</u></b>	<b><u>(10,663,397)</u></b>	<b><u>(15,126,999)</u></b>	<b><u>(7,623,929)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Maturity mismatch as of 31 December 2024</b>	<b><u>(442,105)</u></b>	<b><u>(5,797,522)</u></b>	<b><u>(3,470,742)</u></b>	<b><u>6,039,134</u></b>	<b><u>3,671,235</u></b>	<b><u>-</u></b>
<b>Cumulative mismatch as of 31 December 2024</b>	<b><u>(442,105)</u></b>	<b><u>(6,239,627)</u></b>	<b><u>(9,710,369)</u></b>	<b><u>(3,671,235)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**30. RISK MANAGEMENT (Continued)**

**30.4. Market Risk**

Market risk is the risk that the fair value or expected future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Bank is not exposed to the risk of changes in the prices of equity instruments and commodity prices. Apart from the concentration of foreign currency risk, the Bank does not have a significant concentration of market risk in other items.

**30.4.1. Interest Rate Risk**

Interest rate risk is the risk of negative effects on the Bank's financial result and capital due to changes in interest rates. Interest rate risk arises from the possibility that changes in interest rates may affect future cash flows or the fair value of financial instruments.

The Executive Board has set limits, i.e. the level of interest rates by types of clients, products, currency and by credit rating category. The basis for setting interest rates is market interest rates, on the basis of which the Bank's interest rates are regularly adjusted. Interest rate changes can result in increase or decrease in interest margins. Interest risk management aims to optimize these impacts in terms of their effect on net interest income on the one hand, and economic value of capital on the other.

The Assets and Liabilities Committee Management manages the maturity matching of assets and liabilities based on macroeconomic analyses and forecasts, forecasting liquidity conditions, analysis and forecasting market interest rate trends for different asset and liability segments.

The following table demonstrates the sensitivity of the Bank's income statement to reasonably possible changes in interest rates while all other variables held constant. The sensitivity of the income statement represents the effect of assumed changes in interest rates on net interest income for one year, based on floating interest rate financial assets and liabilities held as of 31 December 2025 and 2024.

Currency	Increase / Decrease in basic point	<i>In RSD thousand</i> Income statement sensitivity
<b>2025</b>		
EUR	+1%	69,681
USD	+1%	5,676
RSD	+1%	390,320
<b>2024</b>		
EUR	+1%	82,616
USD	+1%	11,507
RSD	+1%	401,442

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**30. RISK MANAGEMENT (Continued)**

**30.4. Market Risk (Continued)**

**30.4.1. Interest Rate Risk (Continued)**

The following table shows Repricing Gap Report, i.e. the Bank's exposure to the interest rate risk as of 31 December 2025 and 2024. The table includes the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing of maturity dates.

	In RSD thousand					
	Up to 30 days	From 1 to 3 months	From 3 to 12 months	Over a year	Non- interest bearing	Total
<b>As of 31 December 2025</b>						
Total assets	29,893,250	5,634,791	3,746,487	17,331,946	6,852,105	63,458,579
Total liabilities and equity	7,544,789	713,000	1,780,627	375	53,419,788	63,458,579
<b>Net exposure to interest rate risk as of 31 December 2025</b>	<b>22,348,461</b>	<b>4,921,791</b>	<b>1,965,860</b>	<b>17,331,571</b>	<b>(46,567,683)</b>	<b>-</b>
<b>As of 31 December 2024</b>						
Total assets	42,854,558	4,243,542	3,490,765	13,520,564	7,895,415	72,004,844
Total liabilities and equity	9,622,802	3,102,100	2,507,439	374	56,772,129	72,004,844
<b>Net exposure to interest rate risk as of 31 December 2024</b>	<b>33,231,756</b>	<b>1,141,442</b>	<b>983,326</b>	<b>13,520,190</b>	<b>(48,876,714)</b>	<b>-</b>

**30.4.2. Foreign Currency Risk**

Foreign currency risk is the risk that the value of financial instruments will change and that there will be adverse effects on the financial result and capital of the Bank due to changes in the exchange rate. Banking operations in different currencies result in exposure to fluctuations in the exchange rates of several currencies. The Bank manages foreign exchange risk by seeking to prevent negative effects of changes in cross-currency exchange rates and foreign currency exchange rates against the dinar (FX loss) on both the financial result of the Bank and the ability of clients to repay loans in foreign currency.

In order to hedge against foreign exchange risk, the Bank monitors the movement of foreign exchange rates on the financial market on a daily basis, pursues a policy of low exposure to foreign exchange risk and contracts a currency clause with customers who use loans and placements.

In accordance with the regulatory requirements of the National Bank of Serbia, the Bank should ensure that its total net open foreign currency position does not exceed 20% of its capital. As of 31 December 2025, the foreign exchange risk ratio was 1.09%.

The analysis calculates the result of reasonably possible movements in the currencies rates against the dinar while constantly maintaining other variables. Negative amounts in the table represent a potential decrease in operating results or equity, while positive amounts represent net potential increases.

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

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**30. RISK MANAGEMENT (Continued)**

**30.4. Market Risk (Continued)**

**30.4.2. Foreign Currency Risk ( Continued)**

<u>Currency</u>	<u>Change in currency rate in (%)</u>	<i>In RSD thousand</i>	
		<u>Effect on pre- tax operating result</u>	<u>Effect on equity</u>
<b>2025</b>			
EUR	10%	687	-8.97 pp
USD	10%	3,696	
<b>2024</b>			
EUR	10%	(6,926)	-8.43 pp
USD	10%	270	

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

**30. RISK MANAGEMENT (Continued)**

**30.4. Market Risk (Continued)**

**30.4.2. Foreign Currency Risk (Continued)**

The following table presents the Bank's exposure to foreign currency risk as of 31 December 2025 and 2024. The table includes assets and liabilities, as well as off-balance sheet items that are included in the calculation of foreign currency risk, at their carrying amounts.

Currency item	<i>In RSD thousand</i>						
	EUR	USD	CHF	Other currencies	Total in foreign currency	Total in local currency	Total
<b>Assets</b>							
Cash and balances with the central bank	4,097,105	8,230	6,443	-	4,111,778	3,352,515	7,464,293
Pledged financial assets	-	-	-	-	-	-	-
Receivables from derivatives	-	-	-	-	-	-	-
Securities	3,668,491	217,089	-	-	3,885,580	14,961,221	18,846,801
Loans and receivables from banks and other financial organizations	2,015,512	517,880	48	3,091	2,536,531	26,001,642	28,538,173
Loans and receivables from customers	2,922,337	-	-	-	2,922,337	3,429,709	6,352,046
Intangible assets	-	-	-	-	-	44,238	44,238
Property, plant and equipment	-	-	-	-	-	1,630,373	1,630,373
Investment property	-	-	-	-	-	508,810	508,810
Other assets	151	1,341	-	1	1,493	72,352	73,845
<b>Total assets</b>	<b>12,703,596</b>	<b>744,540</b>	<b>6,491</b>	<b>3,092</b>	<b>13,457,719</b>	<b>50,000,860</b>	<b>63,458,579</b>
<b>Liabilities</b>							
Derivative liabilities	-	-	-	-	-	32,881	32,881
Deposits and other liabilities to banks, other financial institutions and the central bank	59,102	-	-	-	59,102	1,368,195	1,427,297
Deposits and other liabilities to other customers	29,638,927	705,228	3,128	207	30,347,490	25,942,149	56,289,639
Provisions	1,099	61	-	-	1,160	47,361	48,521
Deferred tax liabilities	-	-	-	-	-	98,598	98,598
Other liabilities	3,492	2,294	-	237	6,023	80,283	86,306
Equity	-	-	-	-	-	5,475,337	5,475,337
<b>Total liabilities and equity</b>	<b>29,702,620</b>	<b>707,583</b>	<b>3,128</b>	<b>444</b>	<b>30,413,775</b>	<b>33,044,804</b>	<b>63,458,579</b>
<b>Open items</b>	<b>(16,999,024)</b>	<b>36,957</b>	<b>3,363</b>	<b>2,648</b>	<b>(16,956,056)</b>	<b>16,956,056</b>	<b>-</b>
<b>Off-balance sheet assets</b>	<b>17,005,890</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,005,890</b>	<b>-</b>	<b>17,005,890</b>
<b>Off-balance sheet liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,097,775</b>	<b>17,097,775</b>
<b>Net foreign currency position as of 31 December 2025</b>	<b>6,866</b>	<b>36,957</b>	<b>3,363</b>	<b>2,648</b>	<b>49,834</b>	<b>(141,719)</b>	<b>(91,885)</b>
<b>Net foreign currency position as of 31 December 2024</b>	<b>(69,260)</b>	<b>2,702</b>	<b>3,321</b>	<b>2,949</b>	<b>(60,288)</b>	<b>20,278</b>	<b>(40,010)</b>

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

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**30. RISK MANAGEMENT (Continued)****30.5. Bank Exposure**

The Bank's exposure risks include the risks of its exposure to a single person or a group of related parties, as well as the risks of its exposure to a person related to the Bank.

Monitoring the Bank's exposure risk to a single person or a group of related parties, as well as persons related to the Bank is under charge of the organizational unit responsible for approving the placements. Monitoring the Bank's exposure to this risk is a mandatory part of the granting loan procedure in the sense that the body approving the placements has the information regarding the total amount of the Bank's exposure to a single person or group of related parties in relations to the Bank's capital.

The Risk Management Sector quarterly determines the Bank's large exposure indicator to a single person or group of related parties that exceeds the prescribed limit of 10% of capital, as the ratio of total exposure to these persons and the Bank's capital, and compares it with the Great Exposures Overview per client and their compliance with the limits previously approved by the Board of Director. The Sector quarterly determines the indicator of exposure to related parties, as the ratio between the total net exposure to those entities and the bank's capital.

The Board of Directors pre-approves the Bank's exposure to customers or group of related parties with large exposure exceeding 10% of capital, or pre-approves the increase of this exposure to over 20% of the Bank's capital. The Executive Board makes individual decisions on placements to a single person or a group of related parties representing large exposure of the Bank up to the amount determined by the risk management policy (exceeding 20% of the Bank's capital).

**30.6. Investment Risks**

The Bank's investment risks include equity shares of the Bank in other legal entities' capital and in PPE. In accordance with the regulations of the National Bank of Serbia, the amount of the Bank's investments in one non-financial sector party (10% of the Bank's capital) is monitored, as well as the total Bank's investments in a single non-financial sector entity and in the Bank's fixed assets (60% of the Bank's capital). As of 31 December 2025, investment indicators were within regulatory limits.

Exposure to the Bank's investment risk in other legal entities and fixed assets is monitored in such a way that the organizational unit or body competent for procurement of fixed assets and investment in legal entities is familiar with the current exposure and the amount of capital for the purpose of acting in timely manner in accordance with the prescribed limits.

The Bank's Assembly determines the amount of investments in fixed assets and intangible investments at the beginning of the year, based on the fixed assets and intangible investments procurement plan, which is within the limits prescribed by the National Bank of Serbia. The Bank's Assembly also determines the amount of investments in other legal entities that are not in the financial sector at the beginning of the year. The Accounting Department monitors the compliance of procurement with the approved fixed assets procurement plan for the current year during the quarter.

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

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**30. RISK MANAGEMENT (Continued)****30.7. Country Risk**

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

To measure country risk, the Bank uses the credit rating of the country of origin of the debtor to which it is exposed. To assess the level of credit quality of the country, the credit assessment of the country used by the export credit agencies that are signatories to the Agreement of the Organization for Economic Cooperation and Development (OECD) is used.

Monitoring risk by analysing conditions, changes and trends, as a basis for monitoring country risk, is a change in the schedule of the OECD credit assessment. Changes and updates of the country's credit rating are performed by employees of the Risk Management Department, when it is determined that changes in the country's rating have occurred.

Assets and Liabilities Committee Management and the Executive Board review and monitor country risk by maintaining it at a level of risk acceptable to the Bank's risk profile. The Board of Directors may set limits on the placement of assets to legal entities and banks, in certain countries and regions, including the suspension of placements, in case of significant political and economic events.

The Bank conducts a major part of its operations in the territory of the Republic of Serbia, so that the largest portion of the Bank's loan portfolio relates to domestic corporate and retail customers.

**30.8. Operational Risk**

Operational risk is the risk of negative effects on the Bank's financial result and equity due to failures in performance of operating activities, human mistakes, embezzlement or unpredictable external events. When controls fail to perform, operational risk can damage the Bank's reputation, have legal implications or lead to financial loss.

The Bank cannot eliminate all operational risks, but by introducing a rigorous control framework and monitoring and responding to potential risks, the Bank is able to manage these risks. The role of the operational risk management process is to identify, assess, control and minimise the possibility of occurrence and impact of operational risks and losses. Control includes effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment process, including internal audit.

In operational risk management, the Bank implements quantitative and qualitative procedures based on the collection of data on losses incurred as a result of operational risk, by categories determined according to the sources of losses.

The Bank manages operational risk in such a way as to mitigate the impact of negative and failed internal processes, people and systems or external events to the Bank's financial result. Events that represent sources of operational risk are classified and monitored by lines of business, by type of event (fraud, interruptions, damage to property, etc.), by causes (processes, external factor, human factor, etc.) and by type of loss (loss, avoided loss, etc.). The Bank has developed a database as a basis for recording and monitoring risk events, which is constantly updated by authorized employees.

In accordance with the prescribed requirements and the requirements of the best business practice, the Bank has prepared the plan for ensuring business continuity as a going concern and the business plan in case of unforeseen events.

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

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**30. RISK MANAGEMENT (Continued)****30.9. Capital Management**

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

- comply with the capital requirements set by the National Bank of Serbia, and in particular to ensure sufficient available capital for covering all capital requirements at any time;
- ensure the possibility of long-term continuation of operations with providing of profit to shareholders and benefits to other interest parties; and
- provide a solid capital base to support the further development of its business.

The Bank's management regularly monitors the Bank's capital adequacy ratios and other business indicators prescribed by the National Bank of Serbia and delivers quarterly reports on achieved values of ratios.

The Law on Banks and relevant decisions of the National Bank of Serbia stipulate that banks must maintain a minimum amount of capital of the dinar equivalent of 10 million euros at the official middle exchange rate, a capital adequacy ratio of at least 8%, and to align the volume and structure of their operations with the business indicators prescribed by the Decision on Risk Management (“Official Gazette of the Republic of Serbia”, No. 45/2011, 94/2011, 119/2012, 123/2012, 43/2013, 92/2013, 33/2015, 61/2015, 61/2016, 103/2016, 119/2017, 76/2018, 57/2019, 88/2019, 27/2020, 67/2020, 89/2022, 77/2023, 13/2025, and 51/2025) and the Decision on Capital Adequacy Official Gazette of the Republic of Serbia”, No. 46/2011, 6/2013, 51/2014, 85/2016, 103/2018, 88/2019, 67/2020, 98/2020, 137/2020, 59/2021, 67/2022, 137/2022, 48/2023, 110/2023, 102/2024, 41/2025, 70/2025, 101/2025 and 104/2025).

The Bank manages its capital structure and makes adjustments in accordance with changes in economic conditions and risk characteristic of its activities.

The aforementioned Decision of the National Bank of Serbia on the capital adequacy of the bank determined the manner of calculating the Bank's capital and the capital adequacy ratio.

The total capital of the Bank consists of core and supplementary capital, while risk weighted on-balance sheet assets and off-balance sheet items are determined in accordance with the prescribed risk ratios for all types of assets. In accordance with the regulations of the National Bank of Serbia, when calculating the capital adequacy ratio, total risk-weighted on balance and off-balance sheet assets are increased by the amount of open foreign currency position, calculated amount of capital requirement for foreign currency, market and operational risk.

In accordance with the Law on Banks and the Decision on Recovery Plans of Banks and Banking Groups (Official Gazette of RS No. 71/2015), the Bank has prepared and submitted to the National Bank of Serbia a Recovery Plan which is the main foundation for strengthening the Bank's financial resilience stability in situations of serious financial disorders.

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

**30. RISK MANAGEMENT (Continued)**

**30.9. Capital Management (Continued)**

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

	<b>31 December 2025</b>	<i>In RSD thousand</i> <b>31 December 2024</b>
<b>Regulatory capital</b>		
Core capital	4,599,889	3,443,205
Supplementary capital	-	-
<b>Total core and supplementary capital</b>		
<b>Total (1)</b>	<b>4,599,889</b>	<b>3,443,205</b>
<b>Risk-weighted balance sheet and off-balance sheet assets</b>		
Balance sheet assets	8,029,017	8,222,346
Off-balance sheet assets	619,656	630,244
Open foreign currency position	-	69,555
Operational risk	2,398,214	1,554,215
<b>Total (2)</b>	<b>11,046,887</b>	<b>10,476,360</b>
<b>Capital adequacy (1/2 x 100)</b>	<b>41.64%</b>	<b>32.87%</b>

The capital adequacy ratio as the balance sheet date was 41.64%, which is above the prescribed minimum of 8%, and above the capital adequacy ratio prescribed by the NBS through the supervisory assessment process of 12.10% (total supervisory capital requirement).

Comprehensive capital requirement on the balance sheet date amounted to 15.60% of risky assets, calculated as the sum of total supervisory capital requirements and the combined protective layer of capital on that day.

**30.10. The fair value of collateral is presented in the table below:**

	<b>Carrying value</b>		<i>In RSD thousand</i> <b>Fair value</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Mortgages	2,702,896	1,620,181	2,702,896	1,620,181
Pledges	-	-	-	-
Deposits	3,461,270	5,245,740	3,461,270	5,245,740
State guarantees	932,674	930,550	932,674	930,550
<b>Total</b>	<b>7,096,840</b>	<b>7,796,471</b>	<b>7,096,840</b>	<b>7,796,471</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**31. FINANCIAL ASSETS AND LIABILITIES – MEASUREMENT OF FAIR VALUE**

Fair value in the financial statements is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an independent transaction. Fair value is calculated using market information available at the reporting date as well as internal individual valuation methods.

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

The fair values of irrevocable credit liabilities and contingent liabilities are the same as their carrying amounts.

The fair value of cash and cash equivalents, short-term deposits, other placements and other assets, transaction deposits, trade payables and other short-term liabilities corresponds to their carrying amount primarily due to the short-term maturity of these financial instruments.

The Bank's financial instruments carried at amortized cost generally have short-term maturities and bear variable interest rates that reflect current market conditions.

In the opinion of the Bank's management, the amounts of financial assets and liabilities stated in the accompanying financial statements reflect the value that in the circumstances is most reliable and most useful for reporting purposes.

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

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

The fair values of financial assets and financial liabilities traded in active markets are based on quoted market prices or quoted prices by dealers. For all other financial instruments, the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparing with similar instruments for which there is a noticeable market price and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit margins and other premiums used in estimating the discount rate, bond and equity prices, exchange rates, equity and equity indexed prices, and expected price fluctuations and correlations.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**31. FINANCIAL ASSETS AND LIABILITIES – MEASUREMENT OF FAIR VALUE**  
**(Continued)**

The objective of valuation techniques is to determine the fair value that reflects the price of the financial instrument at the reporting date, which would be defined by market participants in free and independent transactions.

The Bank uses widely accepted valuation models to determine the fair value of common and simpler financial instruments, such as interest rates and currency swaps that use only observable market data and require little judgment and evaluation by management. Quoted prices and inputs for models are typically available in the market for quoted debt and equity securities, traded derivatives and simple derivatives as interest rate swaps.

The Bank's business policy is to disclose information about the fair value of assets and liabilities for which there is official market information and when the fair value differs significantly from the carrying amount.

There is not enough market experience in the Republic of Serbia, as well as stability and liquidity in the purchase and sale of receivables and other financial assets and liabilities, as official market information is not available at all times. Therefore, fair value cannot be reliably determined in the absence of an active market.

The Bank's management performs risk assessment and in cases when it is estimated that the value at which the assets are kept in the business books will not be realized, it is recognises a provision.

*Valuation of Financial Instruments*

In the opinion of the Bank's management, the amounts of financial assets and liabilities stated in the accompanying financial statements reflect the value that in the given circumstances is the most reliable and most useful for reporting purposes.

For financial assets and financial liabilities that are liquid or have a short maturity (up to 3 months), it is assumed that the book values are approximately equal to their fair value. This assumption also applies to demand deposits, maturity savings deposits and financial instruments with variable interest rates.

**Fixed Interest Rate Financial Instruments**

The fair value of financial assets and liabilities with a fixed interest rate, which are recorded at amortized cost, is estimated by comparing market interest rates at initial recognition with current market rates currently valid for similar financial instruments.

The estimated fair value of fixed-rate deposits is based on discounted cash flows using prevailing money market interest rates for contracts with similar credit risk and maturity.

For listed issued debt instruments, fair values are calculated based on quoted market prices.

For financial instruments for which market prices are not available, a discounted cash flow model is used that is based on the current interest rate yield curve that corresponds to the remaining period to maturity.

Financial instruments, such as securities that are subsequently measured at fair value through other comprehensive income, are measured at fair value based on available market information, or by using the quoted market price at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**31. FINANCIAL ASSETS AND LIABILITIES – MEASUREMENT OF FAIR VALUE**  
**(Continued)**

**Fixed Interest Rate Financial Instruments (Continued)**

To selecting the quoted price of financial instruments, one of the following alternatives may be used: the price of the last purchase or the average trading price.

If there is no active market for a given instrument and therefore no Level 1 input, the Bank may determine fair value using inputs from a lower hierarchical level.

The Bank has government securities (bonds/notes) in its portfolio that are classified as securities measured at fair value through other comprehensive income. For government debt securities, the Bank uses the income approach, discounting future cash flows to their present value using a discount rate – the market rate.

For the above securities, the Bank uses fair value valuation methods using Level 2 inputs.

The market rate at which future cash flows are discounted to their present value is calculated by using the average value of interest rates realized from trading on the secondary market in government bonds held by the Bank (if there has been such trading), as well as government bonds on the primary and secondary markets with the same or approximately the same maturity in relation to the bonds being worked on. fair value calculation.

***Fair Value Hierarchy of Financial Assets and Liabilities Measured at Fair Value***

The table below includes the analysis of financial assets and liabilities measured at fair value by levels in the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<i>In RSD thousand</i> <u>Total</u>
<b><u>2025</u></b>				
Financial assets at fair value through other comprehensive income	-	15,779,461	-	15,779,461
Financial assets at fair value through profit or loss	<u>6,008</u>	<u>-</u>	<u>-</u>	<u>6,008</u>
<b>Total</b>	<b><u>6,008</u></b>	<b><u>15,779,461</u></b>	<b><u>-</u></b>	<b><u>15,785,469</u></b>
<b><u>2024</u></b>				
Financial assets at fair value through other comprehensive income	-	11,353,384	-	11,353,384
Financial assets at fair value through profit or loss	<u>5,161</u>	<u>-</u>	<u>-</u>	<u>5,161</u>
<b>Total</b>	<b><u>5,161</u></b>	<b><u>11,353,384</u></b>	<b><u>-</u></b>	<b><u>11,358,545</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**31. FINANCIAL ASSETS AND LIABILITIES – MEASUREMENT OF FAIR VALUE**  
**(Continued)**

**Fixed Interest Rate Financial Instruments (Continued)**

*Fair Value Hierarchy of Financial Assets and Liabilities Measured at Fair Value*  
*(Continued)*

Financial assets not measured at fair value:

	<b>As of 31 December 2025</b>		<i>In RSD thousand</i> <b>As of 31 December 2024</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial (monetary) assets</b>				
Cash and balances with the Central bank	7,464,293	7,464,293	10,336,321	10,336,321
Securities measured at amortized cost	3,066,756	3,066,756	3,302,527	3,302,527
Loans and receivables from banks and other financial organizations	28,538,173	28,538,173	39,922,663	39,922,663
Loans and receivables from customers	6,352,046	6,352,046	5,001,988	5,001,988
Other assets	73,845	73,845	46,020	46,020
<b>Total assets</b>	<b>45,495,113</b>	<b>45,495,113</b>	<b>58,609,519</b>	<b>58,609,519</b>
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial (monetary) liabilities</b>				
Deposits and other liabilities to banks and other financial organizations	1,427,297	1,427,297	2,274,737	2,274,737
Deposits and other liabilities to other customer	56,289,639	56,289,639	64,238,173	64,238,173
Other liabilities	86,306	86,306	146,275	146,275
<b>Total liabilities</b>	<b>57,803,242</b>	<b>57,803,242</b>	<b>66,659,185</b>	<b>66,659,185</b>

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

**31. FINANCIAL ASSETS AND LIABILITIES – MEASUREMENT OF FAIR VALUE**  
**(Continued)**

**Fixed Interest Rate Financial Instruments (Continued)**

*Fair Value Hierarchy of Financial Assets and Liabilities Measured at Fair Value*  
*(Continued)*

The estimated fair values of financial assets and liabilities not measured at fair value by levels in the fair value hierarchy are presented in the table below:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair value</b>	<b>In RSD thousand Carrying amount</b>
<b>2025</b>					
Financial assets measured at amortized cost	-	-	3,066,756	3,066,756	3,066,756
Loans and receivables from banks and other financial organizations	-	-	28,538,173	28,538,173	28,538,173
Loans and receivables from customers	-	-	6,352,046	6,352,046	6,352,046
<b>Total</b>	-	-	<b>37,956,975</b>	<b>37,956,975</b>	<b>37,956,975</b>
Deposits and other liabilities to banks. other financial organizations and the central bank	-	-	1,427,297	1,427,297	1,427,297
Deposits and other liabilities to other customers	-	-	56,289,639	56,289,639	56,289,639
<b>Total</b>	-	-	<b>57,716,936</b>	<b>57,716,936</b>	<b>57,716,936</b>
<b>2024</b>					
Financial assets measured at amortized cost	-	-	2,587,124	2,587,124	2,587,124
Loans and receivables from banks and other financial organizations	-	-	39,922,663	39,922,663	39,922,663
Loans and receivables from customers	-	-	5,001,988	5,001,988	5,001,988
<b>Total</b>	-	-	<b>47,511,775</b>	<b>47,511,775</b>	<b>47,511,775</b>
Deposits and other liabilities to banks. other financial organizations and the central bank	-	-	2,274,737	2,274,737	2,274,737
Deposits and other liabilities to other customers	-	-	64,238,173	64,238,173	64,238,173
<b>Total</b>	-	-	<b>66,512,910</b>	<b>66,512,910</b>	<b>66,512,910</b>

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

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**32. COMMITMENTS AND CONTINGENT LIABILITIES**

*(a) Leases liabilities*

The bank has finance lease liabilities in 2025.

*(b) Litigation*

As of 31 December 2025, 22 litigations initiated by individuals are pending against the Bank (as of 31 December 2024, there were 2 litigations initiated against the Bank by legal entities and 45 litigations initiated by individuals).

Based on the assessment of the Bank's Legal, HR and General Affairs Department regarding the outcome of legal proceedings conducted against the Bank, a provision has been made for twelve cases filed by individuals against the Bank in the amount of RSD 1,079 thousand. As for the remaining cases, the Bank's Management expects a favourable outcome.

*(c) Tax Risks*

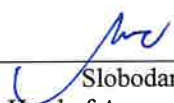
The tax system of the Republic of Serbia is subject to ongoing review and amendments. The tax period in the Republic of Serbia is considered to be open for a period of five years. Under different circumstances, the tax authorities may have different approaches to certain issues and may detect additional tax liabilities together with related penalty interest and fines. The Bank's management believes that tax liabilities recognised in the accompanying financial statements are fairly disclosed.

The Bank has prepared a provisional tax balance sheet for 2025 for determining income tax and preparing the accompanying financial statements for 2025. In accordance with the provisions of the Law on Corporate Income Tax ("Official Gazette of the Republic of Serbia", No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015, 113/2017, 95/2018, 86/19, 153/2020, 118/2021 and 94/2024), the Bank is required to submit the tax balance sheet and accompanying forms to the Tax Administration within 180 days from the date of expiry of the period for which the tax liability is determined. The Bank's management does not expect any material differences in the amount of income tax when preparing and submitting the final tax balance for 2024 compared to the amount of income tax determined based on the provisional tax balance.

**33. EVENTS AFTER THE REPORTING PERIOD**

There have been no other events subsequent to the balance sheet date, which would require adjustments in the accompanying financial statements or disclosures in the notes to the accompanying financial statements.

Belgrade, 16 March 2026

  
 \_\_\_\_\_  
 Slobodan Lecic  
 Head of Accounting, Finance  
 and Reporting Department

  
 \_\_\_\_\_  
 Branka Vukovic  
 Member of  
 the Executive Board

  
 \_\_\_\_\_  
 Vesna Jokanovic  
 Chairwoman of the  
 Executive Board

**ANNUAL BUSINESS REPORT  
OF SRPSKA BANKA A.D. BELGRADE  
FOR THE YEAR 2025**

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## 1. MACROECONOMIC ENVIRONMENT AND THE BANKING SECTOR

The Republic of Serbia, as a small open economy, is highly sensitive to global economic and political developments, particularly those affecting its key trading partners (EU, the Russian Federation, CEFTA, etc.). Foreign investments and capital inflow are crucial for Serbia's economic growth. However, conflicts in Ukraine and the Middle East have impacted the prices of primary commodities and disrupted global production and distribution chains. The ongoing conflict in Ukraine continues to affect the region and beyond, as sanctions on Russia strain the energy market, causing price shocks and interruptions in gas exports to EU countries.

According to the Statistical Office of the Republic of Serbia, GDP growth in 2024 was estimated at 3.9%, with positive contributions from all production sectors and most service sectors. In 2025, real GDP growth is expected to accelerate to a range of 4–5%, with a central estimate of 4.5%, driven by investments and preparations for Expo 2027. For 2026 and 2027, growth is projected to remain within the same range, supported by the implementation of planned investments.

Industrial production in December 2025 was 5.7% lower compared to December 2024, and 1.2% lower compared to the 2024 annual average. In the period January–December 2025, industrial production increased by 0.9% compared to the same period in 2024. In December 2025, the following trends were observed across sectors compared to December 2024, namely:

- Mining – increase of 4.4%
- Manufacturing – decrease of 8.3%
- Electricity, gas, steam, and air conditioning supply – increase of 0.7%

In December 2025, retail trade turnover rose by 9.7% in current prices and 8.5% in constant prices compared to December 2024. During the same period, the number of tourist arrivals increased by 0.4%, while total overnight stays fell by 1.9%. Breaking this down by type of tourist, overnight stays by domestic visitors declined by 5.0%, whereas overnight stays by foreign visitors grew by 0.5%.

Regarding foreign trade developments, according to the Statistical Office of the Republic of Serbia, export of goods in euros recorded a year-on-year increase of 8.4%, while import of goods rose by 7.2% year-on-year for the period January–December 2025.

The unemployment rate at the end of 2025 was around 9%, showing slight stagnation compared to the previous quarter. The average gross salary for November 2025 amounted to RSD 154,772 thousand, while the average net salary (after taxes and contributions) was RSD 111,987 thousand. For the period January–November 2025, gross salaries were nominally higher by 11.3% (7.0% in real terms) compared to the same period in 2024, while net salaries were nominally higher by 11.2% (6.9% in real terms). Compared to November 2024, November 2025 salaries were nominally higher by 11.4% (8.4% in real terms) for gross salaries and nominally higher by 11.2% (8.2% in real terms) for net salaries.

At the end of December 2025, the gross foreign exchange reserves of the National Bank of Serbia stood at approximately EUR 29.5 billion, which is EUR 358.3 million lower than in November 2025 and EUR 286.2 million lower than at the end of 2024, but still reflecting stable growth over the year. Net foreign exchange reserves were also lower than in the previous year but remained sufficient to ensure the stability of the financial system.

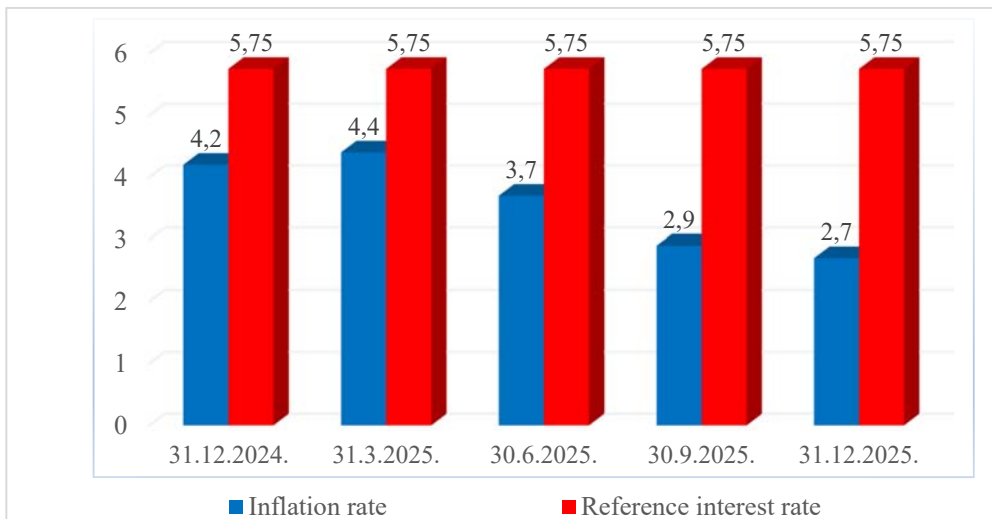
The inflow of foreign direct investment (FDI) in December 2025 was significant, with the completion of several major projects, contributing to a record annual inflow. In 2025, the total FDI amounted to slightly over EUR 2.1 billion, representing a decline compared to the same period in 2024, when the inflow totalled approximately EUR 3.6 billion. According to the National Bank of Serbia, the composition of FDI shows that investments from both the European Union and Asia decreased compared to 2024.

On the primary market of RSD denominated government securities, demand remained high in December 2025, with stable interest rates at 5.25%. Throughout 2025, the primary market saw multiple successful auctions with record volumes of sales and demand, accompanied by declining yield rates. In January and February 2026, reopening auctions were held for the sale of the 5G series of RSD denominated government securities issued in July 2025, with a total nominal value of RSD 67.6 billion and effective yields of 4.49% and 4.55%, respectively.

The National Bank of Serbia maintained the reference interest rate at 5.75% throughout 2025. In January 2025, Serbia received an investment-grade BBB rating from S&P for the first time, marking a historic milestone. Fitch retained the country's rating at BB+, and Moody's kept it at B2 with a positive outlook. Key factors supporting these ratings included strong GDP growth, a doubling of foreign exchange reserves, a reduction in public debt, and prudent monetary and fiscal policies.

Inflation remained within the target range for 2025, ending the year at 2.7%, which was lower than at the end of 2024. According to estimates by the Statistical Office of the Republic of Serbia, the average inflation for 2025 was 3.8%, slightly below 4%. Inflation is expected to remain within a similar range in the coming year.

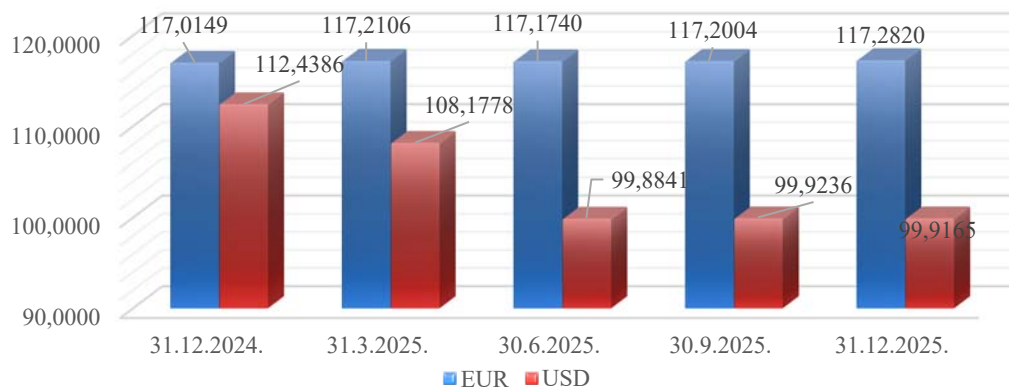
Chart 1 Macroeconomic Indicators (% values)



The dinar remained relatively stable against the euro in Q4 2025, with its value virtually unchanged.

The official middle exchange rate of the dinar on 31 December 2025 was 117.2820 per EUR, roughly the same as at the beginning of the year, with the dinar 0.23% weaker against the euro. The exchange rate of the dinar against the US dollar was 99.9165 per USD, reflecting an 11.14% depreciation of the dollar against the domestic currency since the beginning of the year.

Chart 2 EUR and USD Exchange Rate Trends



Since September 2024, the National Bank of Serbia has maintained the reference interest rate at 5.75%, while the interest rates on lending and deposit facilities have remained at 4.5% and 7%, respectively.

Interest rates in the interbank money market remained relatively stable during the fourth quarter of 2025. The BEONIA rate at the end of December stood at approximately 5.50%, with a moderate average daily turnover in the overnight interbank market, reflecting the liquidity conditions in the banking sector. The BELIBOR rates at the end of December 2025 ranged from 5.50% for the shortest maturities to 4.60% for six-month maturities.

Following significant changes in the domestic banking sector during 2023, the Serbian banking sector comprised 19 banks as of 31 December 2025.

The banks hold substantial capital reserves, enabling them to effectively manage credit risk, even under the most pessimistic scenarios in stress tests. In addition to high capitalization, the banking sector features a solid structure, with over 90% of capital consisting of the highest-quality share capital. The sector's high solvency is further confirmed by the leverage ratio, which stood at 10.3% at the end of September 2025. Liquid assets accounted for 40.2% of total banking sector assets at the end of December 2025. The loan-to-deposit ratio of non-financial clients, which was 81.6% at the end of December 2025, indicates a stable funding structure and overall liquidity in the banking sector.

Liquidity indicators remained at levels significantly above the regulatory minimums. Liquid assets accounted for 51.5% of total banking sector assets at the end of 2025.

Credit activity towards the non-monetary sector showed positive trends. The acceleration in credit growth during the fourth quarter was supported by an increase in corporate loans in December 2025. Corporate loans grew by approximately 6%, while retail loans increased by about 8% compared to the previous year. The share of non-performing loans in total loans stood at 2.4%.

In 2025, investment loans grew by 2.0%, comprising 21% of total corporate loans in December, whereas loans for liquidity and working capital accounted for 34%.

Following the gradual monetary policy tightening in 2025, interest rates on new RSD corporate and retail loans remained stable. In December, interest rates on working capital loans stood at 6.7%, while on retail cash loans at 9.7%.

The total net balance sheet assets of the Serbian banking sector amounted to approximately RSD 6,700 billion at the end of 2025, representing an increase compared to the previous year and indicating the sector's stability. Deposits totalled around EUR 32.5 billion, which is 4.5% higher than at the end of 2024.

The banking sector generated a pre-tax profit of approximately EUR 1.45 billion in 2025 (data as of December).

The return on assets (ROA) of the banking sector in December 2025 stood at 2.6%, while the return on equity (ROE) was 19.5%. The foreign exchange risk indicator was 0.6%, and the net interest margin amounted to 4.2%

## 2. SUMMARY OF BUSINESS ACTIVITIES

Srpska banka a.d. Belgrade was formed through the transformation of a specialized unit of the National Bank of Yugoslavia – Military Service and has been in operation since 1950. From 1997 to 2003, it operated as JU Garant Banka a.d. Belgrade, before adopting its current name.

The Bank is registered to conduct domestic and international payment transactions, as well as domestic lending and deposit operations, payment card services, securities operations, and dealer activities.

Srpska banka a.d. Belgrade has a multi-decade tradition in the domestic banking market and enjoys a strong reputation with numerous correspondents and nostro banks abroad. The Bank is majority-owned by the Republic of Serbia (76.68%), which, together with J.P. Jugoimport SDPR (23.31%), also a state-owned company, brings the total share of state capital in the Bank's equity to 99.99%.

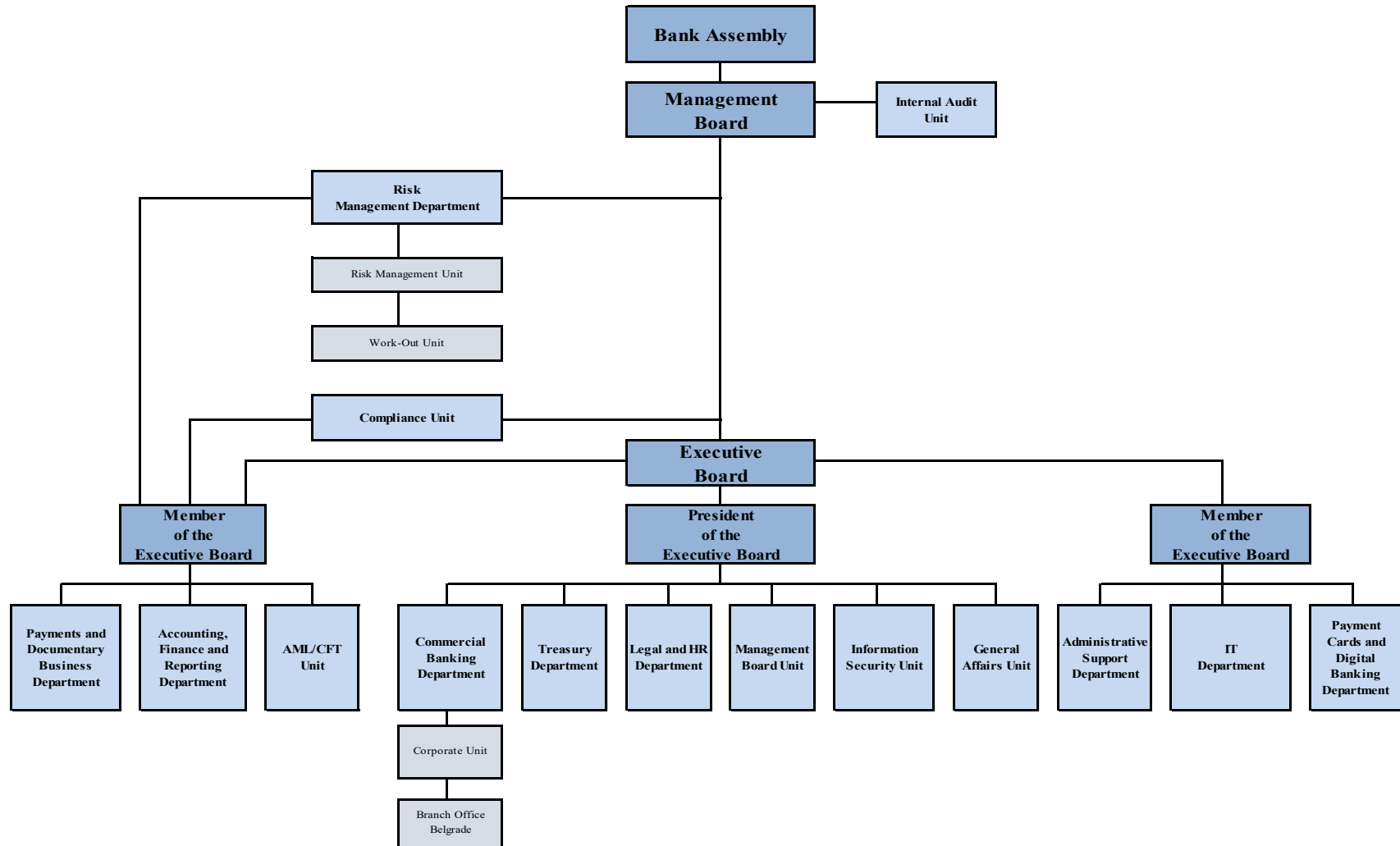
The Bank's primary strategic objective is to clearly position and develop itself as an institution whose main role is to monitor and support the companies within the Serbian Defence Industry Group (hereinafter "SDIG"), while also strengthening cooperation with other business entities and individuals.

Experienced and competent personnel enable the Bank to efficiently carry out its business activities and provide services to clients, especially in supporting domestic defence industry export arrangements and managing documentary operations (letters of credit and guarantees).

During the reporting period, the Bank's operations were conducted in accordance with the NBS Monetary Policy Program for 2025, as well as the Bank's Strategy for 2025–2027, which clearly and precisely defines the Bank's objectives, aligning them primarily with the priorities set by its majority shareholder.

### 3. ORGANIZATIONAL STRUCTURE

Chart 3 Organizational Structure of Srpska banka a.d. Belgrade



#### 4. STRATEGY AND PLANNED FUTURE DEVELOPMENT

Based on an assessment of the Bank's internal capacities (strengths and weaknesses), as well as the external environment, and taking into account the key macroeconomic conditions in which the Bank will operate, the Strategy of Srpska banka a.d. Belgrade defines the main strategic objectives, i.e., continuous growth of the Bank, with its primary role being the monitoring and support of the SDIG, while also strengthening cooperation with other business entities identified as clients in line with the decisions of the Government of the Republic of Serbia, improvement of the Bank's business operations and existing market position, digital transformation of the Bank and customer satisfaction.

The Bank has also defined the key activities that will support the achievement of its objectives, which can be summarized as follows: implementation of a policy to secure financial resources, managing capital to ensure compliance with all capital requirements, strategic sales management, application of an appropriate fund allocation policy, continuous improvement of the organizational structure, adequate risk management at all levels and maintaining a constant focus on cost management.

In the forthcoming period, the Bank plans to continue its development primarily by:

- Continuing to provide existing banking services to the SDIG, state institutions, and companies with majority state ownership;
- Analysing the market and identifying opportunities to develop new products and services for both existing and new clients from other corporate and retail segments;
- Offering products and services through digital sales channels;
- Expanding the loan portfolio;
- Further improving the Bank's information system; and
- Increasing profitability through the growth of lending activities combined with improved operational efficiency.

In the process of implementing its strategic and operational objectives, the Bank will perform the following activities:

- Granting all types of loans, opening documentary letters of credit, issuing bank guarantees, and assuming other financial obligations, while applying a conservative approach to credit risk assessment;
- Executing domestic and international payment transactions;
- Accepting all types of deposits;
- Conducting securities transactions;
- Performing foreign exchange operations in the domestic market (exchange operations);
- Engaging in factoring and discounting activities;
- Issuing and managing payment instruments (including cards); and
- Providing other financial services.

The target client segment will be adjusted and, where appropriate, expanded in line with the decisions of the Bank's majority shareholder.

The pace of the Bank's development will depend on the implementation of the macroeconomic assumptions of the Republic of Serbia's development, as well as on the Bank's available financial, technical, and human resources.

In line with the Bank's previously outlined strategic orientations, the Bank will focus its efforts on achieving the following business objectives:

- Strengthening the deposit base and increasing the number of placements;
- Further developing financial instruments for managing RSD and foreign currency liquidity;
- Establishing new correspondent relationships with banks to facilitate nostro and loro foreign currency transfers for clients, particularly in light of current geopolitical developments;
- Maintaining adequate regulatory capital levels and a stable liquidity position to support the continuity and growth of the Bank's operations;
- Introducing new banking products based on mobile and electronic banking;
- Ensuring cost-efficient and profitable operations through effective cost control;
- Maintaining a low level of non-performing loans with a high collection rate;
- Continuously aligning operations with market conditions and the needs of all clients, particularly entities of the state and public interest;
- Developing banking products in cooperation with the Bank's majority shareholders;
- Ongoing development of IT support to ensure efficient management, execution, monitoring, and control of all business processes; and
- Increasing the Bank's capital base through recapitalization as a defined three-year objective.

In terms of lending activities, i.e., the placement of funds (loans), the Bank's core strategic approach to credit policy will remain unchanged over the next three-year period. Accordingly, the Bank will primarily focus on the SDIG, public enterprises, companies with majority state ownership, entities of public interest, and other clients defined by the regulations of the Bank's founder (including other legal entities and individuals).

Taking into account the volume and intensity of documentary operations of the Bank's strategic clients within the SDIG, further positive business and reputational positioning of the Bank in certain foreign markets can be realistically expected. Retail operations will be conducted on a limited but appropriate scale, in line with the Bank's business orientation, contributing to the completeness and overall efficiency of the products and services provided to its clients.

## 5. DEVELOPMENT, FINANCIAL POSITION AND PERFORMANCE

The Annual Business Report for 2025 provides a true and fair view of the development and financial performance of Srpska banka a.d. Belgrade during the year.

*Table 1 Overview of Trends in Key Banking Sector Indicators Based on Preliminary Data, and Data for the Bank as of 31 December 2025*

Category	Banking sector	Srpska banka	Bank's share (%)
Number of employees	21,816	97	0.44
Number of branches/offices	1,288	1	0.08
Net assets (in EUR million)	59,816	541.1	0.90
Capital (in EUR million)	8,263	46.7	0.56
Deposits (in EUR million)	46,144	492.1	1.07
Gross loans (in EUR million)	36,682	299.7	0.82
Of which: gross NPLs (in EUR million)	774	1.21	0.16
Gross NPL ratio (%)	2.10	2.18	-
Foreign exchange risk indicator (%)	1.70	1.09	-
ROA (%)	2.70	1.309	-
ROE (%)	19.40	29.467	-
Net interest margin	3.70	3.16	-

The Bank's CIR (calculated as operating expenses divided by net interest and fee income) stood at 34.96% at the end of 2025.

As of 31 December 2025, the Bank's balance sheet assets amounted to RSD 63,458,579 thousand, equivalent to EUR 541.1 million, representing a decrease of EUR 72.9 million, or nearly 12%, compared to the end of the previous year.

Table 2 Key Asset and Liability Items in RSD Thousand and Ratios for 2025 and 2024

Item	31 December 2025	31 December 2024
<b>Balance sheet assets in RSD thousand</b>	<b>63,458,579</b>	<b>72,004,844</b>
- Change in %	-12%	56%
<b>Loans and receivables in RSD thousand</b>	<b>34,890,219</b>	<b>44,924,650</b>
- Change in %	-22%	68%
<b>Deposits and other liabilities in RSD thousand</b>	<b>57,716,936</b>	<b>66,512,911</b>
- Change in %	-13%	57%
<b>Ratios</b>		
Extended loans / Balance sheet assets	<b>0.55</b>	<b>0.62</b>
Deposits / Balance sheet assets	<b>0.91</b>	<b>0.92</b>
Deposits / Extended loans	<b>1.65</b>	<b>1.48</b>

Table 3 The Bank's Key Performance Indicators as of 31 December 2025 and 31 December 2024

Item	31 December 2025		31 December 2024	
<b>1. Balance sheet assets</b>	<b>63,458,579</b>		<b>72,004,844</b>	
- Change in % compared to the previous year	-12%		56%	
1. Cash and balances with the NBS	7,464,293	12%	10,336,321	14%
2. Financial assets	18,846,801	30%	14,664,528	20%
3. Loans and receivables	34,890,219	55%	44,924,650	62%
4. Intangible assets, property, plant, equipment, current tax assets, non-current and other assets	2,257,266	4%	2,079,345	3%
<b>2. Net loans and receivables</b>	<b>34,890,219</b>		<b>44,924,650</b>	
- Change in % compared to the previous year	-22%		68%	
1. NBS	25,999,427	75%	33,529,508	75%
2. Foreign banks	1,395,585	4%	3,577,694	8%
3. Public enterprises	3,061,647	9%	2,558,351	6%
4. Other companies	2,970,212	9%	2,033,153	5%
5. Domestic financial institutions	1,143,161	3%	2,815,461	6%
6. Public sector	282,242	1%	400,198	1%
7. Retail segment	37,945	0%	10,285	0%
<b>3. Deposits and other liabilities</b>	<b>57,716,936</b>		<b>66,512,911</b>	
- Change in % compared to the previous year	-13%		57%	
1. Public enterprises	27,343,503	47%	43,250,125	65%
2. Other companies	18,447,904	32%	11,509,151	17%
3. Public sector	4,059,536	7%	2,304,318	3%
4. Finance and insurance	1,427,297	2%	2,274,737	3%
5. Other clients (primarily banks in liquidation)	6,023,894	10%	6,834,687	10%
6. Retail segment and entrepreneurs	414,802	1%	339,892	1%
<b>4. Profit before tax</b>	<b>837,214</b>		<b>1,246,735</b>	
<b>5. Profit after tax</b>	<b>830,933</b>		<b>1,243,942</b>	
<b>6. Interest income</b>	<b>2,023,392</b>		<b>1,782,301</b>	
<b>7. Fee and commission income</b>	<b>423,201</b>		<b>367,705</b>	
<b>8. Number of employees</b>	<b>97</b>		<b>89</b>	
<b>9. ROA</b>	<b>1.31%</b>		<b>2.13%</b>	
<b>10. ROE</b>	<b>29.47%</b>		<b>43.70%</b>	
<b>11. Operating expenses</b>	<b>870,068</b>		<b>764,785</b>	
<b>12. CIR</b>	<b>34.96%</b>		<b>34.88%</b>	
<b>13. Equity book value</b>	<b>5,475,337</b>		<b>5,203,798</b>	
<b>14. Regulatory capital</b>	<b>4,599,889</b>		<b>3,443,205</b>	
<b>15. Capital adequacy ratio</b>	<b>41.64%</b>		<b>32.87%</b>	

\* Items 1 to 7, 11, 13, and 14 are expressed in RSD thousand.

Chart 4 Balance Sheet Assets and Liabilities for 2025 and 2024 in RSD Thousand

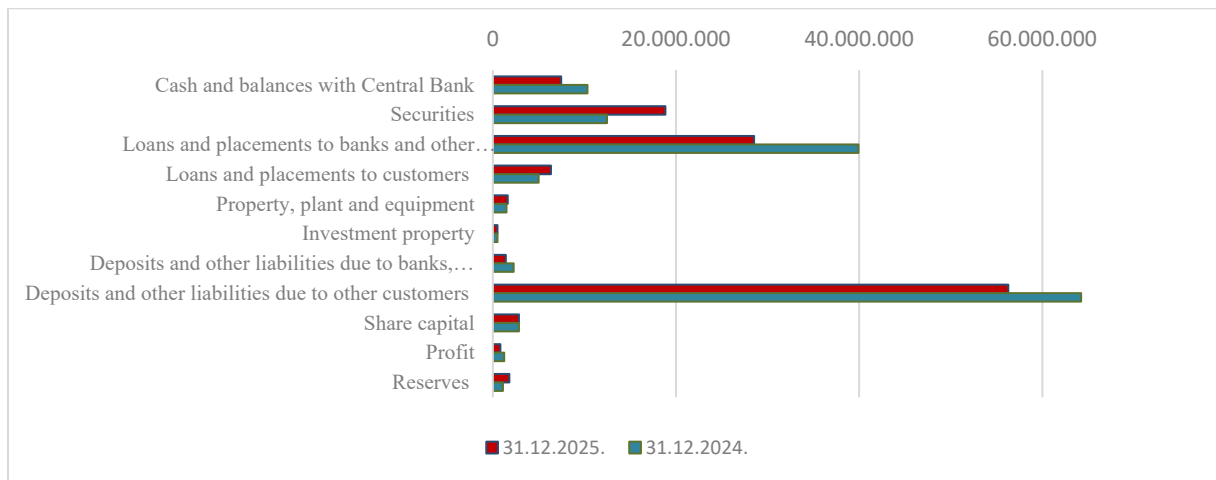


Table 4 Key Income Statement Items for 2025 and 2024

Item	31 December 2025	31 December 2024
<b>Profit before tax in RSD thousand</b>	<b>837,214</b>	<b>1,246,735</b>
- Change in %	-33%	
<b>Interest income in RSD thousand</b>	<b>2,023,392</b>	<b>1,782,301</b>
- Change in %	14%	
<b>Fee and commission income in RSD thousand</b>	<b>423,201</b>	<b>367,705</b>
- Change in %	15%	
<b>Operating expenses in RSD thousand</b>	<b>870,068</b>	<b>764,785</b>
- Change in %	14%	
<b>CIR</b>	<b>34.96%</b>	<b>34.88%</b>

In 2025, the Bank generated profit before tax in the amount of RSD 837,214 thousand.

The total net gains from interest and fees increased in 2025 compared to the previous year by 13.8%.

Chart 5 Overview of the Most Significant Realized Income and Expenses in 2025 and 2024, in RSD Billion

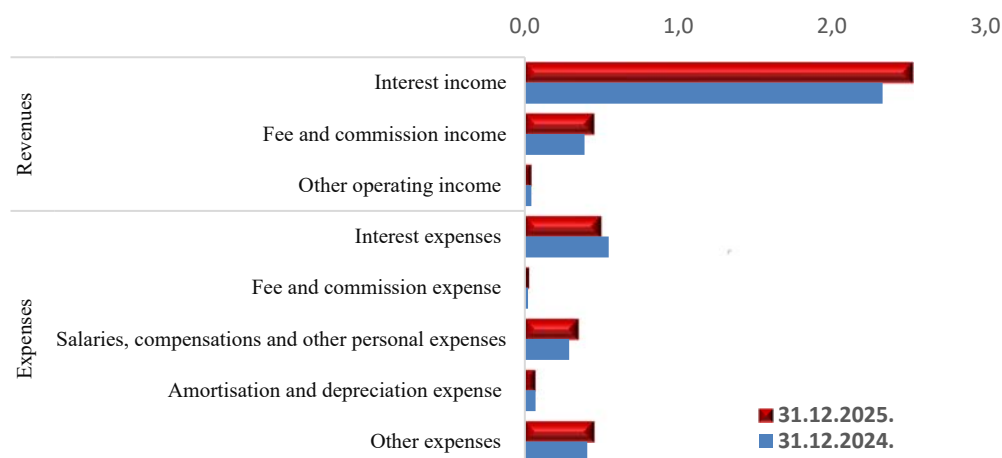


Table 5 Structure of Interest Income for 2025 and 2024

In RSD thousand

Income interest based on:	31 December 2025	31 December 2024	Increase/ decrease in %
- Repo placements with the NBS	1,125,000	878,074	28.1
- Securities	726,591	455,560	59.5
- Loans to clients	445,488	495,689	-10.1
- Deposits given	204,069	461,161	-55.7
- Other placements	18,392	38,409	-52.1
	<b>2,519,540</b>	<b>2,328,893</b>	<b>8.2</b>

The interest income realised in 2025 amounts to RSD 2,519.5 million, which is higher compared to 2024 by 8.2%, or RSD 190.6 million. Within these revenues, the largest increase is related to interest from repo transactions with the NBS, which grew by 28.1%, while income from securities increased by almost 60%. Income from interest on loans to clients decreased by 10% in 2025, and income from deposits given dropped by nearly 56%.

Chart 6 Realised Interest Income in 2025 and 2024 in RSD Thousand

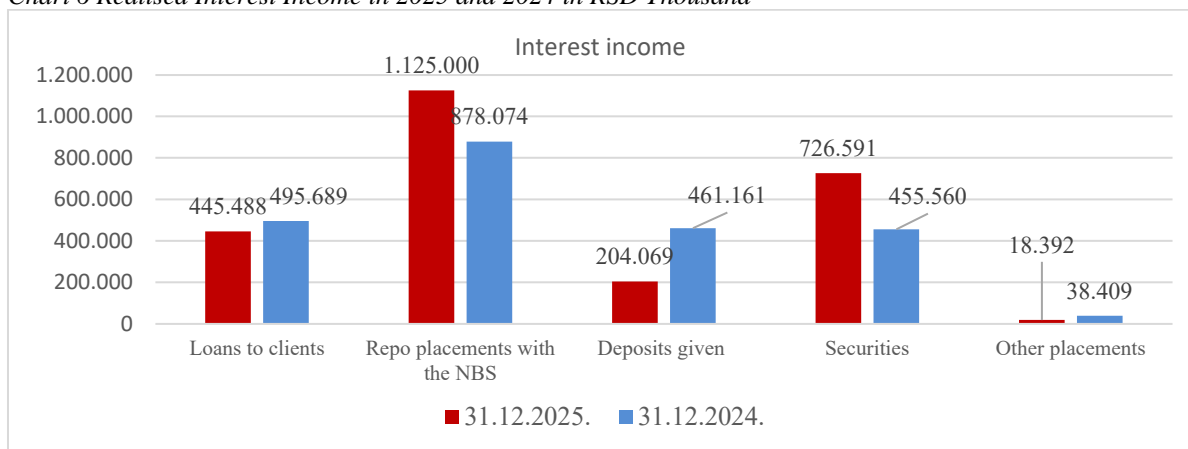


Chart 7 Interest Income for 2025 and 2024 by Months

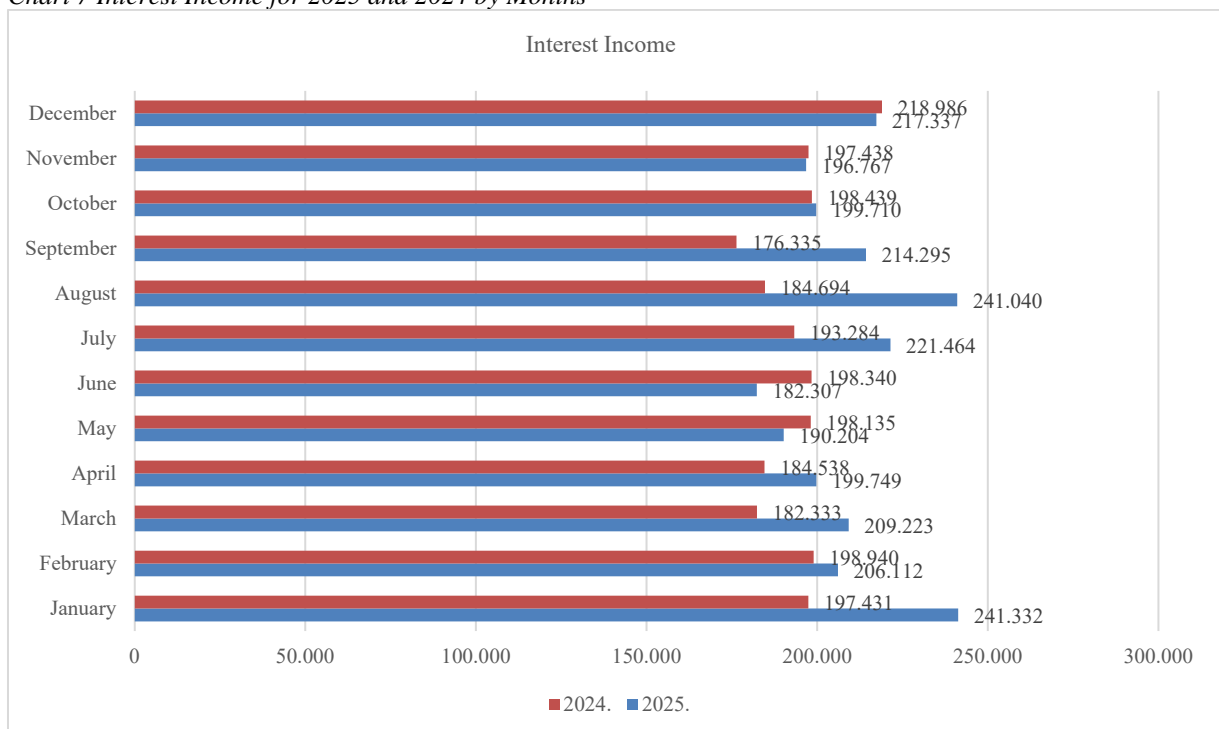


Table 6 Structure of Interest Expenses for 2025 and 2024

In RSD thousand

Category in RSD thousand	Balance as of 31 December 2025	Share in %	Balance as of 31 December 2024	Share in %	Increase/ decrease in %
Deposits from public enterprises	274,928	55.4	228,286	41.8	12.6
Deposits from banks and other financial institutions	132,602	26.7	236,019	43.2	-39.8
Deposits from the public sector	63,442	12.8	73,226	13.4	-13.4
Corporate deposits	24,959	5.0	8,918	1.6	179.9
Deposits from individuals	217	0.0	143	0.0	51.7
<b>Total</b>	<b>496,148</b>	<b>100.0</b>	<b>546,592</b>	<b>100.0</b>	<b>-9.2</b>

**Interest expenses** amounted to RSD 496.1 million, which is a decrease of 9.2%, i.e., RSD 50.4 million, compared to the previous year, as a result of a reduction in interest-bearing deposits.

## 6. THE BANK'S BUSINESS OPERATIONS IN 2025

### Credit Operations

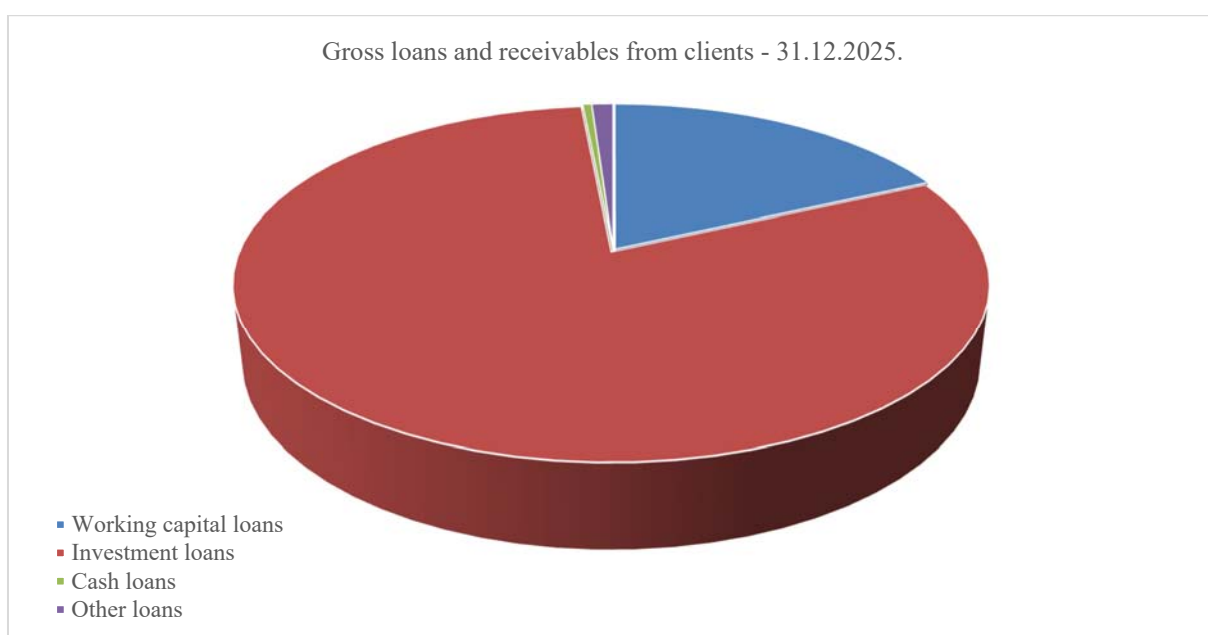
The Bank primarily continued to maintain strong business relationships with existing clients, primarily those from the SDIG, but also with other companies. As a result, existing clients intensified their cooperation with the Bank. On the other hand, additional efforts were invested, both through creating quality offers and improving business relationships with clients, with the goal of expanding the client base.

Total loans and receivables from clients increased by 27% compared to the end of the previous year, amounting to RSD 6,352,046 thousand. They account for 10% of the total net assets. During 2025, the Bank allocated RSD 5.4 billion for loans to legal entities, mainly through investment loans and loans for liquidity and current assets.

According to the structure of loans and receivables from clients by sectors, the largest amounts are related to public enterprises and other businesses (95%).

As for the currency structure, RSD loans and receivables account for 54%, while loans with a foreign exchange clause make up 46% of the total loans and receivables from clients.

Chart 8 Loans and Receivables from Clients by Purpose as of 31 December 2025



In addition to the realization of loans from regular offers, business with corporate clients also continued through the financing of projects for companies within the SDIG, as well as other companies and individuals.

### Asset Management

In 2024, the Bank operated in conditions of continuously stable, or exceptionally high levels of current liquidity in material currencies. In 2025, the Bank continued to operate in conditions of continuously stable, or exceptionally high levels of current liquidity in material currencies.

Throughout the year, the RSD money market experienced a significantly higher supply compared to demand, taking into account the high liquidity of the domestic banking sector. The Bank's placements with other domestic banks, both overnight and term deposits, were at a minimal level, averaging RSD 174,521 thousand daily. Essentially, the entire surplus RSD liquidity was placed with the NBS, which, under the unchanged reference interest rate, and consequently the repo rate, as well as the deposit facilitation rate of the NBS, ensured an adequate interest income from these placements. The average daily placement of RSD liquidity in reverse repo purchases of government securities with the NBS amounted to RSD 24,657,534 thousand, while the average overnight deposit balance of RSD funds with the NBS stood at RSD 1,526,932 thousand. The total average daily placement of RSD liquidity in the money market amounted to RSD 26,358,987 thousand, with 99% relating to the aforementioned placements with the NBS. Total interest income from placements of RSD liquidity amounted to RSD 1,242,399 thousand. The demand present on the foreign exchange money market and the corresponding level of interest rates enabled significant placements of EUR and USD liquidity with other banks, as well as interest income from these placements. On average, daily placements with other domestic and foreign banks, both overnight and term deposits, amounted to EUR 35,484 thousand and USD 4,316 thousand. Interest income from placements of foreign exchange liquidity amounted to RSD 120,385 thousand.

The portfolio of RSD government bonds of the Republic of Serbia owned by the Bank at the end of 2025 amounted to a nominal value of RSD 14,278,380 thousand, which is an increase of RSD 3,808,200 thousand (36%) compared to the end of 2024. The Bank also increased its portfolio of foreign currency government bonds, specifically the portfolio of foreign currency securities of the Republic of Serbia, which at the end of 2025 had a nominal value of EUR 33 million, reflecting an increase of EUR 2 million compared to the end of 2024 (6%), as well as USD 2 million in bonds (unchanged compared to the end of 2024).

Interest income from placements with the NBS, other domestic and foreign banks, and in government securities of the Republic of Serbia accounted for 83% of the total active interest, while their share in the Bank's total operating income was 66% in 2025. At the end of the year, 86% of the Bank's balance sheet total was attributed to these placements.

Aiming to efficiently manage available funds in certain currencies and with the goal of appropriately utilizing liquid assets for interest-bearing placements, the Bank continuously executed bilateral EUR sales swaps with the NBS throughout 2025. This simultaneously strengthened its RSD position while balancing the high level of EUR liquidity. As a result, part of the EUR foreign currency funds that would otherwise remain unutilized were redirected into additional RSD assets, which were then invested in interest-bearing placements on the domestic money market (reverse repo purchases of government securities and overnight deposits of surplus RSD liquidity with the NBS). The total amount of sold foreign currencies through swaps with the NBS in the past year amounted to EUR 1,161,000 thousand.

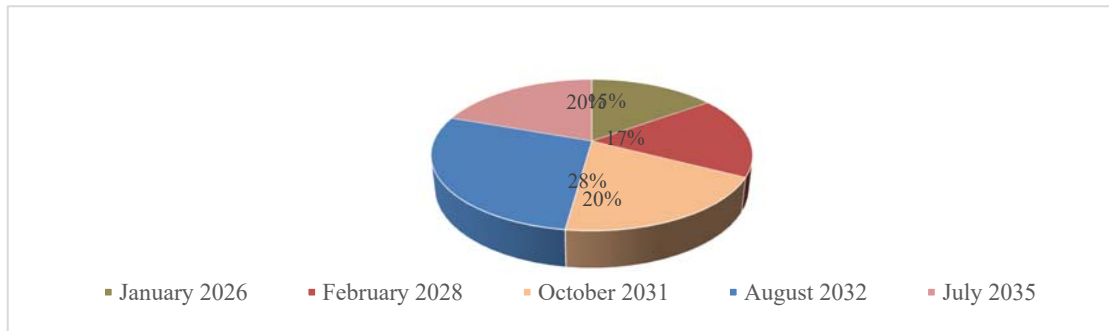
Based on the foreign exchange reserve requirements with the NBS, the Bank had an average daily allocation of EUR 33,925 thousand, while the average balance of the Bank's giro and IPS accounts with the NBS amounted to RSD 5,245,853 thousand. Given that the compliance rate for the RSD reserve requirement for each accounting period remained slightly above the required 100%, it follows that the Bank invested all available operational reserves of current RSD liquidity throughout the year in interest-bearing placements on the domestic money market and foreign exchange market. As a result, the Bank did not use reserve funds for its current liquidity needs in 2025.

## Securities

At the end of 2025, as previously mentioned, the nominal value of the RSD government securities in the Bank's portfolio amounted to RSD 14,278,380 thousand, while the foreign currency bonds of the Republic of Serbia amounted to EUR 33 million and USD 2 million.

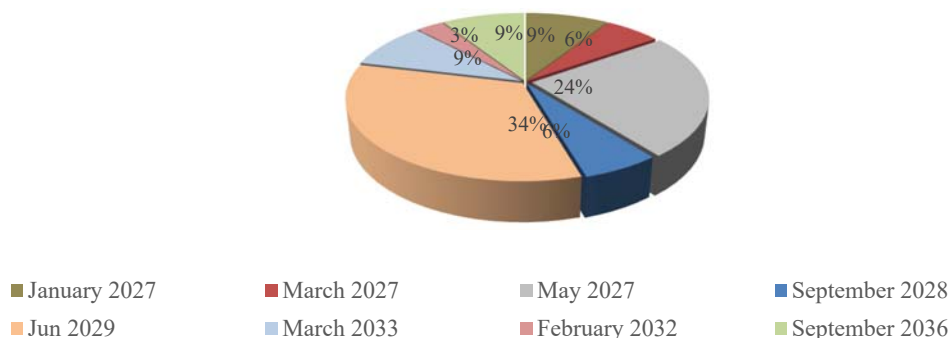
Total interest income from the government securities of the Republic of Serbia since the beginning of the year has amounted to RSD 726,591 thousand. Interest on government bonds accounts for 29% of total active interest. The average weighted interest rate on RSD government bonds owned by the Bank is 4.57%, while for foreign currency bonds, the interest rate is 4.04% per annum for EUR and 5.50% per annum for USD. The increase in placements in government securities is a result of the planned repurchase of securities maturing in 2025, the repurchase of bonds maturing in January 2026, as well as additional placements from current liquidity, all aimed at ensuring adequate interest-bearing liquidity reserves in securities with the highest credit ratings, which are the government securities of the Republic of Serbia, under the circumstances of higher yield rates carried by these securities. Additional placements in EUR securities were also driven by the planned repurchase of bonds maturing in 2025, as well as additional placements from high current EUR liquidity, under the circumstances of higher interest rates on foreign currency securities.

*Chart 9 Share of Individual Securities in the Total Portfolio of RSD Government Securities of the Republic of Serbia as of 31 December 2025*



The Bank holds the largest portion of its placements in RSD government bonds maturing in August 2032, which represent 28% of the total portfolio. This is followed by bonds maturing in October 2031 and July 2035, each with a 20% share, bonds maturing in February 2028 with 17%, and bonds maturing in January 2026 with 15% share in the portfolio. The bonds maturing in February 2028, October 2031, and August 2032 together account for 65% of the total portfolio. These bonds are included in the JP Morgan GBI-EM Global Diversified index of bonds issued in local currencies of emerging market countries, which further enhances their market quality and attractiveness to a broader range of investors, and consequently their liquidity, allowing for efficient sale in a short period if needed. As noted, 15% of the total portfolio consists of bonds maturing at the very beginning of the next year, in January 2026.

*Chart 10 Share of Individual Securities in the Total Portfolio of EUR Government Securities of the Republic of Serbia as of 31 December 2025*



As for EUR government securities of the Republic of Serbia, the Bank holds the largest placements in bonds maturing in June 2029 – 34%– and May 2027 – 24% of the portfolio. Bonds maturing in January 2027, March 2033, and September 2036 each account for 9% of the placements. The portfolio also includes bonds maturing in March 2027 and September 2028, each with a 6% share, and bonds maturing in February 2032 with a 3% share. Eighty-two percent of the EUR government securities portfolio consists of Eurobonds issued for the international market, which are highly liquid securities traded daily in significant volume.

The existing portfolio of government securities of the Republic of Serbia provides the Bank with a liquidity reserve in:

- high-quality, interest-bearing liquid assets (assets with the highest credit rating),
- securities for which there is active demand in the secondary market, in case part of them needs to be sold to manage current liquidity positions,
- securities that ensure adequate dispersion of maturity risk, given that the Bank holds bonds with varying remaining maturities.

Through its portfolio of government securities of the Republic of Serbia, the Bank continuously and proactively manages the level of its liquidity buffer, which is primarily composed of this form of highly liquid, interest-bearing assets.

### Deposit Operations

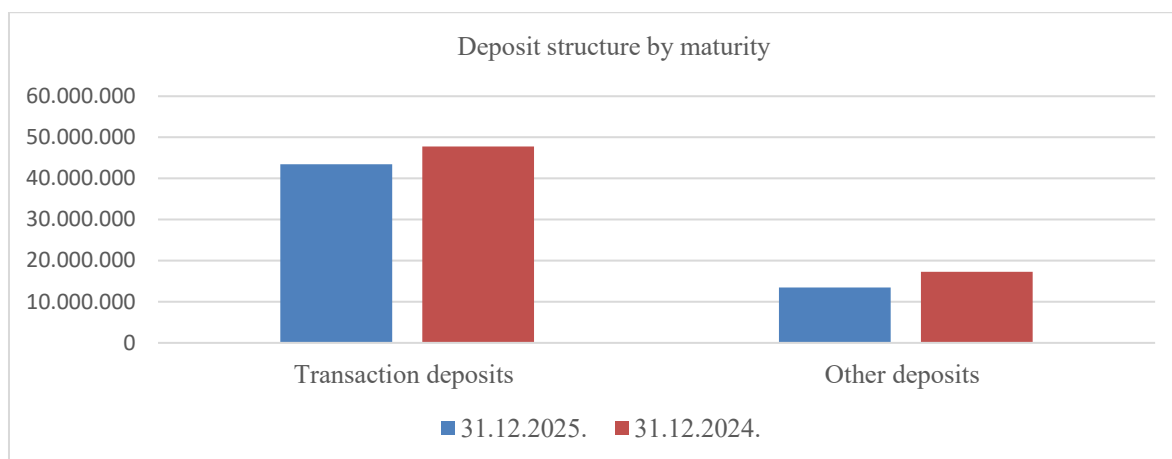
The total deposits and other liabilities as of 31 December 2025, amounted to RSD 57,716,936 thousand, representing a decrease of 13% compared to the end of the previous year.

Table 7 Structure of Deposits and Other Liabilities for 2025 and 2024

<i>In RSD thousand</i>					
Type of liability	Balance as of 31 December 2025	Share in %	Balance as of 31 December 2024	Share in %	Increase/ decrease in %
<b>Deposits</b>	<b>56,908,948</b>	<b>98.6</b>	<b>65,067,297</b>	<b>97.8</b>	<b>-12.5</b>
Transaction deposits	43,444,492	75.3	47,772,649	71.8	-9.1
Short-term deposits	11,799,083	20.4	15,731,125	23.7	-25.0
Long-term deposits	1,665,373	2.9	1,563,523	2.4	6.5
<b>Other liabilities</b>	<b>807,988</b>	<b>1.4</b>	<b>1,445,613</b>	<b>2.2</b>	<b>-44.1</b>
<b>Total</b>	<b>57,716,936</b>	<b>100.0</b>	<b>66,512,910</b>	<b>100.0</b>	<b>-13.2</b>

In the structure of deposits and liabilities by maturity, transaction deposits have the largest share in total deposits with 75.3%, having decreased by 9.1% compared to the end of the previous year. Short-term deposits also declined by 25%, while long-term deposits slightly increased by 6.5%.

Chart 11 Deposit Structure for 2025 and 2024 in RSD Thousand



RSD and foreign currency deposits decreased by 12.6% and 13.7%, respectively, due to a reduction in both transaction and, to some extent, term deposits of legal entities.

Table 8 Currency Structure of Deposits and Other Liabilities for 2025 and 2024

In RSD thousand

Currency	Balance as of 31 December 2025	Share in %	Balance as of 31 December 2024	Share in %	Increase/ decrease in %
RSD	27,310,344	47.3	31,265,113	47.0	-12.6
Foreign currencies	30,406,592	52.7	35,247,797	53.0	-13.7
<b>Total</b>	<b>57,716,936</b>	<b>100.0</b>	<b>66,512,910</b>	<b>100.0</b>	<b>-13.2</b>

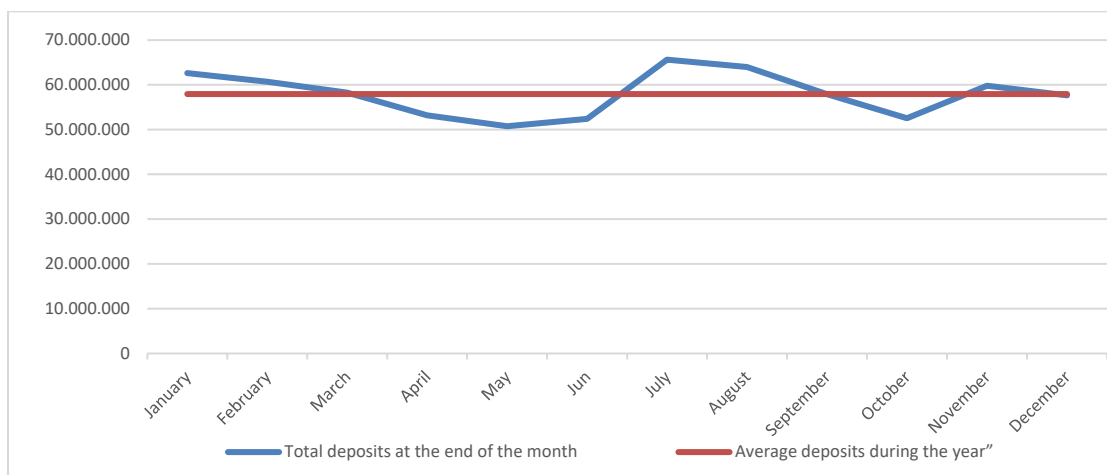
Table 9 Structure of Deposits and Other Liabilities for 2025 and 2024 by Sectors

In RSD thousand

Structure by sectors	Balance as of 31 December 2025	Share in %	Balance as of 31 December 2024	Share in %	Increase/ decrease in %
Public enterprises	27,343,503	47.4	43,250,125	65.0	-36.8
Other companies	18,447,904	32.0	11,509,151	17.3	60.3
Public sector	4,059,536	7.0	2,304,318	3.5	76.2
Financial sector	1,427,297	2.5	2,274,737	3.4	-37.3
Retail	414,802	0.7	339,892	0.5	22.0
Others (mainly foreign entities excluding bank)	6,023,894	10.4	6,834,687	10.3	-11.9
<b>TOTAL</b>	<b>57,716,936</b>	<b>100.0</b>	<b>66,512,910</b>	<b>100.0</b>	<b>-13.2</b>

As of 31 December 2025, public enterprises held the largest share of deposits at 47%, although their deposit balances decreased by nearly 37% compared to the previous year. Other companies also accounted for a significant share of 32%, with deposits increasing by over 60%. Increase was also recorded in the public sector at 76%, while the financial sector experienced a decline of 37%.

Chart 12 Movement of the Bank's Total Deposits in 2025



The deposit structure in terms of depositor concentration shows that the 30 largest depositors account for 83% of total deposits, the 25 largest for 78%, the 20 largest for 73%, the 10 largest for 57%, and the 5 largest depositors together hold 33%. The bank is actively developing its deposit base by increasing the number of depositors, aiming to reduce this concentration.

## Payment Transactions and Documentary Operations

### *RSD Payment Transactions*

During 2025, the Bank processed RSD payment transactions totalling RSD 2,085.5 billion and executed 299,612 payment orders, of which external payment transactions accounted for 92% of the total turnover, i.e., RSD 1,918.4 billion.

Fee income from RSD payment transactions amounted to RSD 60,919 thousand, representing an increase of 3.9% compared to the previous year.

### *Foreign Currency Payment Transactions*

During 2025, the Bank processed foreign currency payment transactions totalling EUR 2,033.6 million. For its clients, the Bank executed 11,550 payment orders and other instruments for international payments. Fee income from foreign currency payment transactions amounted to RSD 111,276 thousand, representing an increase of 44% compared to 2024.

In the area of foreign currency trading with clients and on the interbank market, the Bank recorded growth in activity volume in 2025 when considering both EUR and USD. Purchases of foreign currency from clients totalled EUR 498.9 million (up 27%) and USD 19.1 million (down 33%). Sales of foreign currency to clients amounted to EUR 152.3 million (up 40%) and USD 0.5 million. Consequently, trading volumes on the interbank foreign exchange market also increased. The Bank sold a total of EUR 377.2 million (up 28%) and USD 15.27 million (down 51%), and purchased EUR 22.5 million (up 60%) and USD 0.8 million.

## Documentary Operations

Within its documentary operations, the Bank issues all types of payment and performance guarantees to its clients.

*Table 10 The Balance of Guarantees and Covered Letters of Credit for 2025 and 2024*

<i>In RSD thousand</i>			
Category	Balance as of 31 December 2025	Balance as of 31 December 2024	Increase/decrease in %
Performance guarantees	7,173,318	8,038,837	-10.8
Covered letters of credit	153,518	1,148,136	-86.7
Payment guarantees	61,370	60,075	2.2
<b>Total</b>	<b>7,388,206</b>	<b>9,247,048</b>	<b>-20.1</b>

The balance of performance guarantees decreased by 10.8% compared to the previous year, while covered letters of credit declined by 86.7%. Income generated from issued guarantees, letters of credit, and other documentary operations amounted to RSD 161,451 thousand, representing 35.8% of total fee income.

## The Bank's Capital

The Bank's book capital at the end of 2025 amounted to RSD 5,475,337 thousand (equivalent to EUR 46.7 million), compared to RSD 5,203,798 thousand (EUR 44.4 million) at the end of the previous year.

As of 31 December 2025, the regulatory capital amounted to RSD 4,599,889 thousand (EUR 39.2 million), compared to RSD 3,443,205 thousand (EUR 29.4 million) at the end of the previous year. The capital adequacy ratio stood at 41.64% (32.87% in 2024).

## Research and Development Activities

In the area of developing new products and services, the Bank strives to use insights and conclusions obtained through market research and client needs analysis to develop and offer to the market either modified existing products or entirely new products and services.

The Bank's digital transformation, as one of its strategic goals for further development, requires the introduction of new information technologies that reshape traditional banking models and establish new ways of communicating with clients. The Bank is focused on placing the client at the centre of attention and, in line with this, takes a comprehensive approach to building an environment that provides clients with a unique and positive experience in using banking products and services.

Digital banking enables clients to quickly and easily complete their financial obligations or apply for specific banking services through their mobile phones and the Internet. It involves full digitization of business processes and their automation.

## 7. RISK MANAGEMENT SYSTEM

Risk is the possibility of negative effects on equity and the financial results of the Bank as a result of transactions performed by the Bank and the macroeconomic environment in which it operates. Risk management in the Bank is a comprehensive process that includes the identification, measurement, assessment, mitigation, monitoring, control and reporting on all risks to which the Bank is exposed or may be exposed.

The Bank has established a comprehensive and reliable risk management system that is fully integrated into all business activities of the Bank. The risk management system is harmonized with the nature, scope and complexity of the Bank's operations and includes: risk management strategy, risk management policy, capital management strategy and plan, adequate organizational structure, effective risk management process, adequate system of internal controls, procedures and methodologies, a corresponding information system. Owing to the nature of its activities, the Bank is exposed to the following risks: credit risk and its associated risks, liquidity risk, operational risk, market risk (primarily foreign currency risk), concentration risk, interest rate risk, investment risk and country risk.

In terms of organization, risk management and responsibility for managing that system, risk management strategy and capital management strategy, is entrusted to: the Board of Directors, Executive Board, Business Monitoring Committee, Assets and Liabilities Management Board and Non-performing Loans Monitoring Committee. Competencies of these bodies are determined by the regulations of the National Bank of Serbia, the Statute and other internal documents of the Bank.

The Bank's commitment is to develop risk management within its organization by improving the procedures of an orderly and documented decision-making process on risk assumption, with clearly and transparently defined responsibilities and powers of employees or individual committees involved in the risk management system.

### Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties failed to discharge their contractual obligation, in a whole or partly, within agreed deadlines.

The Bank manages credit risk at the level of individual placements and at the level of the entire loan portfolio, striving to control and minimize negative effects that may affect the financial result and capital of the Bank, due to the debtor's failure to meet the terms of the contract with the Bank, and in particular the failure to settle the liability for principal, interest and fees. The Bank manages a portfolio of risky placements in order to form and maintain a stable and profitable portfolio.

The Bank determines the rules and procedures in which the process of credit risk management of individual placements and risks at the portfolio level is defined, i.e. the procedures for identifying, measuring and monitoring (controlling) placements, especially those with a high level of risk.

The Bank controls and manages credit risk by establishing limits that define the risk level it is willing to accept in terms of individual customers, business segments, types of transactions, as well as by monitoring exposure to those risks.

The Bank has established a credit quality monitoring process to ensure the timely identification of potential changes in the creditworthiness of clients, including regular reviews of collaterals.

Table 11. The loan portfolio structure based on the classification as of 31 December 2025, in RSD thousand

Classification tag	Assets being classified			Impairment allowances according to IFRS 9	Average % of impairment allowance
	Balance sheet	Off-balance sheet	Total		
1	2	3	4=2+3	5	6=5/4
A	2,301,871	6,120,928	8,422,799	14,790	0.18%
B	3,627,383	1,422,649	5,050,032	79,933	1.58%
C	1,319,460	882,008	2,201,468	29,401	1.34%
D	648,023	27,493	675,516	110,679	16.38%
E	1,289,312	5,983	1,295,295	47,272	3.65%
<b>Total</b>	<b>9,186,049</b>	<b>8,459,061</b>	<b>17,645,110</b>	<b>282,075</b>	<b>1.60%</b>

Chart 13. Asset quality movements during 2025

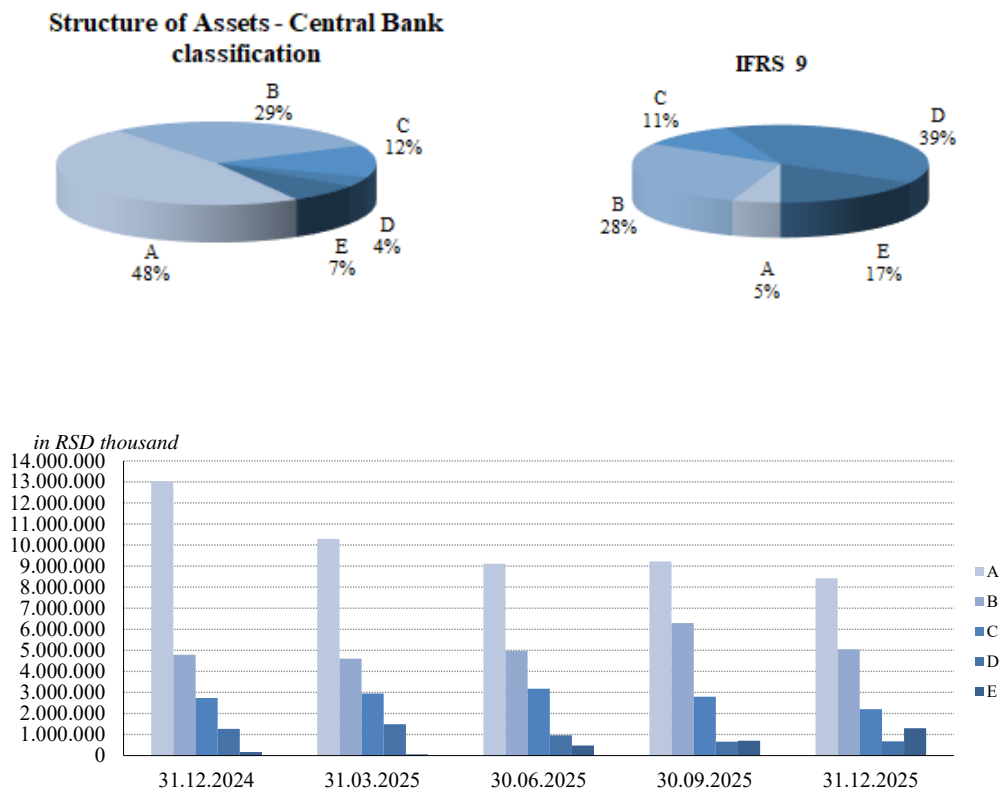
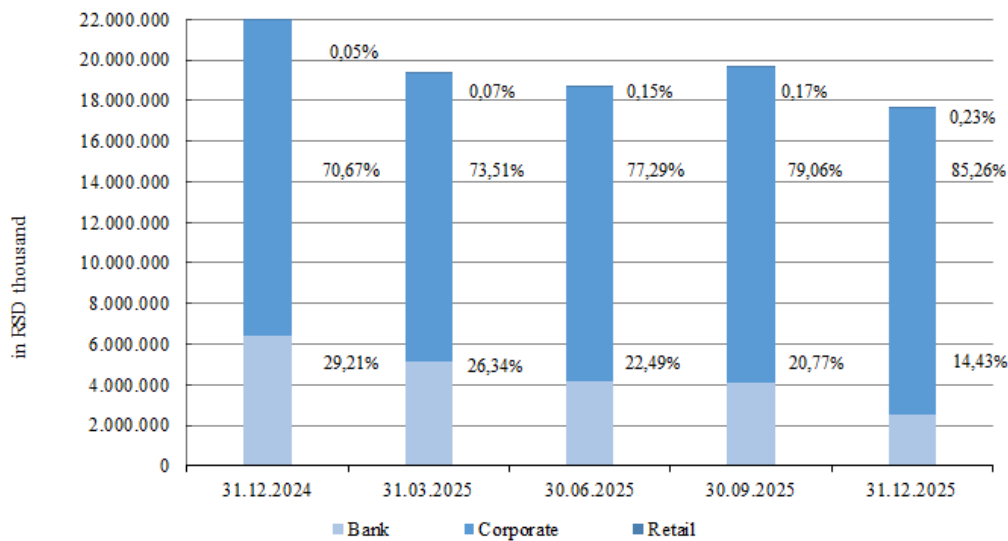


Chart 14. Portfolio structure by customer type by quarters in 2025



### Liquidity Risk

Liquidity risk is the risk of negative effects on financial performance and capital arising from the Bank's inability to meet its overdue liabilities without incurring unacceptable losses. In order to mitigate or limit liquidity risk, the Bank tends to diversify its funding sources, manage assets in order to have required liquid and readily marketable assets available at all times, ensure appropriate maturity matching of individual asset and liability items, regularly plan future cash flows and/or potential inflows and outflows of funds in its operations.

Taking into consideration movements and daily and monthly values of current and narrow liquidity ratios, monthly values of the liquidity coverage ratio, as well as compliance with internally prescribed risk appetite for liquidity risk and foreign exchange risk, i.e. regulatory limits, the Bank's operational liquidity position remained at a high level. This was further supported by the volume of total placements of liquidity reserves in securities of the Republic of Serbia, as high-quality, interest-bearing, and readily marketable liquid assets.

Chart 15. Movements in current and narrow liquidity ratios in 2025

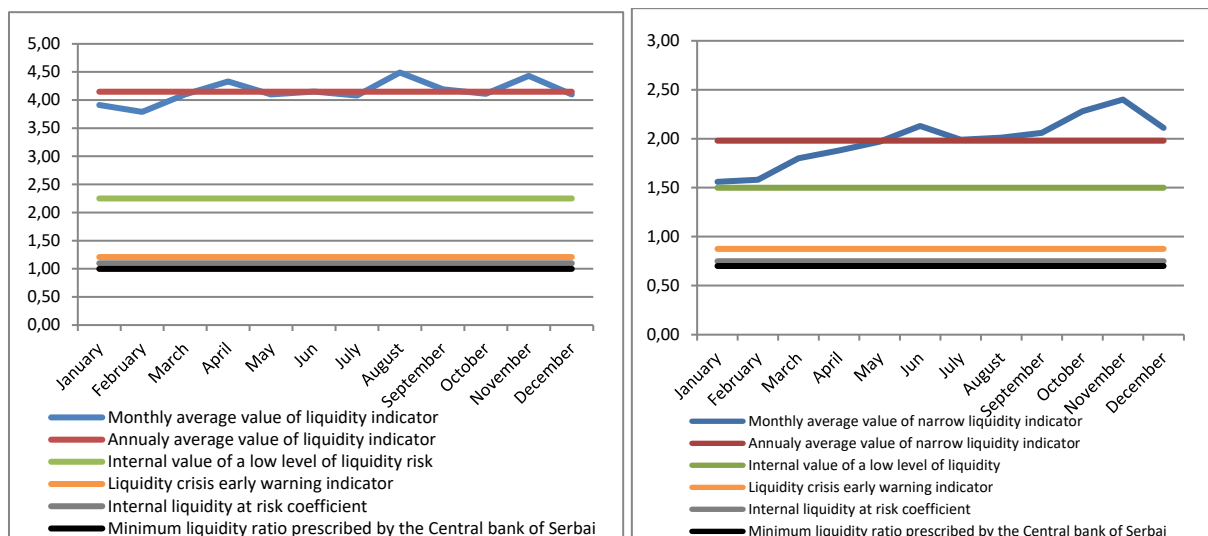
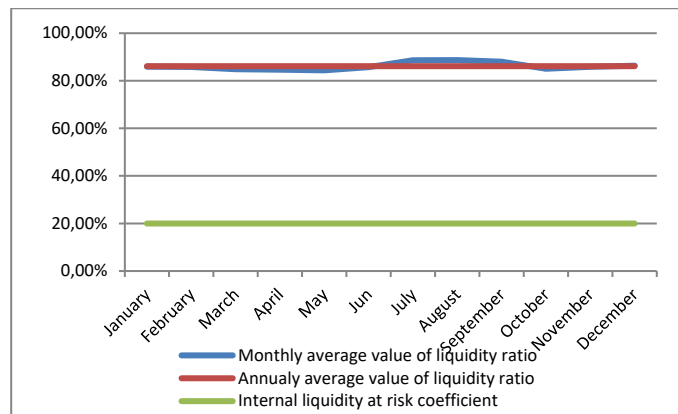


Chart 16. Liquidity ratio movements in 2025



### Foreign Exchange Risk

The Bank manages foreign exchange risk by seeking to prevent negative effects of changes in cross-currency exchange rates and foreign currency exchange rates against the dinar (FX losses) on both the financial result of the Bank and the ability of clients to repay loans in foreign currency.

In order to hedge against foreign exchange risk, the Bank monitors the movement of foreign exchange rates on the financial market on a daily basis, pursues a policy of low exposure to foreign exchange risk and contracts a currency clause with customers who use loans and placements.

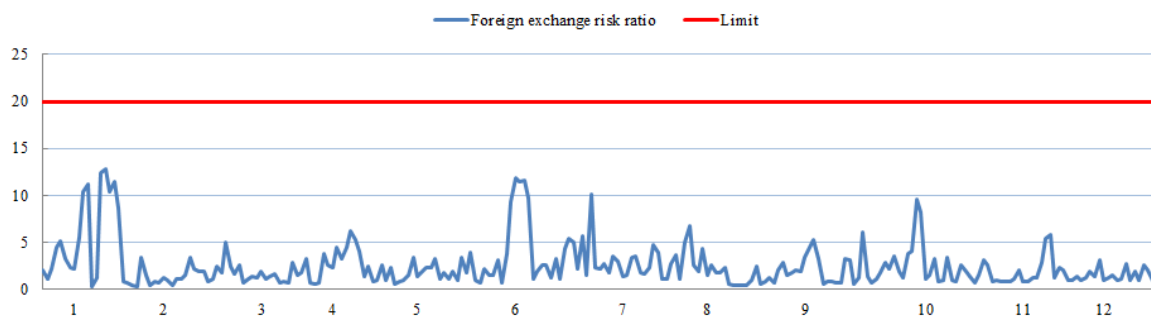
As of 31 December 2025, the foreign exchange risk ratio was 1.09%.

Table 12. Daily report on the Bank's foreign exchange risk ratio as of 31 December 2025

In RSD thousand

No.	Item	EUR		USD		CHF	Other currencies	Total
		Total	Of which in RSD indexed to a foreign currency clause	Total	Of which in RSD indexed to a foreign currency clause	Total	Total	
<b>1.</b>	<b>Net spot position (1.1 - 1.2)</b>	6,865	2,919,142	36,958	(10)	3,362	2,648	49,833
1.1.	Foreign currency assets	29,709,486	2,922,337	744,540	-	6,491	3,092	30,463,608
1.2.	Foreign currency liabilities	29,702,620	3,196	707,583	10	3,128	444	30,413,775
<b>4.</b>	<b>Long foreign currency position</b>	6,865	-	36,958	0	3,362	2,955	50,140
<b>5.</b>	<b>Short foreign currency position</b>	-	-	-	-	-	306	306
<b>6.</b>	<b>Net open foreign currency position</b>							50,140
<b>8.</b>	<b>Equity</b>							<b>4,599,332</b>
<b>9.</b>	<b>Foreign exchange risk ratio</b>							<b>1.09</b>

Chart 17. Movements in the foreign exchange risk ratio in 2025



## 8. CORPORATE GOVERNANCE RULES OVERVIEW

Corporate governance in the Republic of Serbia is primarily regulated by the following legislation:

- The Law on Companies,
- The Law on Accounting, and for banks
- The Law on Banks.

The said legislation stipulates the main principles of corporate governance.

The Bank's bodies and committees are constituted in accordance with the Law on Banks.

In accordance with the Law on Banks, the Bank's bodies are:

- the Shareholders' Assembly;
- the Board of Directors; and
- the Executive Board.

Pursuant to the Law on Banks, the following committees operate within the Bank:

- the Committee for monitoring of business (Audit Committee);
- the Credit Committee; and
- the Asset-Liability Committee.

The competencies and responsibilities of the Bank's bodies, boards and committees are based on the relevant legal regulations and defined by corporate by-laws, in particular the following:

- The Incorporation Agreement;
- Articles of Association;
- The Bank's Rules of Procedure, and
- Other corporate by-laws.

Table 13. Executive Board members:

No.	Name and surname
1	Vesna Jokanovic, Chairwoman of the Executive Board
2	Branka Vukovic, Executive Board member
3	Marija Gavric, Executive Board member

Table 14. Members of the Board of Directors:

No.	Name and surname
1	Goran Momcilovic, Chairman of the Board of Directors
2	Nenad Ivancevic, member of the Board of Directors
3	Milan Antic, member of the Board of Directors
4	Zoran Bingulac, member of the Board of Directors
5	Sanja Zagorac Knezevic, member of the Board of Directors

The Bank applies a Corporate Governance Code in its operations, which has been adopted by the Bank's Board of Directors and posted on its website: [www.srpskabanka.rs](http://www.srpskabanka.rs).

Corporate governance rules are implemented through the Bank's corporate by-laws, and all employees tend to ensure that they comply with them.

The Corporate Governance Code establishes the corporate practice principles that the Bank's corporate governance promoters comply with and based on which they conduct when doing business. The purpose of the Code is to introduce good business practices to corporate governance areas, ensure equal influence of all stakeholders, including existing shareholders, employees, clients, the Bank's bodies, state authorities, etc. The ultimate goal is to ensure the Bank's long-term and sustainable development.

The key principles of the Corporate Governance Code:

- operational transparency,
- protection of shareholders' rights,
- clearly defined responsibilities of the Bank's governing bodies,
- avoidance of conflicts of interest,
- effective internal control, and
- an efficient and clearly defined accountability system.

The Bank pays special attention to the transparency of all information on the products and services it offers to its customers, which it keeps informed through:

- regular communication about the Bank's products and services via appropriate communication channels; and
- providing accurate and understandable information about the characteristics of products and services, particularly regarding interest rates and fees.

The Bank applies an information security policy in doing business and is certified in accordance with the requirements of the ISO 27001:2013 Standard – Information Security Management System. The Bank's governing bodies demonstrate their commitment to maintaining the information security management system and protecting personal data through a clear dedication to preserving the confidentiality, integrity, and availability of both business-related information and information concerning clients and other stakeholders.

### **Internal Control System**

Pursuant to the Law on Banks, the Bank has established an appropriate internal control system that enables regular monitoring of the risks to which the Bank is exposed in its ordinary course of business.

The internal control system consists, in particular, of:

- the Risk Management Function,
- the Compliance Function, and
- the Internal Audit Function.

### **Bank's Accounting Policies**

Pursuant to Article 50 of the Law on Banks, the Bank keeps its books of account and accounting records, and prepares annual financial statements, which fairly present its financial performance and financial position. The content and format of the financial statements are prescribed by the Law on Accounting, the Law on Banks, and other regulations of the National Bank of Serbia. When preparing annual financial statements, banks are required to apply International Financial Reporting Standards from the date determined for their application by a competent international body.

The Bank's accounting policies govern the main principles, frameworks and procedures for keeping books of account, the measurement and recognition of all forms of assets and liabilities, income and expenses, as well as the preparation of financial statements in accordance with IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and relevant interpretations issued by authorized regulatory bodies, as well as responsibilities.

Accounting policies are specific principles, foundations, conventions, rules, and practices adopted by the Bank for the measurement of balance sheet items, as well as for the preparation, presentation, and disclosure of financial statements. The adopted accounting policies relate to the recognition, derecognition, measurement, and assessment of Bank's assets, liabilities, income, and expenses.

The following principles are applied when choosing accounting policies: intelligibility, relevance, reliability, substance over form, materiality, neutrality, prudence, completeness, consistency, comparability, timeliness, balance between benefits and costs, and other criteria referred to in the Conceptual Framework for Financial Reporting.

### **Diversity Policies**

Diversity policies in the Republic of Serbia are legally stipulated by the Law on Gender Equality, dated May 2021.

The Law on Gender Equality regulates the creation of equal opportunities in all areas of social life, equal opportunities for exercising rights and freedoms, the use of personal knowledge and abilities for individual and social development, equal opportunities and rights to access to goods and services, as well as the gain of equal benefits from performance outcomes, all the while ensuring the compliance with biological, social, and culturally formed differences between men and women, as well as different interests, needs, and priorities of women and men when adopting public and other policies and making decisions on rights, obligations, and legally binding provisions, and constitutional provisions.

The Law also stipulates measures for tackling and preventing all forms of gender-based violence, violence against women, and domestic violence.

The equal opportunities policy entails:

- 1) equal participation of men and women in all phases of planning, preparation, decision-making, and implementation of decisions affecting the position of women;
- 2) taking into account different interests, needs, and priorities of women and men when adopting public and other policies and deciding on rights, obligations and legally based interests;
- 3) undertaking measures to ensure an equal starting point for achieving the principle of equal opportunities for individuals or groups of individuals that are in an unequal position based on sex, gender or gender characteristics, particularly members of vulnerable social groups.

In 2025, the Bank ensured the application of all legal provisions, expertise and competence during recruitment and the strengthening of the established gender equality, equal treatment and balance, particularly by providing equal opportunities to both women and men.

## 9. EVENTS AFTER THE REPORTING PERIOD

There were no significant events subsequent to the balance sheet date that would require disclosures in notes or adjustments to the financial statements for the year ended 31 December 2025.

## 10. OTHER

The Bank has no branches or separate organizational units, except for a single sub-branch at the Bank's head office.

The Bank did not conduct any share buybacks.

## 11. NON-FINANCIAL INFORMATION

### Organization and Personnel

The Bank operates from its head office in Belgrade, located at 25 Savska Street, which accommodates a single sub-branch.

As of 31 December 2025, the Bank had 97 employees. Employees with PhD, master, university and college degrees accounted for 85% of the workforce, including four employees with a master's degree.

Chart 18. Number of Employees from 2021 to 2025

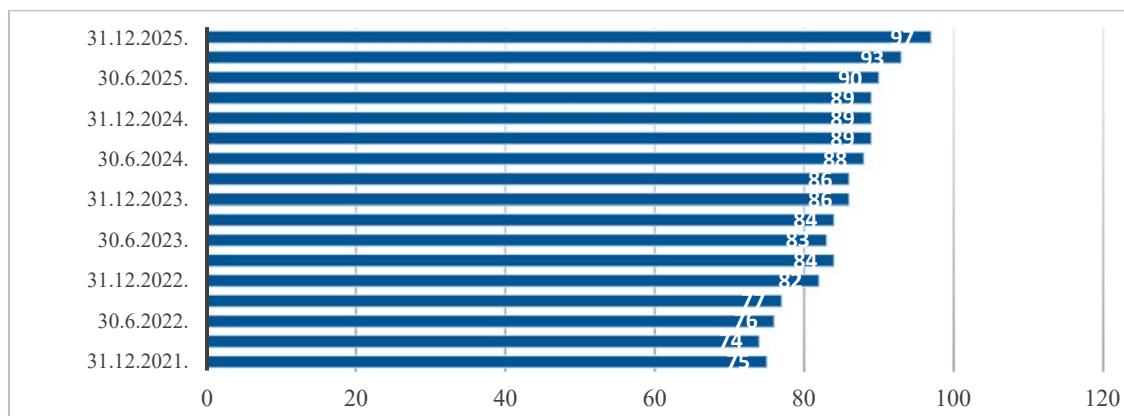


Table 15. Employees' age and gender structure of at the end of 2025

Age	Up to 30 years old	31 – 40 years old	41 – 50 years old	51 – 60 years old	Over 60	TOTAL
Women	5	10	33	15	4	67
Men	2	4	12	11	1	30
<b>TOTAL</b>	<b>7</b>	<b>14</b>	<b>45</b>	<b>26</b>	<b>5</b>	<b>97</b>

As a socially responsible employer, the Bank is committed, among other things, to creating a work environment that fosters mutual respect and consideration, regardless of gender, age, or any other personal characteristic.

The Bank implements measures aimed at achieving and promoting gender equality among employees based on an annual plan of measures for achieving and promoting gender equality, adopted by the Executive Board.

In order to achieve and promote gender equality in all areas of the Bank's operations, while complying with all banking principles, the following measures have been established in order to achieve and promote gender equality:

- When filling in vacant executive or managerial positions, and establishing employment relationships, efforts should be made to achieve gender balance among employees, while prioritizing the necessary professional knowledge and skills required for specific roles; strive for gender equality in governing bodies, boards, committees, etc.;
- Establish an environment of mutual respect and consideration regardless of gender or personal characteristics, and raise awareness among all employees about the importance of gender equality and the need to establish, nurture, and promote it. This includes continuous professional development and additional training and education for employees to encourage gender equality, professional communication, acknowledgement, elimination of and protection against discrimination based on any personal characteristic, ensuring equal treatment for all; the use of gender-sensitive language, i.e. language that is aligned with grammatical gender, to the extent possible given the common terminology used in banking operations;
- Providing equal opportunities for the continuous professional development of all employees, as well as equal opportunities for career advancement, regardless of gender or other personal characteristics, with the aim of achieving and promoting gender equality;
- Continuous professional training and development of employees to enable equal participation in the Bank's operations; proposals for organizing workshops, seminars, training sessions, various forms of professional development, and similar employee education should be based on the needs of a particular job and work processes, simultaneously focusing on promoting gender equality when making such proposals;
- The base salary for full-time work and standard performance are determined solely based on the following criteria: type and level of education, job complexity, working conditions, and degree of responsibility. Therefore, a salary has to be the same for performing same tasks in the same job, regardless of the employee's gender or other personal characteristics, with no possibility of deviation;
- Women must not be subjected to discrimination when establishing an employment relationship, during pregnancy or maternity leave, or parental leave for childcare. Thus, employment relationships are established independently of a possible occurrence of any of these factors, and upon the conclusion of such absences, employees return to work without exception.

*Table 16. Employees' gender structure by types of job positions at the end of 2025*

Job position	Men	Women	Total
Managerial	8	15	23
Executive	23	51	74
Total	31	66	97

The Code of Conduct of Srpska banka a.d. Belgrade defines ethical principles and rules of business conduct applied by the Bank in its ordinary course of business. The purpose of the Code is to set standards of integrity and employees' conduct at the Bank, and ensure that the Bank's operations are performed in accordance with business ethics, good business practices and in good faith. It also defines rules for identifying and preventing potential corruption in order to protect the Bank's integrity and reputation.

Human resource management is based on:

- continuous professional development of employees through seminars, in-house training, and the monitoring and adoption of new technologies/services;
- the strengthening and development of interpersonal relationships,
- fostering and cultivating loyalty to the Bank; and ,
- identifying and recruiting personnel with appropriate qualifications.

The Bank regularly profiles the required structure of job positions to ensure compliance with the regulatory framework, new business conditions, and emerging technologies. As for the corporate security, the Bank will continue to maintain and improve the technical protection system, as well as carefully select personnel for specific tasks, in order to increase the security of operations, assets, and individuals.

The system for monitoring employee performance, internal and external training, and the continuous enhancement of the corporate culture will be one of key factors for improving the Bank's operations and overall business performance.

*Table 17: Employees' age and professional structure at the end of 2025*

Age	Up to 30 years old	31 – 40 years old	41 – 50 years old	51 – 60 years old	Over 60	TOTAL
Secondary vocational education	3	3	2	6	1	15
College degree	0	2	4	1	0	7
University degree	4	8	37	19	3	71
MSc	0	1	2	0	1	4
<b>TOTAL</b>	<b>7</b>	<b>14</b>	<b>45</b>	<b>26</b>	<b>5</b>	<b>97</b>

The Bank provides collective insurance for all employees in the event of serious illness, surgical interventions, accidental death, and disability. It also provides preventive medical check-ups, pays premiums for voluntary pension insurance for all employees up to the non-taxable amount.

According to primary and secondary legislation and corporate by-laws, the Bank will work on improving working conditions in terms of occupational safety and health. The Bank has signed a contract with a company providing occupational safety and health services.

The responsibilities of the occupational safety and health officer include the provision of professional and consulting services related to occupational safety and health:

- monitoring and implementing occupational safety measures;
- providing training for new employees in occupational safety and health;
- participating in and assisting with an investigation of accidents and incidents;
- reporting workplace injuries and occupational illnesses;
- attending inspections by regulatory authorities; and
- reporting to the Bank on a monthly, quarterly, and annual basis.

### **Core Anti-Corruption Principles**

The approach to preventing anti-corruption and conflict of interest is defined under the Conflict of Interest Management Policy of Srpska banka a.d. Belgrade, as well as the Procedure for Managing Anti-corruption and Conflict of Interest Risks.

All employees need to comply with internal procedures and all applicable anti-corruption laws when performing their tasks.

With respect to clients, shareholders, employees, suppliers, government authorities, regulatory bodies, competitors, the media, and society at large, the Bank and its employees act in accordance with regulations and Bank's business interests, with due regard and always maintaining professionalism. The Bank fosters a positive, transparent, and open dialogue with these parties, which is based on respect and business integrity.

### Investments in Environmental Protection

In accordance with the Law on Environmental Protection, the Bank pays an eco-tax. It promotes awareness of the importance of environmental protection as part of its business activities. The Bank and its employees are required to comply with the environmental regulations during its ordinary course of business.

The Bank contributes to environmental preservation by responsibly managing waste in cooperation with companies specialized in waste storage and treatment. The physical destruction of non-essential archival materials, as authorized by the Archives of the City of Belgrade, is entrusted to a company that further processes and recycles such paper.

### Socially Responsible Activities

The Bank provides charitable support to the society and promotes socially responsible business practices aimed at creating a positive impact on the development of society as a whole, in accordance with the Bank's corporate by-laws. All charitable activities are conducted legitimately and transparently, and they are not intended to gain any competitive advantage that could be considered inappropriate.

### INCOME STATEMENT

*Income statement for the year ended 31 December 2025 in comparison to the income statement for the year ended 31 December 2024 in RSD thousand*

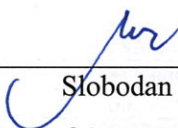
Item	Balance as of 31 December 2025	Balance as of 31 December 2024	% in increase/decrease
Interest income	2,519,540	2,328,893	8.2
Interest expenses	(496,148)	(546,592)	-9.2
<b>Net interest income</b>	<b>2,023,392</b>	<b>1,782,301</b>	<b>13.5</b>
Fee and commission income	450,706	388,412	16.0
Fee and commission expense	(27,505)	(20,707)	32.8
<b>Net fee and commission income</b>	<b>423,201</b>	<b>367,705</b>	<b>15.1</b>
Net losses from fair value changes of financial instruments	(348,512)	206,881	68.5
Net gains from risk hedging	16	12	33.3
Net foreign exchange gains and effects of contracted foreign currency clause	0	16,145	-100.0
Net foreign exchange losses and effects of contracted foreign currency clause	(42,927)	-	100.0
Net gains from impairment of financial assets not measured at fair value through profit or loss	0	5,165	-100.0
Net losses from impairment of financial assets not measured at fair value through profit or loss	(394,945)	0	100.0
Other operating income	42,410	42,428	0.0
<b>TOTAL NET OPERATING INCOME</b>	<b>1,702,635</b>	<b>2,006,875</b>	<b>-15.2</b>
Salaries, compensations and other personal expenses	(349,467)	288,706	21.0
Amortisation and depreciation expense	(68,933)	(69,745)	-1.2
Other income	4,647	4,645	0.0
Other expenses	(451,668)	(406,334)	11.2
<b>PROFIT BEFORE TAX</b>	<b>837,214</b>	<b>1,246,735</b>	<b>-32.8</b>
Deferred tax expense	(6,281)	(2,793)	124.29
<b>PROFIT AFTER TAX</b>	<b>830,933</b>	<b>1,243,942</b>	<b>-33.2</b>
<b>RESULT OF THE PERIOD - PROFIT</b>	<b>830,933</b>	<b>1,243,942</b>	<b>-33.2</b>

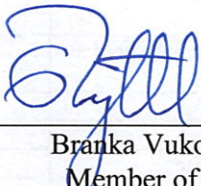
**BALANCE SHEET**

Balance sheet as of 31 December 2025 in comparison to the balance sheet as of 31 December 2024 in RSD thousand

Item	Balance	Balance	% in increase/decrease
	as of 31 December 2025	as of 31 December 2024	
<b>ASSETS</b>			
Cash and balances with Central Bank	7,464,293	10,336,321	-27.8
Pledged financial assets	0	2,187,500	-100.0
Derivatives	0	3,455	-
Securities	18,846,801	12,473,572	51.1
Loans and placements to banks and other financial institutions	28,538,173	39,922,663	-28.5
Loans and placements to customers	6,352,046	5,001,988	27.0
Intangible assets	44,238	27,276	62.2
Property, plant and equipment	1,630,373	1,498,830	8.8
Investment property	508,810	507,219	0.3
Other assets	73,845	46,020	60.5
<b>TOTAL ASSETS</b>	<b>63,458,579</b>	<b>72,004,844</b>	<b>-11.9</b>
<b>LIABILITIES AND EQUITY</b>			
Derivatives	32,881	11,941	175.4
Deposits and other liabilities due to banks, other financial institutions and Central Bank	1,427,297	2,274,737	-37.3
Deposits and other liabilities due to other customers	56,289,639	64,238,173	-12.4
Provisions	48,521	44,491	9.1
Deferred tax liabilities	98,598	85,429	15.4
Other liabilities	86,306	146,275	-41.0
<b>TOTAL LIABILITIES</b>	<b>57,983,242</b>	<b>66,801,046</b>	<b>-13.2</b>
Share capital	2,846,076	2,846,536	0.0
Profit	831,210	1,243,942	-33.2
Reserves	1,798,051	1,113,320	61.5
<b>TOTAL EQUITY</b>	<b>5,475,337</b>	<b>5,203,798</b>	<b>5.2</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>63,458,579</b>	<b>72,004,844</b>	<b>-11.9</b>

Belgrade, 16 March 2026

  
 Slobodan Lecic  
 Head of Accounting, Finance  
 and Reporting Department

  
 Branka Vukovic  
 Member of the  
 Executive Board

  
 Vesna Jokanovic  
 Chairwoman of the  
 Executive Board

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