



KPMG d.o.o. Beograd
Milutina Milankovića 1J
11070 Belgrade
Serbia
+381 (0)11 20 50 500

TRANSLATION

Independent Auditor's Report

To the Shareholders of UniCredit Bank Srbija a.d., Beograd

Opinion

We have audited the separate financial statements of UniCredit Bank Srbija a.d., Beograd (the "Bank"), which comprise:

- the separate statement of financial position as at 31 December 2025;

and, for the period from 1 January to 31 December 2025:

- the separate statement of profit or loss;
- the separate statement of other comprehensive income;
- the separate statement of changes in equity;
- the separate statement of cash flows;

and

- notes, comprising material accounting policies and other explanatory information;

(the "separate financial statements").

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2025, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with the Law on Auditing of the Republic of Serbia, the Decision on External Audit of Banks and applicable auditing standards in the Republic of Serbia. Our responsibilities under those regulations are further described in the Auditor’s Responsibility for the audit of the separate financial statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment allowance of loans and receivables from clients

The carrying amount of loans and receivables from clients as at 31 December 2025: RSD 418,162,235 thousand, accounting for 55% of total assets; related impairment allowance as at 31 December 2025: RSD 9,400,254 thousand; net impairment losses recognized in profit or loss in 2025: RSD 297,049 thousand.

We refer to the separate financial statements: Note 2(d) „Impact of the uncertainty in the economic environment”, Note 3(k)(viii) „Impairment identification and measurement”, Note 4(b) „Credit risk”, Note 5 „Use of estimates and judgments”, Note 12 „Net income from reduction in impairment of financial assets not measured at fair value through profit or loss” and Note 24 „Loans and receivables from clients”.

Key audit matter	Our response
<p>Why this matter was a key audit matter Impairment allowance on loans and receivables from clients (IFRS 9 expected credit losses) reflects management’s estimate of expected credit losses across the portfolio and is sensitive to judgement in (i) identifying exposures with a significant increase in credit risk and (ii) selecting forward-looking scenarios and any management overlays (including those described in Note 2(d)). For individually assessed Stage 3 exposures, the allowance depends on estimates of recoveries and the timing of collateral realisation.</p>	<p>Our procedures included, among others, with the involvement of our credit risk and information technology specialists where relevant:</p> <ul style="list-style-type: none"> • Allowance methodology and governance: assessing the impairment methodology, including staging criteria and default definitions, and whether it was applied consistently across portfolios in accordance with the applicable financial reporting framework. • Modelled expected credit losses: evaluating key model parameters (PD, LGD, EAD/CCF) by comparing them to historical default and loss experience and assessing how forward-looking information was incorporated, including any management adjustments described in the separate financial statements. • Staging and credit risk assessment: for a risk-based sample, assessing whether exposures were appropriately classified by

	<p>inspecting underlying credit files and credit risk assessments.</p> <ul style="list-style-type: none"> • Individually assessed exposures: for a risk-based sample, evaluating cash-flow assumptions and collateral recoveries by inspecting valuation reports and comparing key inputs to available market information and, where relevant, considering subsequent events. • Disclosures: assessing whether the credit risk and impairment disclosures appropriately described the key judgements and estimation uncertainty.
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Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

In preparing the separate 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.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Auditing of the Republic of Serbia, the Decision on External Audit of Banks and applicable auditing standards in the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with the Law on Auditing of the Republic of Serbia, the Decision on External Audit of Banks and applicable auditing standards in the Republic of Serbia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG d.o.o. Beograd

Signed on the Serbian original

Nikola Đenić
Licensed Certified Auditor

Belgrade, 18 February 2026

*This is a translation of the original Independent Auditor's Report issued in the Serbian language.
All due care has been taken to produce a translation that is as faithful as possible to the original.
However, if any questions arise related to interpretation of the information
contained in the translation, the Serbian version of the document shall prevail.
We assume no responsibility for the correctness of the translation of the Bank's separate financial statements.*

KPMG d.o.o. Beograd



Nikola Đenić
Licensed Certified Auditor

Belgrade, 18 February 2026



UNICREDIT BANK SRBIJA A.D., BEOGRAD
Unconsolidated Financial Statements
Year Ended December 31, 2025

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**December 31, 2025***All amounts expressed in thousands of RSD, unless otherwise stated.***CONTENTS**

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

INCOME STATEMENT

Year Ended December 31, 2025
(Thousands of RSD)

	Note	2025	2024
Interest income	3.d, 7	37,924,509	40,252,995
Interest expenses	3.d, 7	(10,420,418)	(12,980,668)
Net interest income		27,504,091	27,272,327
Fee and commission income	3.e, 8	14,905,054	13,579,100
Fee and commission expenses	3.e, 8	(5,141,576)	(4,115,478)
Net fee and commission income		9,763,478	9,463,622
Net gains on changes in the fair value of financial instruments	3.f, 9	342,198	214,655
Net gains on derecognition of the financial instruments measured at fair value	3.g, 10	301,004	-
Net losses on derecognition of the financial instruments measured at fair value	3.g, 10	-	(53,975)
Net losses on risk hedging	3.h, 25	(6,836)	(4,481)
Net foreign exchange gains and currency clause effects	3.c, 11	-	171,410
Net foreign exchange losses and currency clause effects	3.c, 11	(125,094)	-
Net income from reduction in impairment of financial assets not measured at fair value through profit or loss	3.k, 12	281,192	483,312
Net gains on derecognition of the financial instruments measured at amortized cost	3.i, 13	-	150,618
Other operating income	14	336,723	205,599
Total operating income, net		38,396,756	37,903,087
Salaries, salary compensations and other personal expenses	15	(4,716,679)	(4,234,553)
Depreciation and amortization charge	3.q, 3.r, 3.t, 16	(1,238,990)	(1,324,819)
Other income	17	1,179,535	1,275,258
Other expenses	18	(7,177,552)	(6,763,036)
Profit before tax		26,443,070	26,855,937
Current income tax expense	3.j, 19	(3,108,393)	(3,286,001)
Loss from deferred taxes	3.j, 38.2	(111,045)	(80,995)
Profit after tax		23,223,632	23,488,941
Result of the period - profit		23,223,632	23,488,941
EARNINGS PER SHARE			
Basic earnings per share (in dinars, without paras)	41.2	9,837	9,950
Diluted earnings per share (in dinars, without paras)	41.2	9,837	9,950

Belgrade, February 13, 2026

Signed on behalf of the management of UniCredit Bank Srbija A.D., Beograd by:


 Nikola Vuletić
 Management Board Chairperson




 Miloš Belić
 Member of the Management Board
 Head of Finance


 Mirjana Kovačević
 Head of Financial and Regulatory Disclosure

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year Ended December 31, 2025

(Thousands of RSD)

	Note	2025	2024
Net profit for the year		23,223,632	23,488,941
Other comprehensive income			
<i>Components of other comprehensive income that cannot subsequently be reclassified to profit or loss:</i>			
- Increase in revaluation reserves based on intangible assets and fixed assets		4,080	109,025
- Actuarial gains		33,086	34,725
<i>Components of other comprehensive income that may subsequently be reclassified to profit or loss:</i>			
- Positive effects of change in value of debt instruments measured at fair value through other comprehensive income		31,629	1,730,072
- Gains in respect of cash flow hedging instruments		-	115,488
- Losses from cash flow hedging instruments		(25,457)	-
Tax losses pertaining to other comprehensive income for the period	38.2	(6,501)	(298,397)
Total positive other comprehensive income for the period	41.3	36,837	1,690,913
TOTAL POSITIVE COMPREHENSIVE INCOME FOR THE YEAR		23,260,469	25,179,854

Belgrade, February 13, 2026

Signed on behalf of the management of UniCredit Bank Srbija A.D., Beograd by:

Nikola Vuletić
Management Board Chairperson



Miloš Belić
Member of the Management Board
Head of Finance

Mirjana Kovačević
Head of Financial and Regulatory Disclosure

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2025

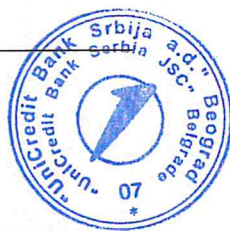
(Thousands of RSD)

	Note	2025	2024
Cash and balances held with the central bank	3.l, 20	156,147,442	191,329,015
Receivables under derivative financial instruments	3.m, 21	1,233,090	1,667,357
Securities	3.k, 3.p, 22	116,903,359	102,868,522
Loans and receivables due from banks and other financial institutions	3.k, 3.o, 23	57,017,536	73,209,401
Loans and receivables from clients	3.k, 3.o, 24	418,162,235	363,949,161
Receivables under derivatives designated as risk hedging instruments	3.n, 25	269,117	427,229
Investments into subsidiaries	3.z, 26	36,292	-
Intangible assets	3.r, 3.u, 27 3.q, 3.t, 3.u,	2,386,442	2,396,601
Property, plant and equipment	28	3,581,449	2,949,010
Investment property	3.s, 29	6,333	11,701
Deferred tax assets	3.j, 38	403,386	520,932
Other assets	30	3,737,232	3,125,031
Total assets		759,883,913	742,453,960
Liabilities under derivative financial instruments	3.m, 31	1,250,757	1,706,884
Deposits and other liabilities due to banks, other financial institutions and the central bank	3.k, 3.v, 32	139,443,381	150,978,516
Deposits and other liabilities due to customers	3.k, 3.v, 33	481,835,967	463,782,795
Liabilities under derivatives designated as risk hedging instruments	3.n, 25	607,417	687,148
Liabilities under securities	3.k, 3.v, 35	6,012,951	-
Subordinated liabilities	3.k, 3.v, 36	3,556,844	-
Provisions	3.w, 3.y, 37	4,146,180	4,680,239
Current tax liabilities	3.j, 19.4	96,225	1,093,818
Other liabilities	3.t, 39	8,441,359	8,329,125
Total liabilities		645,391,081	631,258,525
Issued (share) capital	41.1	24,169,776	24,169,776
Profit	41.1	23,229,200	23,492,517
Reserves	41.1	67,093,856	63,533,142
Total equity		114,492,832	111,195,435
Total liabilities and equity		759,883,913	742,453,960

Belgrade, February 13, 2026

Signed on behalf of the management of UniCredit Bank Srbija A.D., Beograd by:

Nikola Vuletić
Management Board Chairperson



Miloš Belić
Member of the Management Board
Head of Finance

Mirjana Kovačević
Head of Financial and Regulatory Disclosure

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

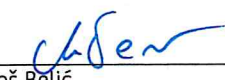
STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2025 (Thousands of RSD)	Share and other capital	Share premium	Reserves from profit and other reserves	Positive revaluation reserves	Negative revaluation reserves	Profit	Total
Opening balance as at January 1 of the previous year	23,607,620	562,156	54,906,013	-	(1,371,782)	18,462,218	96,166,225
Adjusted opening balance as at January 1 of the previous year	23,607,620	562,156	54,906,013	-	(1,371,782)	18,462,218	96,166,225
Total positive other comprehensive income for the period	-	-	-	319,131	1,371,782	-	1,690,913
Profit for the current year	-	-	-	-	-	23,488,941	23,488,941
Transfer from reserves to result due to reversal of reserves-increase	-	-	-	-	-	3,576	3,576
Distribution of profit - increase	-	-	8,307,998	-	-	-	8,307,998
Distribution of profit, and/or coverage of losses - decrease	-	-	-	-	-	(8,307,998)	(8,307,998)
Dividend payments	-	-	-	-	-	(10,154,220)	(10,154,220)
Total transactions with owners	-	-	8,307,998	-	-	(18,462,218)	(10,154,220)
Balance as at December 31 of the previous year	23,607,620	562,156	63,214,011	319,131	-	23,492,517	111,195,435
Opening balance as at January 1 of the current year	23,607,620	562,156	63,214,011	319,131	-	23,492,517	111,195,435
Adjusted opening balance as at January 1 of the current year	23,607,620	562,156	63,214,011	319,131	-	23,492,517	111,195,435
Total positive other comprehensive income for the period	-	-	-	36,837	-	-	36,837
Profit for the current year	-	-	-	-	-	23,223,632	23,223,632
Transfer from reserves to result due to reversal of reserves-increase	-	-	-	-	-	5,568	5,568
Distribution of profit - increase	-	-	3,523,877	-	-	-	3,523,877
Distribution of profit, and/or coverage of losses - decrease	-	-	-	-	-	(3,523,877)	(3,523,877)
Dividend payments	-	-	-	-	-	(19,968,640)	(19,968,640)
Total transactions with the owners	-	-	3,523,877	-	-	(23,492,517)	(19,968,640)
Balance as at December 31 of the current year	23,607,620	562,156	66,737,888	355,968	-	23,229,200	114,492,832


Belgrade, February 13, 2026

Signed on behalf of the management of UniCredit Bank Srbija A.D., Beograd, by:


Nikola Vuletić
Management Board Chairperson


Miloš Belić
Member of the Management Board
Head of Finance




Mirjana Kovačević
Head of Financial and Regulatory Disclosure

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2025
(Thousands of RSD)

Note	2025	2024
Cash inflows from operating activities	47,805,517	48,792,395
Interest inflows	31,719,532	34,190,956
Fee and commission inflows	14,858,135	13,606,906
Inflows from other operating income	1,227,850	994,533
Cash outflows from operating activities	(26,898,549)	(26,711,248)
Interest outflows	(10,047,624)	(11,017,084)
Fee and commission outflows	(5,722,655)	(4,648,244)
Payments to, and on behalf of employees	(4,489,280)	(4,198,388)
Taxes, contributions and other duties paid	(628,291)	(610,645)
Outflows from other operating expenses	(6,010,699)	(6,236,887)
Net cash inflows from operating activities prior to increases/decreases in financial assets and financial liabilities	20,906,968	22,081,147
Decrease in financial assets and increase in financial liabilities	8,542,199	88,016,976
Decrease in receivables arising from securities and other financial assets not held for investing	-	1,522,472
Increase in deposits and other liabilities due to banks, other financial institutions, the central bank and customers	8,104,935	86,090,417
Increase in other financial liabilities	316,933	175,533
Increase in liabilities arising from derivatives held for hedging and change in fair value of hedged items	120,331	228,554
Increase in financial assets and decrease in financial liabilities	(10,824,993)	(96,965,490)
Increase in loans and receivables due from banks, other financial institutions, the central bank and customers	(8,108,895)	(96,965,490)
Increase in receivables arising under securities and other financial assets not intended for investment	(2,716,098)	-
Net cash inflow by operating activities before income taxes	18,624,174	13,132,633
Income tax paid	(4,105,986)	(3,714,042)
Dividends paid	(19,968,640)	(10,154,220)
Net cash outflow by operating activities	(5,450,452)	(735,629)
Cash inflows from investing activities	16,043,043	23,092,168
Inflows from investing in investment securities	16,043,043	23,092,168
Cash outflows from investing activities	(22,681,282)	(17,479,351)
Cash outflows for investing in investments securities	(21,764,390)	(16,709,745)
Cash outflows for investing in subsidiaries, associates and joint ventures	(36,292)	-
Cash outflows for the purchases of intangible assets, property, plant and equipment	(880,600)	(769,606)
Net cash inflow by investing activities	-	5,612,817
Net cash outflow by investing activities	(6,638,239)	-
Cash inflows from financing activities	20,711,023	14,581,775
Cash inflows from subordinated liabilities	3,516,975	-
Borrowings, inflows	11,194,048	14,581,775
Cash inflows arising from issued securities	6,000,000	-
Cash outflows from financing activities	(12,561,098)	(11,034,740)
Cash outflows from loans taken	(12,133,893)	(10,502,594)
Other outflows from financing activities	(427,205)	(532,146)
Net cash inflow by financing activities	8,149,925	3,547,035

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

STATEMENT OF CASH FLOWS (Continued)

Year Ended December 31, 2025

(Thousands of RSD)

	Note	2025	2024
Total cash inflows		93,101,782	174,483,314
Total cash outflows		(97,040,548)	(166,059,091)
Net cash increase		-	8,424,223
Net cash decrease		(3,938,766)	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3.1, 42	109,358,651	100,875,615
Foreign exchange gains		-	58,813
Foreign exchange losses		(19,045)	-
CASH AND CASH EQUIVALENTS, END OF YEAR	3.1, 42	105,400,840	109,358,651

Belgrade, February 13, 2026

Signed on behalf of the management of UniCredit Bank Srbija A.D., Beograd by:

Nikola Vuletić
Management Board Chairperson



Miloš Belić
Member of the Management Board
Head of Finance

Mirjana Kovačević
Head of Financial and Regulatory Disclosure

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

1. BANK'S ESTABLISHMENT AND ACTIVITY

UniCredit Bank Srbija a.d. Rajičeva 27-29, Beograd (the: "Bank") was originally established as HVB Banka Jugoslavija ("HVB") in 2001 after obtaining an operating license from the National Bank of Yugoslavia on July 2, 2001. On October 1, 2005, a status change of merger and acquisition of entities HVB Banka Srbija i Crna Gora A.D. Beograd, as the Acquirer and Eksport-Import banka Eksimbank A.D. Beograd as the Acquiree, was registered. The Bank changed its name to UniCredit Bank Srbija a.d. Beograd on March 30, 2007.

The Bank is a member of UniCredit Group. In accordance with the reorganization of the Banking Group's activities in Central and Eastern European countries, under the Demerger and Takeover Agreement executed by and between UniCredit Bank Austria AG and UCG Beteiligungsverwaltung GmbH on August 31, 2016 and Merger and Acquisition Agreement executed by and between UCG Beteiligungsverwaltung GmbH and UniCredit SpA on September 30, 2016, UniCredit Bank Austria AG transferred its sole (100%) ownership of the Bank to the Austrian holding company UCG Beteiligungsverwaltung GmbH. Through merger of UCG Beteiligungsverwaltung GmbH with UniCredit SpA, UniCredit SpA became the sole shareholder of UniCredit Bank Srbija a.d., Beograd.

The Bank is registered in the Republic of Serbia to provide banking services associated with payment transfers, lending and depositary activities in the country and abroad and other activities defined by the Law on Banks and the Bank's own Statute.

As of December 31, 2025, the Bank comprises of 2 Head Offices in Belgrade, 72 branch offices and 3 counters located in towns throughout the Republic of Serbia (December 31, 2024: 71 branch offices and 2 counters).

As of December 31, 2025, the Bank has 1,406 employees (December 31, 2024: 1,354 employees).

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

(a) Basis of Preparation and Presentation of the Financial Statements

Legal entities and entrepreneurs incorporated in Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to present, submit and disclose financial statements in conformity with the Law on Accounting. As a large legal entity, the Bank is required to apply International Financial Reporting Standards ("IFRS"), which as per the aforementioned law comprise the following: the Framework for the Preparation and Presentation of Financial Statements (the "Framework"), International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS"), as well as the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and additional related interpretations issued by the International Accounting Standards Board ("IASB").

The Bank's financial statements (the "financial statements") are presented in the format prescribed under the Decision on the Forms and Contents of the Items in the Forms of the Financial Statements of Banks (Official Gazette of RS no. 93/2020 and 56/2025).

The Bank separately prepares and presents its consolidated financial statements in accordance with the International Financial Reporting Standards. The Bank holds sole (100%) equity interest in the subsidiary UniCredit Leasing d.o.o., Beograd and 51% equity interest in the subsidiary UCITS Fund Management Company UniCredit Invest a.d. Beograd.

In the accompanying unconsolidated financial statements, the Bank's equity investments in subsidiaries are stated at cost. The Bank's consolidated financial statements were issued on February 13, 2026.

Pursuant to Article 41 of Accounting Law ("Official Gazette RS", No. 73/19 and 44/21-other laws), the Bank has decided to merge Annual Business Report and the Consolidated Annual Business Report into one report.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

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

(a) Basis of Preparation and Presentation of the Financial Statements (Continued)

These financial statements were prepared at historical cost principle, except for the measurement of the following significant statement of financial position items:

- financial assets stated at fair value through other comprehensive income,
- financial assets and liabilities at fair value through profit and loss,
- derivative financial instruments stated at fair value, and
- investment property stated at fair value and
- property used for performance of the Bank's own business activity that are stated at revalued method
- recognized financial assets and liabilities at amortized cost designated as hedged item in qualifying fair value hedging relationships at amortized cost adjusted for hedging gain or loss.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique according to IFRS 13. Upon estimating the fair value of assets or liabilities, the Bank takes into account characteristics of assets or liabilities that other market participants would also consider upon determining the price of assets or liabilities at the measurement date. Fair value for measurement and/or disclosure purposes in the accompanying financial statements was determined in the aforesaid manner, except for share-based payment transactions, which are in the scope of IFRS 2, leasing transactions, which are in the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as the net realizable value in IAS 2 or value in use in IAS 36.

According to IFRS 13, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

In the preparation of the accompanying unconsolidated financial statements, the Bank adhered to the accounting policies described in Note 3.

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

Standards/amendments to the existing standards and interpretations issued that came into effect in the current period are disclosed in Note 2(b). Standards/amendments to the existing standards and interpretations in issue but not yet in effect are disclosed in Note 2(c).

(b) Adoption of the New Standards and Revised/Amended Standards Effective for the Current Year

In 2025, amendments to IAS 21 "Effects of changes in exchange rates" - lack of substitutability have come into force.

The amendments to the standard above have not led to any material changes in the Bank's unconsolidated financial statements.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

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

(c) New and Revised IFRS Standards in Issue but not yet Effective

At the date of approval of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 applicable to periods after January 1, 2026;
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 applicable to periods after January 1, 2026;
- Annual Improvements to IFRS Accounting Standards that are applicable to periods after January 1, 2026;
- Amendments to IFRS 18 Presentation and Disclosure in Financial Statements applicable to periods after January 1, 2027;
- IFRS 19 Subsidiaries without Public Accountability: Disclosures applicable to period after January 1, 2027.

The Bank's management has elected not to adopt these new standards, amendments to the existing standards and new interpretations in advance of their effective dates. The Bank's management anticipates that the adoption of these standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

(d) Impact of the uncertainty in the economic environment

According to data from the National Bureau of Statistics, real GDP growth in Q3 2025 was 2% y-o-y, while inflation hovered around the upper limit of the target range between January and August 2025 and then began to slow down in September (when it stood at 2.9%) and remained at this level through the end of 2025.

Sanctions on Naftna industrija Srbije (NIS), which have been postponed several times since first being introduced in January and fully came into effect in early October, represent the greatest short-term risk for Serbian economy, owing to the company's systemic importance and its overall contribution to GDP and fiscal revenue. The only option to lift the sanctions is a change in ownership structure such that the majority shareholder fully exits the company (Gaspromneft, also under American sanctions). According to latest information from late 2025 and early 2026, the Russian owners of NIS have been conducting negotiations on selling their majority stake in NIS (MOL is mentioned as the most likely buyer). Sanctions have been waived until the end of January 2026 allowing purchase of new quantities of oil and pointing to good chances that the sanctions issue should be fully resolved in 2026.

Foreign trade grew (and foreign account deficit fell) in 2025 despite high tariffs imposed on Serbia by the new US administration at the level of 35%, which didn't strongly affect the Serbian economy owing to low US export volumes. There has however been a considerable decline in FDI in 2025, which also hit other countries in the region and is likely to be the result of economic stagnation in major European economies (where much of the FDI has come from). Inflation is expected to remain within the target range in 2026, owing largely to the effect of the government decree from November 2025 capping wholesale and retail markups, and possibly increase to the upper limit of the target range later in the year, due to low base effect.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

*All amounts expressed in thousands of RSD, unless otherwise stated.***2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)****(d) Impact of the uncertainty in the economic environment (Continued)***Calculation of the expected credit loss*

Bank has timely coped with the emerging geo-political risks triggered by Russia-Ukraine crises by adopting overlay measures on both Corporate and Retail sub-perimeters deemed vulnerable in case of negative evolution of the scenario. The intensification of geopolitical and trade tensions - including renewed global protectionism, supply chain fragmentation and prolonged market uncertainty has heightened the risk of adverse credit outcomes. Geo-political risks have been evolving more towards trade tensions whereas risks underlying current overlays are fading away due to smoothening of past energy supply tensions and stabilization of inflation and interest rate risks. Consequently, the evolution of overlay framework envisages more granular sector-based quantification in order to capture the level of sensitivity of the different industries to export vulnerabilities, including proactive staging classifications on clients detected within monitoring of the portfolio affected by overlay.

Calculation of the expected credit loss (Continued)

The methodological approach for the re-assessment of the Geopolitical Corporate overlay leverages on the IFRS9 "Adverse" scenario used as starting point. This scenario, which already embeds a worsening of global trade and geopolitical tensions, provides a robust and internally validated framework to anchor revised analysis. Forecasts on macro-factors provided within IFRS9 scenario are then extended with sectoral dynamics. Indeed, forecasts provided by UniCredit Group Investment Strategy include projections only on key macro-factors (e.g., GDP, Rates, etc.) but not sectoral dynamics. In order to properly consider the sectorial expected dynamic, on top of IFRS9 "Adverse" scenario, sector-specific impacts are incorporated to account for specific vulnerabilities driven by:

- Trade tensions and supply chain disruptions including spillover effect on interconnected industries
- Euro-US Dollar exchange rate movements affecting external demand
- uncertainty due to US sanctions against Naftna Industrija Srbije (NIS)¹

In this way, the evolution of default rates by sector is modeled as the combined result of satellite and sectoral models, hereby capturing both macro-driven and sector-specific dynamics.

¹ Regardless of whether sanctions are currently active or temporarily suspended, the unpredictability of geopolitical measures such as sanctions introduces a persistent layer of uncertainty for businesses and policymakers. This uncertainty can translate into volatility in energy markets, sudden shifts in supply chains, and price shocks that affect production costs and competitiveness, elevated credit risk, particularly in energy-intensive sectors.

For Serbia, where energy infrastructure is concentrated and heavily dependent on foreign ownership, the risk is not limited to the immediate enforcement of sanctions but extends to the possibility of future restrictions or regulatory shifts. Such uncertainty underscores the need to incorporate geopolitical risk factors, ensuring resilience against potential shocks even when sanctions are not actively enforced. The analysis indicates that, under this ad-hoc "adverse" scenario for Serbia, the annual Default Rate for the corporate portfolio would increase by +30% compared to "IFRS9 Adverse". This delta was applied in addition to contributions from Satellite Models and Sectoral Models, to capture the risk of future restrictions or regulatory changes

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

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

(d) Impact of the uncertainty in the economic environment (Continued)

Overview of components of managerial overlays (in thousand RSD)	December 31, 2024	2025 effect - addition/(reversal)	December 31, 2025
Overlay - Geopolitical	794,318	1,416,809	2,211,127
- Retail clients (housing)	96,899	(96,899)	-
- Retail clients (unpaid)	47,294	(47,294)	-
- Corporate clients	650,125	1,561,002	2,211,127
Overlay - CREF	450,635	(450,635)	-
Total	1,244,953	966,174*	2,211,127

* Overlays recognized as of December 31, 2024, in the total amount of RSD 594,828 thousand have been released:

- Regarding Geopolitical overlay:
 - Retail clients – for: 1) floating rate mortgages (not having overdue instalments), given the sensitiveness in this context of increasing interest rate/inflation in the amount of RSD 47,294 thousand, and 2) at least 1 unpaid instalment on their exposures, considered a perimeter with already difficulties in payments and as such particularly vulnerable in this specific contingency in the amount of RSD 96,899 thousand.
- Regarding CREF overlay:
 - Corporate clients – rated by IPRE model (Income Producing Real Estate) as well as clients classified within construction industry in the amount of RSD 450,635 thousand.

The geopolitical overlay for corporate clients has been re-quantified in the amount of RSD 1,561,002 thousand, with a focus on a more detailed sector classification to include the sensitivity level of different industries to export vulnerability, including proactive classification of clients at this stage within portfolio monitoring, as previously described in this note.

As of December 31, 2025, overall overlays applied amount to EUR 18,853 thousand (RSD 2,211,127 thousand) and are broken-down according to the following sectors:

Industry Sector	Overlay amount in thousand EUR
Manufacture of machinery	128
Automotive	328
Metallurgy	70
Mining and quarrying	4
Manufacture of industrial products (non metall.)	2,568
Food and beverage	496
Constructions	2,351
Manufacture of electric and electronic products	612
Textile - Apparels	163
Agriculture, forestry and fishing	744
Air transport	90
Logistic	137
Utility	2,379
Tourism	282
Professional Services	445
Real estates	3,094
Wholesale trade	3,953
Proactive classification of clients to Stage 2 – all sectors	1,009
Total	18,853

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**December 31, 2025***All amounts expressed in thousands of RSD, unless otherwise stated.***2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)****(e) Comparative Information**

Comparative information in the accompanying financial statements represents the data from the Bank's unconsolidated financial statements for 2024.

(f) Use of Estimates

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

These estimations and underlying assumptions are subject to regular review. The revised accounting estimates are presented for the period in which they are revised as well as for the ensuing periods.

Further explanations have been reported in Note 5.

(g) Statement of Compliance

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies presented hereinafter have been consistently applied by the Bank for all years presented in the accompanying financial statements. The Bank's main accounting policies applied to the current and previous reporting periods are presented in greater detail hereunder.

(a) Consolidation

The Bank holds sole (100%) equity interest in entity UniCredit Leasing Srbija d.o.o., Beograd . and 51% equity interest in the subsidiary UCITS Fund Management Company UniCredit Invest a.d. Beograd. Equity investments in subsidiaries are presented at cost in these unconsolidated financial statements. The Bank prepares and issues consolidated financial statements separately.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Going Concern

Considering the circumstances caused by Russian-Ukrainian and Middle East conflicts, the Bank's management believe with reasonable certainty that the Bank will continue to operate profitably in the foreseeable future. As a result, the Bank's financial statements have been prepared on a going concern basis, assuming that the Bank will continue its operations for an indefinite period in the future.

(c) Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at official middle exchange rates effective at the date of each transaction.

Monetary assets and liabilities denominated in foreign currencies, as well as those indexed to a currency clause, are translated into dinars by applying the official middle exchange rates prevailing at the reporting date.

Gains and losses incurred in realized transactions of purchase and sale of foreign currency and effective foreign currency with individuals and legal entities during the period are stated in the Bank's income statement, within the position "Net fee and commission income". Exchange 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 stated in the Bank's income statement under "Net foreign exchange gains/losses and currency clause effects".

Non-monetary assets and liabilities denominated in foreign currencies measured at fair value are translated to the functional currency at the exchange rate effective at the date that the fair value was determined. Non-monetary assets and liabilities that are stated at historical cost in a foreign currency are translated using the exchange rates effective at the dates of the transactions.

The official exchange rates determined by the NBS and applied in the translation of the statement of financial position's components into dinars for the following major currencies were as follows:

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

(d) Interest Income and Expenses

(i) The Effective Interest Method

Interest income and expenses are recognized in the income statement in the period they relate to using the effective interest method for all interest-bearing financial instruments measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI).

The effective interest rate is the rate that precisely discounts estimated future payments or receipts over the expected life of the financial instrument or over a shorter period, where appropriate, to the net carrying value of the financial asset or financial liability. In calculation of the effective interest rate, the Bank estimates cash flows considering all the contractually agreed terms of the financial instrument but does not consider future credit losses. The effective interest rate calculation includes all fees and amounts paid or received between the counterparties and transaction costs that form an integral part of the effective interest rate.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Interest Income and Expenses (Continued)

(i) The Effective Interest Method (Continued)

Transaction costs are costs directly attributable to the acquisition or the issuance of a financial asset or liability. These include fees and commissions paid to agents, advisers, brokers and dealers, fees from regulatory agencies and stock exchanges, as well as taxes and fees related to the transfer if exist. Transaction costs do not include premiums or discounts, financing costs or internal administrative costs or maintenance costs. Only transaction costs that are certain or determinable are included in the amortized cost at the initial recognition of a financial asset. If the Bank receives a fee from a client that offsets similar charges paid by the Bank, only the net amount is included in the amortized value of the asset.

Fees that are integral part of the effective interest rate of a financial instrument include:

- a) "origination fees" – fees charged by the Bank in connection with issuance or acquisition of a financial asset; such fees include fees for evaluation of the financial position of borrowers, for evaluating and recording guarantees, collaterals and other security arrangements, for negotiating the terms of an instrument, preparing and processing documents and closing transactions;
- b) "commitment fees" - fees received for the issue of a loan when it is probable that the loan arrangement will be realized;
- c) "origination fees" - fees payable based on the issue of financial liabilities that are measured at amortized cost.

The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of financial assets other than those that are credit-impaired. Regular interest income from impaired financial assets is calculated based on the net value of the financial asset using the effective interest method. Calculation of penalty interest income from impaired financial assets is suspended from the moment when the client becomes credit-impaired and is recorded from then on within off-balance sheet items, except for a portion of the legally prescribed penalty interest on written-off loans without debt acquittal, which is recorded when collected.

Impaired loans and receivables are those loans and receivables due from clients who are in the status of default (internal ratings 8-, 9 and 10), i.e., classified in Stage 3 under IFRS 9. If the status of a financial asset is improved so that it is no longer impaired, the Bank resumes calculation of interest income on a gross basis. For financial assets classified under IFRS 9 as POCI ("purchased or originated credit-impaired" assets), the Bank calculates interest income by applying the credit-adjusted effective interest rate on the amortized cost of an asset. Credit-adjusted effective interest rate is the interest rate that, on initial recognition, discounts expected cash flows including credit losses to the amortized value of the POCI financial asset.

(ii) Presentation

Interest income and expenses recognized in profit or loss include:

- interest on financial assets and financial liabilities that are measured at amortized cost (AC) calculated using the effective interest rate method;
- interest on securities measured at fair value through other comprehensive income (FVtOCI) calculated using the effective interest rate method;
- interest on coupon securities held for trading; and
- interest on derivative financial instruments.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

*All amounts expressed in thousands of RSD, unless otherwise stated.***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(e) Fee and Commission Income and Expenses**

Fee and commission income and expenses that are integral part of the effective interest rate of a financial asset or liability are included in the calculation of the effective interest rate and therefore stated within interest income and expenses.

Fees that are not integral part of the effective interest rate of a financial instrument and are therefore accounted for in accordance with IFRS 15 include:

- a) "monitoring" or "management" fees – fees charged by the Bank for loan servicing;
- b) "commitment fees" – fees for issuing a loan when it is unlikely that the loan arrangement will be realized; and
- c) syndicated loan fees received by the Bank as a transaction agent/arranger.

In accordance with IFRS 15, two approaches for the recognition of fee and commission income are provided: "at a point in time" and "over time" as the related services are performed. Fee and commission income includes revenues from international and domestic payment services, issuance of guarantees, letters of credit and other banking services as well as income from realized transactions of foreign exchange purchases/sales and effective foreign currency transactions.

Fee and commission expenses mostly relate to fees for transactions and services provided and are recorded upon receipt of services. Fee and commission expenses also include expenses from realized transactions of foreign exchange purchases/sales and effective foreign currency transactions.

(f) Net Gains/Losses on Changes in the Fair Value of Financial Instruments

Net gains/losses on the change in the fair value of financial instruments include the effects of fair value adjustment of derivatives, except for derivatives designated as risk hedging instruments and fair value adjustment of financial assets and financial liabilities carried at fair value through profit or loss.

(g) Net Gains/Losses on Derecognition of Financial Instruments Measured at Fair Value

Net gains/losses from derecognition of the financial instruments measured at fair value include the effects of the derecognition of financial assets and financial liabilities measured at fair value through profit or loss, as well as financial assets measured at fair value through other comprehensive income.

(h) Net Gains/Losses on Risk Hedging

Net gains/losses on risk hedging include net gains on the value adjustment of financial derivatives designated as risk hedging instruments as well as on the fair value adjustment of loans, receivables and securities as hedged items, these adjustments arising from the risk against which the item is hedged.

(i) Net Gains/Losses on Derecognition of Financial Instruments Measured at Amortized Cost

Net gains/losses from derecognition of the financial instruments measured at amortized cost include the effects arising from derecognition of financial assets at amortized cost.

(j) Income Tax Expenses

Tax expenses comprise current taxes and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income Tax Expenses (Continued)

(i) Current Income Tax

Current income tax is an expected tax payable or receivable as per taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. Current income tax represents an amount calculated in accordance with the Republic of Serbia Corporate Income Tax Law. The prescribed tax rate for 2025 equals 15%. The taxable income is the profit before taxes shown in the statutory statement of income, adjusted in accordance with the tax regulations of the Republic of Serbia.

(ii) Deferred Income Taxes

Deferred income tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxes are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

Based on their future tax consequences, temporary differences can be:

- taxable temporary differences, which will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset is recovered or the liability is settled in accordance with the appropriate tax regime; or
- deductible temporary differences, which will result in amounts that can be deducted in determining the taxable profit (tax loss) of the future period in which the carrying amount of the asset will be recovered or the liability settled in accordance with the appropriate tax regime.

(iii) Other Taxes and Contributions

According to the relevant legislation in the Republic of Serbia, the Bank pays various taxes, contributions, and duties payable, such as property tax, payroll contributions charged to the employer and other public duties. These are included under other expenses within the income statement.

(k) Financial Assets and Liabilities

(i) Recognition and Initial Measurement

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(ii) Classification and Subsequent Measurement

Financial Assets

Upon initial recognition, the Bank classifies its financial assets in one of the following three categories:

- financial assets at amortized cost (AC);
- financial assets at fair value through other comprehensive income (FVtOCI); and
- financial assets through profit or loss (FVtPL).

The requirements regarding the classification of debt and equity instruments are described below:

Debt Instruments

Debt instruments are those instruments that meet the definition of financial liability from the perspective of the issuer, such as loans, securities, and other similar receivables.

Classification and measurement of financial assets depend on the following two main criteria:

- 1) business model based on which the Bank manages a financial asset; and
- 2) characteristics of the contractual cash flows of a financial asset (the so-called SPPI criterion).

Business Model

The business model reflects the manner in which the Bank manages its financial assets in order to generate cash flows therefrom, i.e., the business model determines whether the cash flows will result from holding the assets ("hold to collect" business model) or from their holding as well as sales ("hold to collect and sell" business model). If neither of the aforesaid is applicable (e.g. a financial asset is held for trading), such an asset is held within the "other" business model and classified as measured at fair value through profit or loss (FVtPL).

Business model assessment is performed at the level of a group of financial assets such as portfolio or sub-portfolio level, considering all the relevant and objective information such as sales of assets that were realized in the past, management's intentions regarding future sales, risk management, valuation the assets' performance and reporting thereon to the management, etc. Business model assessment is based on realistic future expectations. Reclassification of a financial asset is made if the business model within which the asset is managed is changed. The Bank does not expect frequent changes of its business models.

SPPI Criterion

In instances of "hold to collect" or "hold to collect and sell" business models, the Bank assesses whether the contractual cash flows of the financial asset represent solely payments of the principal and interest payment ("SPPI test"). For the purpose of this assessment, "principal" is defined as the fair value of a financial asset at the date of initial recognition. "Interest" is defined as consideration for the time value of money, the accepted level of credit risk of the borrower, other basic lending risks as well as an appropriate margin. If the contractual terms of a financial asset include exposure to risks that are not in accordance with the underlying loan arrangement, a financial asset is classified and measured at fair value through profit or loss.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(ii) *Classification and Subsequent Measurement (Continued)*

Financial Assets (Continued)

Debt Instruments (Continued)

Based on the above explained criteria, debt instruments are classified into the following asset categories:

1) Financial Assets at Amortized Cost (AC)

A financial asset that is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and contractual cash flows represent solely payments of principal and interest and is not irrevocably classified as financial asset at fair value through profit or loss, is measured at amortized cost. The amortized value of these financial assets is subsequently adjusted for estimated impairment as explained in Note 3.(k)(viii). Interest income on these financial assets is recognized using the effective interest method and is included in the item of interest Income within in the income statement.

2) Financial Assets at Fair Value through Other Comprehensive Income (FVtOCI)

A financial asset that is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and whose contractual cash flows represent solely payments of principal and interest and is not irrevocably classified as financial asset at fair value through profit or loss, is classified and measured at fair value through other comprehensive income. The effects of the change in fair value in the subsequent measurement of these assets are recorded in the other comprehensive income. As with financial assets at amortized cost, the impairment, interest income and foreign exchange gains/losses are recognized in the income statement. The loss allowance is recognized in other comprehensive income considering that book value of those assets should be equal to fair value.

Upon derecognition, cumulative gains and losses previously recognized in the other comprehensive income are reclassified and presented within net gains/losses on derecognition of financial assets measured at fair value in the income statement. Interest income on these financial assets is recognized at the effective interest method and is included in the item of interest Income within the income statement.

3) Financial Assets at Fair Value through Profit or Loss (FVtPL)

A financial asset that does not meet the criteria for classification at amortized cost or at fair value through other comprehensive income is measured at fair value through profit or loss. In addition, the following assets are classified as FVtPL:

- held-for-trading financial assets if they are acquired for purpose of sale or repurchase in the near term or when they are initially recognized as part of a portfolio of financial instruments that are managed together in order to achieve short-term profits;
- financial assets that the Bank, upon initial recognition, designates as assets at fair value through profit or loss, irrespective of the business model and cash flow characteristics, in order to eliminate or significantly reduce the so-called "accounting mismatch".

Subsequent changes in the fair value of these assets are recorded through profit or loss within the line item of net gains/losses on the change in the fair value of financial instruments. Interest income on coupon securities held for trading is included in the interest income within the income statement.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(ii) Classification and Subsequent Measurement (Continued)

Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, i.e., instruments that do not contain the contractual obligation of payment and represent a share in the net assets of the issuer.

The Bank's equity instruments are measured at fair value through other comprehensive income, except when they are traded, in which case they are measured at fair value through profit or loss. Such a classification is performed for each equity instrument individually. Equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs directly attributable to their acquisition, unless the Bank assesses in some cases that the cost is the best estimate of their fair value.

Effects of the changes in the fair value of equity instruments that are measured at FVtOCI in subsequent measurement are recognized in the other comprehensive income and are never reclassified to the income statement, even when the asset is derecognized. The provisions of IFRS 9 regarding impairment of financial assets relate only to debt instruments. For equity instruments at FVtOCI, the effects of impairment are not recognized through the income statement. Instead, all changes in their fair value are recorded within the other comprehensive income. Dividends are recognized within the line item of other operating income in the income statement when the Bank's right to receive a dividend is established. Effects of changes in the fair value of equity instruments at FVtPL are recorded under the item of Net gains/(losses) on the change in the fair value of financial instruments in the income statement.

Financial Liabilities

The Bank classifies financial liabilities, except for irrevocable commitments for loans and financial guarantees, as liabilities measured at amortized cost or as fair value through profit or loss (please refer to Note 3.(v)).

Financial liabilities at fair value through profit or loss include derivatives, financial liabilities held for trading (e.g. short positions in a trading book) and other financial liabilities that are designated at FVtPL on initial recognition. However, in respect of the measurement of financial liabilities initially designated at FVtPL, IFRS 9 requires that the changes in the fair value of a financial liability that relate to changes in the Bank's own credit risk are presented in the other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk would cause or increase an accounting mismatch in the income statement. Changes in the fair value of liabilities arising from credit risk are not subsequently reclassified to the income statement.

(iii) Derecognition

Financial Assets

The Bank derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- when the Bank transfers substantially all the risks and rewards associated with ownership of the financial asset or it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but does not retain control over a financial asset;
- when contractual terms of a financial asset are significantly modified contractual terms (please refer to Note 3.(k)(iv)).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(iii) Derecognition (Continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset acquired less any new liability assumed) and (ii) any cumulative gain or loss that was previously recognized in other comprehensive income is recognized in profit or loss.

The Bank enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion thereof. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, repo transactions. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similarly to repo transactions since the Bank retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all the risk and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement in the asset, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial Liabilities

The Bank derecognizes financial liability when its contractual obligations are discharged or cancelled or have expired.

(iv) Modification

Derecognition due to Significant Modification of Contractual Terms

In instances of amendments to the contractual terms, the Bank assesses whether cash flows have been significantly modified. If the cash flows of a financial asset/liability are significantly modified in relation to originally contracted, asset/liability is derecognized and new financial asset/liability is recognized at fair value increased by any transaction costs (referring to new financial asset/liability). Any difference between the carrying amount of the existing asset/liability and fair value of a new financial asset/liability is recognized in the income statement within the net gains/losses on derecognition of the financial instruments recognized at fair value and net gains/losses on derecognition of the financial instruments recognized at amortized cost.

Under significant modification of cash flows, the Bank considers: changes of contracts due to commercial reasons that are in accordance with market conditions, changes in the currency or debtor, as well as changes that introduce contractual provisions resulting in non-compliance with the SPPI criteria. In accordance with IFRS 9, a new financial asset is classified in Stage 1 for ECL measurement of expected credit losses (in further text: ECL), unless it is a POCI asset (purchased and/or originated credit-impaired asset).

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All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(iv) Modification (Continued)

Modifications of a Financial Asset that do not Lead to Derecognition

Amendments to the contracts due to the financial difficulties of the borrower are not considered a significant modification and do not lead to derecognition of a financial asset.

In accordance with IFRS 9, the Bank determines the new gross carrying amount of a financial asset and recognizes a modification gain/loss in the income statement (the line item of net gains/losses on impairment of financial assets not recognized at fair value through profit or loss).

The gross carrying amount of the financial asset is determined as the present value of the modified cash flows discounted at the original effective interest rate. Any transaction costs adjust the carrying amount of a modified financial asset and are amortized over its useful life.

(v) Offsetting

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position when, and only when, the Bank has a legal right to offset the recognized amounts and it intends either to settle the liability on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(vi) Amortized Cost Measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is subsequently measured, minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initial amount recognized and the maturity amount, less any reduction for impairment.

(vii) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Whenever possible, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. The market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and other optional models.

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

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All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(vii) Fair Value Measurement (Continued)

Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data. Assets and long positions are measured at a bid price, and liabilities and short positions are measured at an asking price.

When the Bank has position with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

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

(viii) Impairment Identification and Measurement

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

Expected credit losses (ECL) are recalculated on each reporting date in order to reflect the changes occurred in the credit risk since the initial recognition of a financial instrument. Such an approach results in earlier recognition of credit losses as it is necessary to recalculate expected credit losses over a 12-month period for all credit exposures (the so-called Stage 1). It is necessary to recalculate lifetime expected credit losses for all exposures that have significant increase in the credit risk (the so-called Stage 2).

In ECL calculation, the Bank uses forward-looking information and macroeconomic factors, i.e., the Bank considers not only the historical information adjusted to reflect the effects of the present conditions and information providing objective evidence of the financial asset being impaired or actual losses incurred, but reasonable and supportable information as well, which include projections of future economic conditions in calculation of expected credit losses, both on individual and at collective bases. The amount of provisions for credit losses will increase with deterioration of the projected economic conditions and decrease with their improvement.

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All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(viii) Impairment Identification and Measurement (Continued)

The Basic Principles and Rules Used by the Bank in Calculation of Allowances under IFRS 9

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

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

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

For financial assets in Stage 1, the Bank calculates 12-month expected credit losses.

For financial assets in Stage 2, the Bank calculates lifetime expected credit losses.

For financial assets in Stage 3, the Bank calculates lifetime expected credit losses.

Financial assets are transferred from Stage 1 to Stage 2 when the credit risk has increased significantly since the instruments' initial recognition. The transfer logic is based on quantitative and qualitative criteria and must be applied to exposures that are within the scope of the ECL model. Deterioration of the probability of default (PD) is the key parameter underlying the quantitative criterion of the transfer logic. The PD is calculated at counterparty level and also that the staging process takes place by transaction. The transfer logic model in the Bank is based on a quantitative approach named "quantile regression model" where 1) the term significant is translated in term of percentile leading to the determination of a transfer threshold (depending on PD at inception, age and residual maturity), representing a theoretical increase reputed by the quantitative model as "significant" from the statistical standpoint; the quantile regression model uses 3 input variables (PD at inception, age and residual maturity) to describe the target variable which is the quantile; 2) the term increase is translated in term of relative increase/decrease in Lifetime PD from the inception date to the reporting date of the financial instruments. Whenever the realized variation of the IFRS 9 Lifetime PD violates the transfer threshold estimated by the model the financial instruments is classified in Stage 2.

The relative increase in PD that leads to transfer to Stage 2 for each segment, rating at inception and remaining maturity is given in the table below:

		Remaining Maturity ≤ 1Y	Remaining Maturity ≤ 2Y	Remaining Maturity > 2Y
Initial rating (1 to 8)	Corporate	up to 12.61x	up to 9.37x	up to 6.42x
	Small business	up to 16.83x	up to 10.97x	up to 6.80x
	Retail	up to 12.16x	up to 6.81x	up to 3.57x

The following qualitative criteria are applied after the said quantitative parameter:

- Forbearance status classification results in automatic classification to Stage 2 for the following at least 24 months (probation period). After that period, if there are no other significant indicators of credit risk deterioration, the transaction may be reclassified to Stage 1;

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(viii) Impairment Identification and Measurement (Continued)

The Basic Principles and Rules Used by the Bank in Calculation of Allowances under IFRS 9 (Continued)

- 30 days past due – if a transaction reaches 30 days past due, it should be classified into Stage 2;
- All performing exposures included in Watch List 2 or worsening managerial classification (all performing exposures transferred to the remit of the Loan Restructuring and Workout departments) should be classified into Stage 2.

Watch list 2 means clients with higher risk, showing structural/strategic problems, bad business health, profitability issues. Of course, this Watch List 2 status cannot be assigned to financial instrument at origination, this status is assigned in case of deterioration in credit risk compare to initial credit risk at inception.

In order to improve transfer logic model, Bank has implemented additional quantitative backstop indicators must be classified as Stage 2:

- facilities with threefold increase in the lifetime credit risk;
- facilities related to counterparties with a Basel PD higher than 20%.

These backstop indicators are complementing the transfer logic model in sense that at origination no transaction could have a greater Basel PD of 9.222% as that is the upper bound of rating 7 from the master scale which is used as a cutoff in the origination process. The transfer logic model could have a looser threshold applied on these transactions depending on the age, remaining maturity and initial IFRS9 PD so the 20% Basel PD backstop triggers the Stage 2 allocation before the transfer logic model. Similarly, the threefold increase in the lifetime credit risk is there for the transactions in the better rating groups so that if there is a deterioration in their rating the threefold increase will be triggered before the breach of the transfer logic threshold.

The transfer approach from stage to stage forth and back is symmetrical. Specifically, if in subsequent reporting periods the credit quality of a financial asset assigned to Stage 2 improves such that there is no longer a significant increase in credit risk since initial recognition, then the asset is reassigned to Stage 1. Nevertheless, an additional minimum time permanence is present which does not allow transfer to Stage 1 before the minimum continuous time spent in Stage 2 is at least 3 months.

In the impairment process, the Bank applies special treatment to the purchases of already impaired assets from the so-called NPL portfolios and to the approval of new loans to the borrowers with already impaired loans within its portfolio, i.e. those already in NPL status. In accordance with the Standard, such assets are defined as POCI (purchased and/or originated impaired credit assets) and are separately measured through cumulative changes in lifetime expected credit losses of the instruments after their initial recognition.

Positive changes in the lifetime expected credit losses of the instrument are recognized as gains on the impairment of instruments if the expected credit loss is lower than the amount of expected credit losses included in the estimated cash flows upon initial recognition.

(ix) Write-Off

When certain financial assets are determined to be irrecoverable, these are written off. Write-off of an asset represents derecognition of that asset within the statement of financial position, where write-off of assets without debt acquittal is distinguished from write-off with debt acquittal.

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All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(ix) Write-Off (Continued)

Assets are written off without debt acquittal in instances where the Bank has estimated that the assets will not be collected but does not waive its contractual and legal rights in respect of such assets. In such cases, the Bank estimates that it is economically justified to undertake further activities related to the collection of a financial asset. The Bank also has the right to calculate legally prescribed penalty interest after write off without debt acquittal but ceases to record it until collection. The Bank performs write-offs without debt acquittal (accounting write-offs) based on the decisions of its competent bodies and/or the relevant NBS decision for financial assets with low collectability rates that are fully impaired (100% provided for). Given that the Bank does not waive the right to collect financial assets, write-off without debt acquittal, (accounting write-off) represents derecognition of the financial assets in the statement of financial position and recording those within the off-balance sheet items. When the Bank estimates that there is no justification for undertaking further activities related to the collection of financial assets (completed bankruptcy or liquidation procedure, court ruling and the like), the Bank's competent bodies enact a decision on derecognition of the asset from the off-balance sheet items.

The Bank writes off financial assets with debt acquittal when these are estimated as irrecoverable and that it is not economically justifiable to take further actions toward their collection. In such instances, the written-off financial assets are derecognized from the statement of financial position without any further recording.

In the event that the Bank collects a financial asset previously written off, the income is recognized in the income statement under the net gains/losses on impairment of financial assets not recognized at fair value through profit or loss.

The outstanding amount of written off financial assets without debt acquittal as of December 31, 2025, is RSD 17,637,124 thousand (December 31, 2024: RSD 16,676,250 thousand).

(l) Cash and Balances Held with the Central Bank

Cash and balances held with the central bank include cash on hand, balances held on the Bank's gyro account, other cash funds and the obligatory foreign currency reserve held with the central bank. Cash and balances held with the central bank are stated at amortized cost within the statement of financial position. For the purposes of cash flow statement preparation, cash and cash equivalents include funds held on the accounts with foreign banks, while the obligatory foreign currency reserve held with the central bank is not included in the cash flow statement.

(m) Receivables and Liabilities under Derivatives

Derivatives are derivative financial instruments or other contracts that have three basic characteristics: their value changes depending on changes in some basic or underlying value, they require no or relatively little initial net investment, and they are settled on a specific future date. Derivatives include forward transactions, currency swaps, interest rate swaps as well as interest options. In the statement of financial position, they are presented within assets if their fair value is positive and within liabilities if their fair value is negative. They are initially recognized at fair value and the effects of the change in fair value on subsequent measurement are presented in the income statement, within the line item of net gains/losses on the change in the fair value of financial instruments.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Derivatives Held as Risks Hedging Instruments and Hedge Accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. For hedge accounting, the Bank applies IFRS 9 as well as IAS 39 for fair value hedge strategies related to exposures of portfolios of financial assets or financial liabilities to interest rates (macro fair value hedging), which is permitted by paragraph 6.1.3 of IFRS 9.

The Bank designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument and the hedged item, including the risk management objective and strategy in undertaking the hedge, along with the method that will be used to assess the effectiveness of the hedging relationship.

A hedging relationship qualifies for hedge accounting if and only if all of the following conditions are met:

- The hedging relationship consists solely of eligible hedging instruments and eligible hedged items;
- At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and hedging strategy, including the identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the entity will assess whether the hedging relationship meets the effectiveness requirements (including an analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio);
- The hedging relationship meets all the following effectiveness requirements regarding hedge effectiveness:
 - there is an economic relationship between the hedged item and the hedging instrument;
 - the effect of credit risk does not dominate the value changes resulting from the economic relationship;
 - and the hedge ratio in the hedging relationship is the same as the ratio resulting from the quantity of the hedged item that the Bank hedges and the quantity of the hedging instrument that the Bank uses to hedge that quantity of the hedged item. However, this designation should not reflect an imbalance between the weighting of the hedged item and the hedging instrument that would cause hedge ineffectiveness.

(i) Fair Value Hedges

When a derivative is designated as the hedging instrument in a hedge against a change in the fair value of a recognized asset or liability that could affect the profit or loss, changes in the fair value of the derivative are recognized immediately in the profit or loss (income) statement, together with changes in the fair value of the hedged item that are attributable to the risk hedged.

If only certain risks attributable to hedged items are subject to hedging, the recognized changes in fair value of the hedged items that are not associated with the risk subject to hedging are recognized in accordance with the Bank's policy on financial instrument measurement depending on the instrument classification.

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All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Derivatives Held as Risks Hedging Instruments and Hedge Accounting (Continued)

(ii) Cash Flow Hedges

When a derivative is designated as the hedging instrument in a hedge against a change in the cash flows of a recognized asset, liability or highly probable future transaction that could affect the profit or loss, changes in the fair value of the derivative are recognized:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income; and
- the ineffective portion of the gain or loss on the hedging instrument shall be recognized in profit or loss.

The recognized changes in fair value of the hedged items are recognized in accordance with the Bank's policy on financial instrument measurement depending on the instrument classification.

(o) Loans and Receivables

Line items "loans and receivables due from banks and other financial institutions" and "loans and receivables from clients" in the Bank's statement of financial position include financial assets that are measured at amortized cost or at fair value through profit or loss (please refer to Note 3(k)(ii)). If they are measured at amortized cost, loans and receivables are presented net of allowances for impairment in the statement of financial position (Note 3(k)(viii)). Allowance for impairment is made by reducing the carrying amount of a loan or receivable. If, in a subsequent period, the amount of impairment loss decreases, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognized in the income statement within the line item of net gains/losses on the reversal of impairment/impairment of financial assets not measured at fair value through profit or loss.

(p) Securities

The line item of securities in the statement of financial position includes debt securities that can be classified into all three categories of financial assets depending on the business model and SPPI criteria. For classification and measurement, please refer to Note 3(k)(ii).

(q) Property and Equipment

(i) Recognition and Measurement

Items of property and equipment are initially measured at cost or purchase price. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of such equipment.

Subsequent to the initial recognition:

- the Bank measures equipment at cost net of accumulated depreciation and any accumulated impairment losses;
- while property items are measured at revalued amounts, being their fair values at the revaluation date.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Property and Equipment (Continued)

(i) Recognition and Measurement (Continued)

Revaluation is made with sufficient regularity to ensure that the carrying value of the property does not depart materially from the fair value thereof at the end of the reporting period. According to the instructions received from the Group, the “desktop” revaluations should be performed by certified appraisers on a semi-annual basis. If such a revaluation reveals that fair value deviates by more than 10% from the carrying value, the “full” fair value assessment is to be undertaken.

Recording the revaluation effects depends on whether the difference between the carrying value and the fair value is positive or negative at the revaluation date. Positive revaluation effects are recognized as increase in the revaluation reserves and/or gains on the change in the fair value of the asset to the extent of the decrease previously charged for the same property due to revaluation. Negative revaluation effects are recognized as decrease in the previously made revaluation reserves and/or losses on the change in the fair value of the asset. Revaluation reserves made in this respect are fully reclassified to the retained earnings upon derecognition of the property. Revaluation reserves are reclassified/transferred to the retained earnings even during the use of the property, on a straight-line basis. However, revaluation reserves cannot be reclassified to the profit or loss.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and the difference is recognized net within other income/expenses in the profit or loss statement.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits thereof will flow to the Bank. The cost of replacing part of an item of property or equipment is recognized within the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the month following the month when they become available for use. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The depreciation rates used for the current and comparative periods are as follows:

Assets	Estimated Useful Life (Years)	Minimum Annual Rate %
Buildings	according to estimated useful life	-
Furniture	Maximum 25	4%
IT equipment and electronic systems	Maximum 15	6.67%
Other	Maximum 10	10%

The base for depreciation calculation is the cost of assets or, in case of property, the revalued amount of property. Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted as appropriate

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**December 31, 2025***All amounts expressed in thousands of RSD, unless otherwise stated.***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(r) Intangible Assets**

The Bank's intangible assets comprise software, licenses and other intangible assets. Intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses.

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

Amortization is recognized in the profit or loss on a straight-line basis over the estimated useful life of an intangible asset, from the month following the month when the asset becomes available for its intended use.

The estimated useful life of intangible assets is five years, and amortization rate used equals 20%, except for the assets whose usage periods are contractually defined, when these assets are amortized over the contractually defined periods.

Amortization methods, useful lives and residual values of intangible assets are reassessed at each financial year-end and adjusted as appropriate.

(s) Investment Property

Investment property is property held by the owner either to earn rental income or for capital appreciation or both.

Upon acquisition, investment property is initially measured at cost or purchase price. After initial measurement, Bank uses the fair value model for investment property measurement. The Bank's investment property is no longer depreciated or subject to impairment assessment. Gains or losses arising from the fair value adjustment of investment property are recognized as income or expenses in the period when realized/incurred.

(t) Leases**(i) The Bank as the Lessee**

IFRS 16 defines a lease as a contract or a part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use (ROU) asset is recognized if the following conditions are cumulatively met:

- the underlying assets may be either explicitly or implicitly identified;
- the lessee has the right to obtain substantially all of the economic benefits from the use of the asset throughout the lease period; and
- the lessee has the right to direct the use of the identified asset, i.e., decide about how and for what purpose the asset will be used throughout the period of use.

As allowed by the standard, the Bank does not apply the accounting required for lessee to low value leases assets i.e. value up to EUR 5,000 in RSD counter value, to short term leases with lease terms of up to a year and leases of intangible assets. Typical low-value underlying assets are: printers, water dispensers, POS terminals, tablets, computers, telephones and small office furniture items. Such leases are recognized as expenses in the Bank's income statement on a straight-line basis.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Leases (Continued)

(i) The Bank as the Lessee (Continued)

When a contract is assessed to be/contain a lease, the right-of-use asset is recognized within assets, while the lease liability is recognized within equity and liabilities on the Bank's statement of financial position. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made and deposits placed at or before the commencement date;
- any initial direct costs incurred by the lessee;
- decrease for any lease incentives received from the lessor; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to its original condition.

After the initial recognition, the right-of-use (ROU) asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any re-measurement of the lease liability. ROU assets are depreciated on a straight-line basis. Calculation of the depreciation charge commences on the first calendar following the month when the asset became available to the Bank.

The lease liability is initially measured at the net present value of the future lease payments (net of value added tax), discounted using the interest rate implicit in the lease, or, if it cannot be readily determined, at the Bank's incremental borrowing rate. The incremental borrowing rate is determined based on the cost of financing liabilities with a similar term and with a similar security to the liability defined by the lease contract.

Future lease payments that are included in the amount of the lease liability after discounting encompass:

- fixed lease payments less any lease incentives received;
- variable lease payments, which depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the Bank, as the lessee, is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Bank, as the lessee, exercising an option to terminate the lease.

After initial recognition, the lease liability is decreased by the amount of the lease payments made and increased by the interest accrued on the lease liability and adjusted for the following:

- a change in future lease payments resulting from a change in an index or a rate initially used to determine those payments;
- a change in the assessment of an option to purchase the underlying asset;
- a change in the amounts expected to be payable under a residual value guarantee; and
- a change in the lease term.

Adjustment to the amount of the lease liability requires a corresponding adjustment of the right-of-use assets. In respect of each lease, the Bank recognizes depreciation charge and interest expenses in its income statement.

(ii) The Bank as the Lessor

As a lessor, the Bank needs to assess whether a lease is a finance or an operating lease. If the Bank assesses that a lease contract transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, such a lease is classified as a finance lease. Otherwise, it will be an operating lease. IFRS 16 does not introduce any significant changes for the lessor lease accounting in comparison to IAS 17.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Impairment of Non-Financial Assets

The carrying amounts of the Bank's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite useful life are tested for impairment on annual basis. An impairment loss is recognized in the amount that the carrying value of an asset or a cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or a cash-generating unit. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount (as the difference between the two). Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(v) Deposits, Borrowings, Liabilities under securities and Subordinated Liabilities

Deposits, borrowings, liabilities under securities and subordinated liabilities are the Bank's main source of debt funding.

The Bank classifies equity instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, borrowings, liabilities under securities and subordinated liabilities are initially measured at fair value increased by directly attributable transaction costs and are subsequently measured at their amortized cost using the effective interest method.

(w) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Bank does not perform discounting of the future cash flows that are, as per the best estimates, expected to arise in the near term.

(x) Financial Guarantees

Financial guarantees represent contracts whereby the Bank is obligated to make the designated payment to the guaranteed holder for the loss incurred due to the designated debtor's failure to make the relevant payment in timely manner in accordance with the debt instrument terms.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(y) Employee Benefits**

In accordance with regulatory requirements of the Republic of Serbia, the Bank is under obligation to pay contributions to tax authorities and state social security funds, which guarantee social security insurance benefits to employees. These obligations involve the payment of contributions by the employer, in amounts computed by applying the specific, legally prescribed rates. The Bank is also legally obligated to withhold contributions from gross salaries to employees, and, on behalf of its employees, transfer the withheld portions directly to the government funds. These taxes and contributions payable on behalf of the employee and employer are charged to employee salaries and personal expenses in the period in which they arise.

Pursuant to the Labor Law, the Bank has an obligation to disburse an employment retirement benefit to a retiree. Long-term provisions for retirement benefits payable upon fulfillment of the prescribed criteria reported at December 31, 2025, represent the present value of the expected future payments to employees determined by actuarial assessment using actuarial assumptions. In determining provisions for retirement benefits, the Bank used data and assumptions such as the official statistical mortality rate tables, employee turnover and disability rates, the projected annual salary growth rate of 11%, and an annual discount rate of 5%. In addition, in 2025, the Bank accrued expenses for unused annual leaves (vacations)

Liabilities for short-term employee benefits are recognized on undiscounted basis as an expense when the service is provided. Long-term benefits refer to payments based on long-term remuneration schemes of employees which are included in these schemes based on the criteria of contributing to the long-term and growing profitability of the Bank. Liabilities for long-term employee benefits are recognized using the appropriate discount rate.

(z) Investments in Subsidiaries

A subsidiary is an entity under the Bank's control. Control over subsidiaries is achieved if the Bank has exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of returns. Investments in subsidiaries are initially measured at cost in accordance with IFRS 10 and IAS 27. At each reporting date, the Bank assesses whether there is objective evidence that investments in subsidiaries are impaired. Impairment losses are recognized in the income statement.

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4. RISK MANAGEMENT

(a) Introduction and Overview

The main types of material risks that the Bank is exposed to are the following:

- Credit risk;
- Market risk;
- Operational risk;
- Liquidity risk;
- Compliance risk;
- AML risk (Money laundering and terrorist financing risks);
- Strategic/ Business risk;
- Reputational risk;
- Interest rate risk in the banking book;
- Model risk;

Risk Management Framework

The most important role in the risk management as a part of internal control system is assigned to the Supervisory Board (SB) of the Bank, which is responsible for risk management system establishing and monitoring. SB defines strategies and policies for managing key risk types that the Bank is exposed to in its operations. Also, SB is in charge of giving prior consent for the bank's exposure to each single person or a group of related persons which exceeds 10% of the bank's regulatory capital, and/or for the increase of this exposure in excess of 20% of bank's regulatory capital. Audit Committee supports SB in its functioning by considering the most important internal regulations of the Bank before final approval by SB. Management Board of the Bank is responsible for approval and implementation of risk strategies and policies and for approval of risk management procedures i.e. procedures for identification, measuring, estimation and managing of risks. Important role in loan approval process is assigned to the Credit Committee, which is in charge of making decisions about credit applications within its competence level or giving recommendations for higher credit approval competence level.

Internal organization of the Bank ensures functional and organizational separation of risk management and other regular business activities. The Bank has separate organizational unit that covers risk management – Risk Management.

Risk Management is organized in order to cover risk management, through the work of the following structures:

- Enterprise & Credit Risks (within which there are structures: Collateral and Asset management, Credit risk control & Integrated risks and Credit risk modelling);
- Credit Risk Operations (within which there are structures: Underwriting, and Monitoring & Special Credit);
- Financial Risks;
- Non-Financial Risks.

All organizational units are directly subordinated to the member of Management Board, who is in charge for risk management, which assures prevention of conflict of interests and separation of risk management and other regular operational activities of the Bank.

Internal Audit

The Internal Audit conducts its activities based on the annual operating plan and multi-year internal audit plan approved by the Supervisory Board. Frequency of internal audit (frequency or length of an audit cycle) of a particular process/risk varies from one to five years and directly depends on the assessed risk level, regulatory and/or Group request. Internal Audit regularly monitors implementation of recommendations issued in its reports (action plans) and reports their statuses to the Management Board, Audit Committee and the Supervisory Board, including delays in the implementation of the measures.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk

Credit risk is the risk of possible negative effects on financial result and capital of the Bank caused by the Borrower's default on its obligations to the Bank and potentially decrease of credit capacity of client.

Credit process in the Bank is based on strict segregation of the competences and responsibilities in credit operations between risk taking activities, "business" function responsibilities on one side and credit risk management function on the other side. Business function is represented with structures that are dealing with client acquisition and relationship management, while credit risk management function is represented by mentioned structures in Risk Management in charge of loan underwriting, monitoring, restructuring and collection. According to "four eyes" principle, decision on credit application is proposed by business side (first vote) and final decision or recommendation for credit approval decision is given by risk management function (second vote). Exception can be made for standardized products in retail segment, when due to a large number of relatively small loan amounts and simplification of the procedure, approval process can be completely realized within business function, with mandatory applied "4 eyes principle", in accordance with predefined criteria and parameters, approved by risk management function.

With the aim to ensure adequate and timely risk management in the area of crediting activity, the Bank applies the following internal bylaws: Risk Management Rulebook, Rules on Competences for Credit Business, documents which define rules for internal credit rating assignment, Rules of Procedure for the Credit Committee, Credit Risk Mitigation Policy, Policy, Real Estate Valuation Policy, Guidelines for the Management of Corporate Special Credit Clients, Guidelines for the monitoring of customers with increased risk and rules on management of Special Credit Clients, Rules on the IAS/IFRS Provisioning and other enactments. The Bank's goal is to protect itself from the negative impact and to optimize the level of the risks assumed by defining adequate procedures and individual responsibilities in the risk management process.

In order to define consistent guidelines for the credit activity and a general framework for risk management, the Bank enacts credit risk management strategies for the retail and corporate segments for each financial year. The strategies include general guidelines for the basic parameters of risk management, principles for analysis of the creditworthiness of each customer segment, and definition of the direction of development of individual products, as well as detailed strategy direction of portfolio development per certain industries. In this manner, the Bank ensures that the adopted business policies are implemented resulting in acceptable credit risk exposure at the level of individual loans, as well as adequate diversification and general quality of the loan portfolio. The Bank also considers analysis of the money laundering and terrorist financing risk in making decisions on the credit risk assumption.

Competences, responsibilities and authorities of persons involved in the risk management system are defined by the Rules on Competences for Crediting Business. In credit process decision making, the "four eyes" principle has to be followed irrespective of the decision-making level in order to ensure that the two sides involved in the credit process check each other – the one proposing and the other approving a loan.

The focus of Corporate Monitoring in 2025 was on assessing warning signals induced by overall crisis related to world conflicts but also negative market trends in several industries, and its impact on Bank's portfolio.

The Bank continued with the comprehensive analysis of the existing monitoring process, in line with Group framework, all with the aim of improving its efficiency and effectiveness, to recognize risks earlier and to ensure a timely reaction of the Bank. The main goal in 2025 was to ensure continuity to mitigate potential negative effects of geopolitical situation through intensive monitoring process and defining adequate strategy toward clients with the negative impact of global crisis.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Credit Risk Reporting

The Bank manages credit risk, sets credit risk limits and controls it in all segments of its business and for all relevant types of corporate and retail loans. Timely identification, measuring, monitoring and managing of the credit risk on the Bank's portfolio level is supported by the Risk Management Information System ("RMIS"). By reporting at the total portfolio level or at the individual client level, RMIS provides complete, accurate and timely information about the balance, quality and movements of the loan portfolio.

RMIS has to fulfil the following four main functions:

1. Collect and process data and credit risk indicators;
2. Analyze movements and changes of the entire loan portfolio and its structural characteristics;
3. Continuously monitor credit risk; and
4. Provide a basis for the process of decision-making on the credit risk management.

The scope of credit risk monitoring, management and reporting on a portfolio level includes monitoring of loan loss provisions (impairment allowances of balance sheet assets and provisions for probable losses per off-balance sheet items).

Credit Risk Parameters

Credit risk is quantified by measuring the expected credit losses (ECL). Main indicators that are used to monitor credit risk and to calculate expected credit losses are as follows:

- Exposure of the Bank at default (EaD);
- Probability of default (PD); and
- Loss given default (LGD).

The Bank uses internal credit rating models. Rating models define specific rating for clients with similar credit risk levels. Each rating grade is related to a certain PD parameter value on the master rating scale. The Bank also internally calculates other credit risk parameters. Internal credit risk assessment models, credit risk parameters and collaterals are used for loan loss provisions calculation in line with IFRS, as defined by the Bank's special bylaws.

In order to fulfil the aforesaid functions, RMIS uses IT systems of UniCredit Group and internally generated databases with information about the portfolio at the individual loan facility level. The Group's systems provide rating and past-due days data as important client's credit risk parameters.

Limits

The Bank manages credit risk concentration of the portfolio by setting appropriate limits. Limits are defined by the Bank's internal bylaws and/or NBS regulations and compliance with those is monitored and reported on an ongoing basis.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Credit Risk Reporting (Continued)

Reports

In monitoring of the credit risk on the portfolio level, the following reports are used:

Report	Responsible organizational unit	Frequency	Report user				
			CRO Division	ALCO	Management Board	Audit committee	Supervisory Board
CRO report/SB presentation	CFO / Risk management	Quarterly (as needed)			+	+	+
Credit Risk Dashboard	Credit risk control & Integrated risks	monthly***	+				
Risk appetite report	Credit risk control & Integrated risks	quarterly			+	+	+
Bank's Risk profile	Financial risks	monthly		+			
Management summary report	Financial risks	daily			+		
Operational risk report	Non-financial risks	monthly			+		
NFR report	Non-financial risks	quarterly			+		

* Report is presented for consideration and analysis, before final presentation on Supervisory Board.

** The predefined report form is updated monthly according to the availability of the most recent data. The report is made available to the Head of the Risk Management and directors of the structures within the Risk Management function.

*** Report recipients are the following organizational structures: Members of the Management Board (CEO and structures Heads: Finance, Corporates, Retail, Risk Management), Trading, Investment services, Finance, Financial risks, UCL CEO, but also and UniCredit Group representatives (on demand).

**** Report recipients are the following organizational structures: Management team of the Bank and CEO Leasing, Internal Audit, Compliance, Banking operations, Digital Governance & Control, Digital & Information, Security, Strategic, credit and integrated risks, the structure which is covering the Fraud Management. The report represents the monthly overview of operational risk events.

***** Report recipients are the Management team of the Bank. The report represents quarterly overview of the analysis results and effect on reputational risk.

CRO Report to the Supervisory Board is prepared quarterly or more frequently if necessary, depending on the schedule of the Supervisory Board's meetings. All organizational units within the Risk Management participate in preparation of the report while Enterprise & Credit Risk is responsible for coordination and delivery of the report. The report is prepared in the form of a presentation and includes, among other things, the following:

- Status overview of the most relevant activities of the Risk Management;
- Information on the structure and movements of the loan portfolio;
- Information on the key indicators of the portfolio quality, balance and movements of non-performing loans (NPLs), provisions for credit losses, risk costs and coverage of NPLs with credit loss provisions;
- Basic information on the portfolio concentration and compliance with the set limits, including the list of 10 largest client groups and 10 largest non-performing clients by their overall exposure.

Credit Risk Dashboard Report is updated on a monthly basis by Enterprise & Credit Risk and delivered to the Management Board member in charge of the Risk Management and Directors of all structures within Risk Management. The information is presented at the sub-segment level (large corporate clients, middle-sized corporate clients, real estate financing, business clients and entrepreneurs and individuals) with comparative data for the previous month and previous year-end.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Credit Risk Reporting (Continued)

Reports (Continued)

The report includes the following information:

- Loan structure (type and currency);
- Portfolio structure per internal credit rating categories;
- Portfolio structure per (non)-default client status;
- Data on the asset quality at the sub-segment level (exposure, NPL volume and ratio, amount of credit loss provisions, NPLs coverage with credit loss provisions);
- PD and LGD per segment;
- Credit loss provisioning costs per sub-segment (charge and release/reversal as compared to the beginning of year and previous month); and
- cost of risk per sub-segment.

The Risk Appetite Report is compiled on a quarterly basis and presented at the Supervisory board meeting. The organizational units of the Bank that participate in the development of the risk appetite framework participate in the preparation of the report. The report involves monitoring the behavior of key performance risk indicators over time, which aim to:

- to ensure that business is conducted up to risk tolerance at the level of the Bank, which is additionally through the 'bottom up' process agreed with the Holding Company and adopted by the local Supervisory Board;
- to warn of potentially significant negative developments of key indicators and their components, as well as to provide an explanation of the same;
- to support the development of future strategic decisions in accordance with its risk profile.

In addition to the standardized reports, there are many activities undertaken in order to provide accurate parameters used in credit risk monitoring: *ad hoc* analyses and reporting and other activities that contribute to the accuracy of the credit risk parameters.

Ad hoc analyses and reporting are applied in cases of the Bank's higher risk exposure, especially if the credit risk level is changing drastically and abruptly and when timely reaction is expected – for example: deterioration of internally assigned rating grades, significant need for additional provisions, signs of mismatching in organization, implemented system or procedures, change of any of the credit risk parameters or in calculation of provisions.

Other activities conducted by the Bank include quality verification of data used in monitoring, managing of and reporting on the credit risk, improvement of the existing systems and procedures, annual process of budgeting and subsequent control and any adjustments of the budgeted parameters.

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4. RISK MANAGEMENT (Continued)
(b) Credit Risk (Continued)
Credit Risk Reporting (Continued)
Credit Risk Exposure

The table below shows the Bank's maximum credit risk exposure per financial instrument type:

	Cash and balances held with the central bank (Note 20)		Securities including pledged financial assets (Note 22)		Loans and receivables due from banks and other fin. institutions (Note 23)		Loans and receivables due from customers (Note 24)		Other financial assets** (Note 30)		Off-balance sheet items	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Individually impaired												
Corporate clients, rating 10	-	-	-	-	-	-	399,440	488,235	15,621	9,051	-	7,542
Corporate clients, rating 9	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients, restructured loans*	-	-	-	-	-	-	3,299,918	4,069,687	3,089	2,260	56,779	323,870
Retail clients > 90 days past due*	-	-	-	-	-	-	4,380,287	4,564,049	60,940	49,048	3,292	3,534
Gross loans	-	-	-	-	-	-	8,079,645	9,121,971	79,650	60,359	60,071	334,946
Impairment allowance	-	-	-	-	-	-	5,643,465	6,380,387	67,010	56,475	55,095	179,659
Carrying value	-	-	-	-	-	-	2,436,180	2,741,584	12,640	3,884	4,976	155,287
Group-level impaired												
Corporate clients, rating 1 - 6	156,147,453	191,329,023	114,637,839	101,781,723	57,030,308	73,226,047	260,453,177	226,402,317	763,647	208,891	323,817,892	316,870,240
Corporate clients, rating 7	-	-	-	-	-	-	8,642,602	7,779,203	13,338	927	5,894,094	4,926,407
Corporate clients, rating 8	-	-	-	-	-	-	1,031,215	131,728	809	468	210,323	164,535
Retail clients, Stage 1	-	-	-	-	-	-	139,565,283	123,341,888	28,891	23,907	6,125,214	6,473,843
Retail clients, Stage 2	-	-	-	-	-	-	9,790,567	7,599,347	25,739	18,100	489,801	550,958
Gross loans	156,147,453	191,329,023	114,637,839	101,781,723	57,030,308	73,226,047	419,482,844	365,254,483	832,424	252,293	336,537,324	328,985,983
Impairment allowance	11	8	123,432	284,930	12,772	16,646	3,756,789	4,046,906	2,021	576	1,335,804	1,075,408
Carrying value	156,147,442	191,329,015	114,514,407	101,496,793	57,017,536	73,209,401	415,726,055	361,207,577	830,403	251,717	335,201,520	327,910,575
Carrying value of rated assets	156,147,442	191,329,015	114,514,407	101,496,793	57,017,536	73,209,401	418,162,235	363,949,161	843,043	255,601	335,206,496	328,065,862
Carrying value of non-rated assets	-	-	2,388,952	1,371,729	-	-	-	-	1,799,316	2,051,924	-	-
Total carrying value	156,147,442	191,329,015	116,903,359	102,868,522	57,017,536	73,209,401	418,162,235	363,949,161	2,642,359	2,307,525	335,206,496	328,065,862

* Category "Corporate clients – restructured loans" and category "Retail clients > 90 days past due" includes customers with internal rating 8- and 10, whose impairment allowance was made on a group-level and not individually.

** Difference compared to total other assets relates to non-financial assets with gross carrying value of RSD 1,094,888 thousand as of 31.12.2025 (2024: RSD 817,633 thousand) and impairment allowance of RSD 15 thousand (2024: RSD 127 thousand).

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4. RISK MANAGEMENT (Continued)**(b) Credit Risk (Continued)****Implementation of Basel Standards**

In the area of application of Basel standards related to credit risk models, the focus of activities was primarily on the finalization of development of Loss Given Default models, recalibration of probability of default model for agro clients and recalibration of probability of default model for leasing exposures.

Internal Rating System (Rating Scale)

The ranking rules for customers are established at the level of UniCredit Group and as such are uniform for each member of the UniCredit Group. The UniCredit Group's rating system was developed and has been in use since 2004 at the group level for clients in the corporate segment. For retail clients and entrepreneurs, the rating system was internally developed and has been in use since 2010. The Bank uses the Group's rating models for multinational companies, banks, insurance companies and exposures to states/governments. The master rating scale is used as a unique rating assignment method, which ensures that customers with the same rating have the same credit characteristics and the same probability that they will not settle their liabilities, in part or in full, within the period of 1 year.

The master scale is divided into 10 rating classes that are further broken down into a total of 26 rating subgroups.

Rating Notch	Rating	PD min %	PD mid %	PD max %
1	1+	0.000%	0.020%	0.026%
2	1	0.026%	0.030%	0.035%
3	1-	0.035%	0.041%	0.048%
4	2+	0.048%	0.056%	0.065%
5	2	0.065%	0.076%	0.089%
6	2-	0.089%	0.104%	0.121%
7	3+	0.121%	0.141%	0.165%
8	3	0.165%	0.192%	0.224%
9	3-	0.224%	0.262%	0.306%
10	4+	0.306%	0.357%	0.417%
11	4	0.417%	0.487%	0.568%
12	4-	0.568%	0.663%	0.775%
13	5+	0.775%	0.904%	1.056%
14	5	1.056%	1.232%	1.439%
15	5-	1.439%	1.680%	1.961%
16	6+	1.961%	2.289%	2.673%
17	6	2.673%	3.120%	3.643%
18	6-	3.643%	4.253%	4.965%
19	7+	4.965%	5.796%	6.767%
20	7	6.767%	7.900%	9.222%
21	7-	9.222%	10.767%	12.570%
22	8+	12.570%	14.674%	17.131%
23	8	17.131%	20.000%	100%
24	8-	100%	100%	100%
25	9	100%	100%	100%
26	10	100%	100%	100%

The internal master scale is compliant with Basel Standards, meaning that each rating subgroup has a PD parameter associated with it, with probability that a customer with particular characteristics will be unable to settle liabilities toward the Bank and enter the default status. For the first 23 subgroups the probability of default ranges between 0.02% and 20.00%, where those clients are rated between 1+ and 8. Their probability of default is based on the statistical analyses of the historical data.

Ratings from 1+ to 6-: These rating notches are reserved for customers determined in an internal credit assessment to have a credit standing of very good to just acceptable. For customers with this rating periodic review of creditworthiness is performed once a year.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Internal Rating System (Rating Scale) (Continued)

Ratings 7+ to 7-: These cover three subgroups for transactions with low credit rating clients. Customers assigned these rating notches have substantially higher risk factors and must be constantly monitored.

Ratings 8+ and 8-: cover those clients that are not determined for individual provisioning but are subject to special loan restructuring or debt reduction measures.

Rating 8- relates to customers in default according to the Basel Standards criteria.

Rating 9 refers to customers with loans provided for on an individual basis or those where a portion of the receivables has been written off.

Rating 10 is assigned to the clients in the process of liquidation or bankruptcy.

Ratings 8-, 9 and 10 are by definition assigned to customers in default in accordance with Basel Standards criteria, with special credit loss provisioning calculation.

For IFRS 9 purposes the rating from the master scale is adjusted in such way that clients from the rating notches with the same rating (ie. 1+, 1 and 1-) are grouped together in one rating class (ie. rating 1). IFRS 9 PD model creates PD curves for rating classes from 1 to 8 for 3 segments Retail, Business, Corporate. Afterwards these PD curves are adjusted for forward looking information. With FLI the PD values for the first 3 years will be adjusted in accordance with the macroeconomic outlook impacting the PD values to go up or down in value. In addition, based on the policies of the bank, PDs need to be client-specific. Therefore, punctual cumulative PDs (cPDs) on a client level are derived from the cPDs on a rating class level. Clients are assigned to rating classes based on their punctual Basel II PD at the reporting date. This Basel II PD is compared to the mid-PD of the whole rating class and based on that the cPD curve is shifted upwards or downwards.

Methodology for Calculation of Expected Credit Losses

In accordance with the current Rulebook on IFRS Loan Loss Provisioning, the Bank calculates 12-month ECL or a lifetime ECL of a financial instrument depending on the significance of the change in its credit risk occurred since the instrument's initial recognition. For these purposes, the Bank uses the following three stages of impairment:

- Stage 1 includes all new financial assets at initial recognition (except POCI) and instruments without significant credit quality deterioration since their initial recognition, or instrument with low-level credit risk;
- Stage 2 includes financial instruments with significant credit quality deterioration since their initial recognition yet with no objective evidence of impairment based on credit losses;
- Stage 3 includes financial instruments where objective evidence of impairment exists at the reporting date.

Stages 1 and 2 include only performing financial assets. Stage 3 includes only non-performing financial assets. For financial assets in Stage 1, the Bank calculates 12-month expected credit losses. For financial assets in Stage 2, the Bank calculates lifetime expected credit losses.

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4. RISK MANAGEMENT (Continued)**(b) Credit Risk (Continued)****Methodology for Calculation of Expected Credit Losses (Continued)**

Stage 1 12-month expected credit losses are calculated, except for maturity shorter than 12 months. It applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality. Allowances are calculated in accordance with the Bank methodology the following way:

$$ECL = \sum_{m=1}^{\min(12;T)} (CPD_m - CPD_{m-1}) \times LGD_m^{unsec} \times EAD_m^{unsec} \times \left(\frac{1}{1 + EIR}\right)^{\frac{m}{12}}$$

Where:

- $EAD_{t_i}^{unsec}$ Unsecured exposure at default for account at time t_i , namely Exposure at default for account at time m , minus the allocated collateral amount
- EAD_m^{unsec} Unsecured exposure at end of month (note: secured part assumed to have LGD 0%, thus ECL 0)
- CPD_m Cumulative punctual PD at month m
- LGD_m^{unsec} Unsecured loss given default at month m
- T Maturity in months
- EIR Effective interest rate
- m End of month

Financial instruments, for which significant deterioration in credit quality has occurred since initial recognition are assigned to Stage 2. However, these financial instruments are not in default yet, lifetime expected credit losses are calculated. Allowances are calculated in accordance with the Group methodology using the following approach:

$$ECL = \sum_{m=1}^T (CPD_m - CPD_{m-1}) \times LGD_m^{unsec} \times EAD_m^{unsec} \times \left(\frac{1}{1 + EIR}\right)^{\frac{m}{12}}$$

Where:

- $EAD_{t_i}^{unsec}$ Unsecured exposure at default for account at time t_i , namely Exposure at default for account at time m , minus the allocated collateral amount
- EAD_m^{unsec} Unsecured exposure at end of month (note: secured part assumed to have LGD 0%, thus ECL 0)
- CPD_m Cumulative punctual PD at month m
- LGD_m^{unsec} Unsecured loss given default at month m
- T Maturity in months
- EIR Effective interest rate
- m End of month

LGD is one of the key components of the credit risk parameters based ECL model presented in Equation above. LGD based on IFRS 9 requirement are to be adjusted by Forward-looking information and calculated in the following manner:

$$LGD_{unsec} = LGD_{liquidation} * (1 - cure\ rate)$$

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December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Methodology for Calculation of Expected Credit Losses (Continued)

Where LGD liquidation is the estimated pool based average values of LGD for default events resolved in liquidation for the 3 segments Retail, Business and Corporate, and the cure rate is the probability that the default event will return to the performing portfolio, thus be cured. The main goal of the FLI is to incorporate in LGD parameters the future macroeconomic tendencies and adjust the predicted portfolio RRs for following years. Specifically, based on a macroeconomic model, the bank forecasts the year-to-year percentage change (Δ) of the yearly recovery rates with respect to the current point in cycle, which is expected to be recovered within a 12-month time horizon, calculated as follows:

$$\Delta_{t_i}^{RR} = \frac{RR_{FL_{t_i}} - RR_{t_0}}{RR_{t_0}}, i = 1, 2, 3$$

Where:

- $RR_{FL_{t_i}}$, corresponding to the forecasted yearly recovery rates in 1 year, 2 years, and in 3 years;
- RR_{t_0} , corresponding to the last yearly recovery rates.

Multi scenario overlay is applied to fulfill the requirements of IFRS 9 standard and the best practices in the banking industry for including macro-economic effects, based on a range of possible outcomes, into the expected credit losses.

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4. RISK MANAGEMENT (Continued)**(b) Credit Risk (Continued)****Methodology for Calculation of Expected Credit Losses (Continued)**

The table containing weights for four alternative scenarios (out of which baseline (BL), negative or contagion (CONT) and positive (POS) were communicated from the Group, and the average (AVG) scenario is simply the weighted average of aforementioned 3) that were applied to November's LLP run is represented below:

Name	Severity	Weight	Comment
Bl	-	60%	Baseline
Cont	downturn	35%	Contagion
Pos	upturn	5%	Positive
Avg	-	-	It has been created taking the weighted average of each "delta" i.e. change in PD/LGD values per segment among all the scenarios above. This is used only for Staging allocation, meaning that the final calculation of multi scenario overlay will take the stage from the average scenario and all other information from the previous 3 scenarios.

The forecasted default rates (as well as recovery rates) represent the input for the point in time (PIT)/FLI adjustment of the lifetime probability of default (and lifetime loss given default) parameters used to calculate the multi scenario overlay.

Sensitivity of EAD and ECL per local segment and stage is given in RSD thousands in the following tables:

Portfolio	EAD Baseline				EAD Negative				EAD Positive			
	of which S1	of which S2	of which S3	Total	of which S1	of which S2	of which S3	Tot	of which S1	of which S2	of which S3	Total
Corporate	155,531,889	22,452,203	4,722,127	182,706,219	155,242,667	22,741,425	4,722,127	182,706,219	155,549,196	22,434,896	4,722,127	182,706,219
Small Business	30,370,490	3,993,946	1,264,030	35,628,466	30,159,189	4,205,247	1,264,030	35,628,466	30,444,062	3,920,374	1,264,030	35,628,466
Retail - Mortgages	40,281,299	1,262,247	439,468	41,983,014	40,270,164	1,273,382	439,468	41,983,014	40,284,455	1,259,091	439,468	41,983,014
Retail - Others	66,722,039	3,335,008	2,838,179	72,895,226	66,606,583	3,450,464	2,838,179	72,895,226	66,751,585	3,305,462	2,838,179	72,895,226
Total	292,905,717	31,043,404	9,263,804	333,212,925	292,278,603	31,670,518	9,263,804	333,212,925	293,029,298	30,919,823	9,263,804	333,212,925

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All amounts expressed in thousands of RSD, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Methodology for Calculation of Expected Credit Losses (Continued)

Portfolio	ECL Baseline				ECL Negative				ECL Positive			
	of which S1	of which S2	of which S3	Total	of which S1	of which S2	of which S3	Total	of which S1	of which S2	of which S3	Total
Corporate	545,568	593,232	4,052,495	5,191,295	582,733	653,248	4,061,271	5,297,252	521,762	568,351	4,047,893	5,138,006
Small Business	264,738	281,190	1,015,710	1,561,638	279,148	304,268	1,046,979	1,630,395	255,570	269,800	999,301	1,524,671
Retail - Mortgages	29,016	38,875	107,392	175,283	29,673	40,884	108,692	179,249	28,816	38,207	106,766	173,789
Retail - Others	549,257	405,497	2,149,784	3,104,538	585,581	439,798	2,188,735	3,214,114	535,013	394,568	2,131,026	3,060,607
Total	1,388,579	1,318,794	7,325,381	10,032,754	1,477,135	1,438,198	7,405,677	10,321,010	1,341,161	1,270,926	7,284,986	9,897,073

Portfolio	ECL Final			
	of which S1	of which S2	of which S3	Total
Corporate	532,009	578,488	4,052,495	5,162,992
Small Business	265,962	282,489	1,015,710	1,564,161
Retail - Mortgages	28,667	38,408	107,392	174,467
Retail - Others	542,662	400,628	2,149,784	3,093,074
Total	1,369,300	1,300,013	7,325,381	9,994,694

Multi scenario overlay for Q4 2025 and Q4 2024 is given in the table below. Overlay factor is added as a multiplier on top of ECL calculation for all performing transactions.

Local Portfolio	Overlay Factor Q4 2025	Overlay Factor Q4 2024	GW Portfolio	Overlay Factor Q4 2025	Overlay Factor Q4 2024
Business:	1.0216	1.005	FI (Banks):	1.0145	1.0195
Corporate:	1.0274	1.0613	GPF:	1.0438	1.0609
Retail:	1.0235	1.0345	MNC:	1.0235	1.0777
			SOV:	1.0030	1.2181

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All amounts expressed in thousands of RSD, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Methodology for Calculation of Expected Credit Losses (Continued)

Rules and Principles for ECL Calculation for Non-Performing Financial Assets – Stage 3

In accordance with the current Rulebook on IFRS Loan Loss Provisioning, if there is objective evidence of impairment (default status) on the financial statements' preparation date, all financial assets are classified into Stage 3. According to Art. 178 of the EU regulation n. 575/2013 a 'default' shall be considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place: 1) the obligor is past due more than 90 days on any material credit obligation: or/and 2) the obligor is unlikely to pay at least one of his credit obligations in full without recourse actions to be taken by the respective legal entity. For financial instruments classified into Stage 3, the rule is that impairment is based on the calculation of lifetime ECL. In this process, the Bank specifically treats clients in the default status whose exposure is considered significant and such loans or clients are individually assessed by the Bank on a case by case basis, whereas the loans that are not individually significant are assessed on a collective basis.

A financial asset is impaired and impairment has occurred if there is an evidence of impairment arising from one or more events that occurred after the date of initial recognition of the asset, which have an impact on the estimated future cash flows of that financial asset. If any such evidence exists, the Bank is required to calculate the amount of such impairment in order to determine whether the impairment loss should be recognized. In other words, if there is any evidence of impairment, the Bank should estimate the amount that can be recovered for that asset or group of assets and recognize the impairment losses. When determining the adequate amount of the provision, the Bank must differentiate the need to calculate the specific provision on an individual basis and the specific provision on a collective basis for clients that are grouped into categories with similar risk characteristics, based on the segment to which the client belongs and the total amount of exposure at the client level. The total exposure of the client is comprised of the balance sheet and off-balance sheet receivables, including undrawn loan funds.

The process of determining a specific provision on an individual basis is intended to measure the impairment loss at the client level. An individual provision is assessed as the difference between the carrying amount of the receivable and the present value of the expected future cash flows discounted at the effective interest rate of the financial asset (e.g., the effective interest rate specified when upon contract execution). In other words, the provision will be determined in the amount of an individual receivable that is not expected to be recovered. In the event that the effective interest rate is not available, an alternative interest rate that is defined in accordance with the Bank's bylaws will be used to calculate the provision. When determining the present value of the receivables, the discounted cash flow from the repayment of principal, interest or any other cash flow from a loan is calculated first. Thereafter, the discounted cash flow from the net realizable value of collateral for that loan is calculated. The final net present value of future cash flows of the loan is compared to its carrying amount and the amount of provision for impairment losses for the given loan that are recognized in the profit or loss statement is determined.

The calculation of provisions for exposures with impairment that are not classified as individually significant is carried out on a collective basis by grouping the default status clients into homogeneous categories with similar risk characteristics. When defining homogeneous categories, the Bank applies the criteria used for segmentation when developing a model for calculating the loss rate due to default status (LGD model). The calculation of collective provisions in Stage 3 is performed for the default status clients that do not meet the requirements for an individual assessment of the provision. Calculation of the provision on the collective basis is made using the following calculation formula:

$$\text{ECL} = \text{unsecEAD} \times \text{LGDS3 (time in default)}$$

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025**

All amounts expressed in thousands of RSD, unless otherwise stated.

4. RISK MANAGEMENT (Continued)
(b) Credit Risk (Continued)
Methodology for Calculation of Expected Credit Losses (Continued)

Rules and Principles for ECL Calculation for Non-Performing Financial Assets – Stage 3 (Continued)

Where:

- unsecEAD designates exposure in default reduced by the value of the collateral, and
- LGDs3 (time in default) designates loss at the moment of default.

If a receivable is fully collateralized and for this reason unsecEAD is equal to 0, the following formula is applied:

Rules and Principles for ECL Calculation for Non-Performing Financial Assets – Stage 3 (Continued)

$$\text{ECL} = \text{EAD} \times \text{provisioning weight for Stage 1}$$

The provisioning weight for Stage 1 is determined semi-annually, by recalculating this value based on the average level of provisions per portfolio segments. Values of LGDs3 (time in default) depend on the client segment, number of years the repayment lasts, and the period that the client has spent in the default status.

Overview of loans and receivables subject of the guarantee scheme as of 31.12.2025

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne*	Public guarantees received	Inflows to non-performing exposures**
1 Newly originated loans and advances subject to public guarantee schemes	209,312	18,877	45,772	-
2 of which: Collateralized by residential immovable property	-			-
3 of which: Non-financial corporations	209,312	18,877	45,772	-
4 of which: Small and Medium-sized Enterprises	209,312			-
5 of which: Collateralized by commercial immovable property	4,625			-

* Loans and receivables from customers as of December 31, 2025, by the presented categories.

** Category shows increase in Non-performing exposures after new approval under guarantee scheme (as of December 31, 2025).

Overview of loans and receivables subject of the guarantee scheme as of 31.12.2024

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne*	Public guarantees received	Inflows to non-performing exposures**
1 Newly originated loans and advances subject to public guarantee schemes	798,154	178,669	181,432	-
2 of which: Collateralized by residential immovable property	-			-
3 of which: Non-financial corporations	797,626	178,669	41,917	263,822
4 of which: Small and Medium-sized Enterprises	797,626			263,822
5 of which: Collateralized by commercial immovable property	9,478			-

* Loans and receivables from customers as of December 31, 2024, by the presented categories.

** Category shows increase in Non-performing exposures after new approval under guarantee scheme (as of December 31, 2024).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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All amounts expressed in thousands of RSD, unless otherwise stated.

4. RISK MANAGEMENT (Continued)
(b) Credit Risk (Continued)
Methodology for Calculation of Expected Credit Losses (Continued)
Rules and Principles for ECL Calculation for Non-Performing Financial Assets – Stage 3 (Continued)

The table below shows a breakdown of gross and net non-performing loans due from banks and customers.

	Securities (Note 22)		Loans and receivables due from banks and other financial institutions (Note 23)		Loans and receivables from clients (Note 24)		Other assets (Note 30)		Off-balance sheet items	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
December 31, 2025										
Corporate clients, rating 10	-	-	-	-	399,440	63,380	15,621	361	-	-
Corporate clients, rating 9	-	-	-	-	-	-	-	-	-	-
Corporate clients, restructured loans	-	-	-	-	3,299,918	1,031,557	3,089	757	56,779	3,781
Retail clients, > 90 days past due	-	-	-	-	4,380,287	1,341,243	60,940	11,522	3,292	1,195
Total	-	-	-	-	8,079,645	2,436,180	79,650	12,640	60,071	4,976
December 31, 2024										
Corporate clients, rating 10	-	-	-	-	488,235	99,833	9,051	376	7,542	600
Corporate clients, rating 9	-	-	-	-	-	-	-	-	-	-
Corporate clients, restructured loans	-	-	-	-	4,069,687	1,310,986	2,260	193	323,870	153,429
Retail clients, > 90 days past due	-	-	-	-	4,564,049	1,330,765	49,048	3,315	3,534	1,258
Total	-	-	-	-	9,121,971	2,741,584	60,359	3,884	334,946	155,287

The aging structure of matured and unimpaired loans as of December 31, 2025, is provided in the table below:

	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	Over 90 days past due	Total
Loans and receivables from clients					
Gross carrying value	10,361,632	1,068,834	278,063	2,408	11,710,937
Impairment allowance	(268,951)	(72,618)	(42,661)	(457)	(384,687)
Net carrying value	10,092,681	996,216	235,402	1,951	11,326,250

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of the Gross Carrying Values of Assets per Class of Assets and per Impairment Stage

(i) Cash and balances held with the central bank

Stage	January 1, 2025	Changes within the Stage			Transfers among Stages							December 31, 2025	
		Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		Newly approved (+)
Stage 1	191,329,023	-	(35,181,570)	-	-	-	-	-	-	-	-	-	156,147,453
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	191,329,023	-	(35,181,570)	-	-	-	-	-	-	-	-	-	156,147,453

Stage	January 1, 2024	Changes within the Stage			Transfers among Stages							December 31, 2024	
		Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		Newly approved (+)
Stage 1	130,511,724	60,817,299	-	-	-	-	-	-	-	-	-	-	191,329,023
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	130,511,724	60,817,299	-	-	-	-	-	-	-	-	-	-	191,329,023

(ii) Securities at amortized cost (AC) and at fair value through other comprehensive income (FVtOCI)

Stage	January 1, 2025	Changes within the Stage			Transfers among Stages							December 31, 2025	
		Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		Newly approved (+)
Stage 1	101,781,723	12,856,116	-	-	-	-	-	-	-	-	-	-	114,637,839
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	101,781,723	12,856,116	-	-	-	-	-	-	-	-	-	-	114,637,839

Stage	January 1, 2024	Changes within the Stage			Transfers among Stages							December 31, 2024	
		Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		Newly approved (+)
Stage 1	102,262,512	-	(480,789)	-	-	-	-	-	-	-	-	-	101,781,723
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	102,262,512	-	(480,789)	-	-	-	-	-	-	-	-	-	101,781,723

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of the Gross Carrying Values of Assets per Class of Assets and per Impairment Stage (Continued)

(iii) Loans and receivables due from banks and other financial institutions

Stage	Changes within the Stage			Transfers among Stages including Repayments									December 31, 2025
	January 1, 2025	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)	Newly approved (+)	
Stage 1	73,157,060	1,173,526	(17,656,541)	(1,722)	(1,722)	-	-	-	-	-	(1,513,946)	1,661,300	56,819,677
Stage 2	68,987	166,617	(25,110)	137	137	-	-	-	-	-	-	-	210,631
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Partial repayments	-	-	-	1,585	1,585	-	-	-	-	-	-	-	-
Total	73,226,047	1,340,143	(17,681,651)	-	-	-	-	-	-	-	(1,513,946)	1,661,300	57,030,308

Stage	Changes within the Stage			Transfers among Stages including Repayments									December 31, 2024
	January 1, 2024	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)	Newly approved (+)	
Nivo 1	65,164,328	18,373,895	(6,453,624)	(30,669)	(30,669)	-	-	-	-	-	(5,451,781)	1,554,911	73,157,060
Nivo 2	19,042	763	-	32,530	32,530	-	-	-	-	-	(6,751)	23,403	68,987
Nivo 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Delimične otplate	-	-	-	(1,861)	(1,861)	-	-	-	-	-	-	-	-
Ukupno	65,183,370	18,374,658	(6,453,624)	-	-	-	-	-	-	-	(5,458,532)	1,578,314	73,226,047

(iv) Loans and receivables from clients

Stage	Changes within the Stage			Transfers among Stages including Repayments									December 31, 2025
	January 1, 2025	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)	Newly approved (+)	
Nivo 1	320,416,286	17,233,743	(52,298,613)	(11,236,737)	(28,354,055)	18,592,910	(1,481,767)	6,175	-	-	(61,513,258)	165,838,003	378,439,424
Nivo 2	44,838,197	22,330	(3,843,719)	793,348	18,241,936	(16,202,231)	-	-	(1,452,265)	205,908	(8,079,080)	7,312,343	41,043,419
Nivo 3	9,121,971	30,127	(2,320,357)	1,799,625	-	-	1,073,027	(14,723)	1,006,673	(265,352)	(1,269,640)	717,920	8,079,646
Delimične otplate	-	-	-	8,643,764	10,112,119	(2,390,679)	408,740	8,548	445,592	59,444	-	-	-
Ukupno	374,376,454	17,286,200	(58,462,689)	-	-	-	-	-	-	-	(70,861,978)	173,868,266	427,562,489

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of the Gross Carrying Values of Assets per Class of Assets and per Impairment Stage (Continued)

(iv) Loans and receivables from clients (Continued)

Stage	Changes within the Stage			Transfers among Stages including Repayments									Newly approved (+)	December 31, 2024
	January 1, 2024	Increases (+)	Decreases (-)	Total transfers and repayments	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)			
Stage 1	234,185,858	10,378,851	(32,122,401)	6,726,571	(23,188,589)	31,733,737	(1,855,782)	37,205			(48,198,326)	149,445,733	320,416,286	
Stage 2	92,415,278	172,378	(5,660,946)	(25,863,849)	16,515,823	(41,375,849)			(1,696,731)	692,908	(24,681,781)	8,457,117	44,838,197	
Stage 3	13,362,550	37,938	(1,352,995)	2,089,840			1,522,522	(44,646)	1,462,158	(850,194)	(7,127,222)	2,111,860	9,121,971	
Partial repayments				17,047,438	6,672,766	9,642,112	333,260	7,441	234,573	157,286				
Total	339,963,686	10,589,167	(39,136,342)	-	-	-	-	-	-	-	(80,007,329)	160,014,710	374,376,454	

(v) Other assets

Stage	Changes within the Stage			Transfers among Stages including Repayments									Newly approved (+)	December 31, 2025
	January 1, 2025	Increases (+)	Decreases (-)	Total transfers and repayments	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)			
Stage 1	2,992,913	31,565	(13,872)		(9,038)	(14,691)	6,717	(1,066)	2		(23,878)	636,029	3,613,719	
Stage 2	128,937	11,133	(19,066)		24,921	28,066	(7,664)		(1,886)	6,405	(61,771)	28,754	112,908	
Stage 3	60,359	12,065	(2,594)		(1,067)			1,322	(2)	3,521	(5,908)	46,161	79,651	
Partial repayments					(14,816)	(13,375)	947	(256)	-	(1,635)	(497)			
Total	3,182,209	54,763	(35,532)	-	-	-	-	-	-	-	(120,922)	710,944	3,806,278	

Stage	Changes within the Stage			Transfers among Stages including Repayments									Newly approved (+)	December 31, 2024
	January 1, 2024	Increases (+)	Decreases (-)	Total transfers and repayments	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)			
Stage 1	1,716,511	1,209,507	(174)		22,823	(520)	23,257	(2)	88		(14,303)	58,549	2,992,913	
Stage 2	105,860	17,342	(11,832)		(33,916)	596	(33,728)		(1,892)	1,108	(19,344)	70,827	128,937	
Stage 3	78,442	7,428	(10,338)		2,543			8	(656)	4,105	(914)	34,835	60,359	
Partial repayments					8,550	(76)	10,471	(6)	568	(2,213)	(194)			
Total	1,900,813	1,234,277	(22,344)	-	-	-	-	-	-	-	(86,198)	164,211	3,182,209	

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All amounts expressed in thousands of RSD, unless otherwise stated.

4. RISK MANAGEMENT (Continued)
(b) Credit Risk (Continued)
Movements of the Impairment Allowance of Assets per Class of Assets and per Impairment Stage

(i) Cash and balances held with the central bank

Stage	January 1, 2025	Changes within the Stage			Transfers among Stages							December 31, 2025		
		Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		Newly approved (+)	
Stage 1	8	3	-	-	-	-	-	-	-	-	-	-	-	11
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	8	3	-	-	-	-	-	-	-	-	-	-	-	11

Stage	January 1, 2024	Changes within the Stage			Transfers among Stages							December 31, 2024		
		Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		Newly approved (+)	
Stage 1	8	-	-	-	-	-	-	-	-	-	-	-	-	8
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	8	-	-	-	-	-	-	-	-	-	-	-	-	8

(ii) Securities at amortized cost (AC) and at fair value through other comprehensive income (FVtOCI)

Stage	January 1, 2025	Changes within the Stage			Transfers among Stages							December 31, 2025		
		Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		Newly approved (+)	
Stage 1	284,930	-	(161,498)	-	-	-	-	-	-	-	-	-	-	123,432
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	284,930	-	(161,498)	-	-	-	-	-	-	-	-	-	-	123,432

Stage	January 1, 2024	Changes within the Stage			Transfers among Stages							December 31, 2024		
		Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		Newly approved (+)	
Stage 1	271,187	13,743	-	-	-	-	-	-	-	-	-	-	-	284,930
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	271,187	13,743	-	-	-	-	-	-	-	-	-	-	-	284,930

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of the Impairment Allowance of Assets per Class of Assets and per Impairment Stage (Continued)

(iii) Loans and receivables due from banks and other financial institutions

Stage	Changes within the Stage				Transfers among Stages							Newly approved (+)	December 31, 2025
	January 1, 2025	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		
Stage 1	17,687	136	(7,685)	(4)	(4)	-	-	-	-	-	(3,640)	7,485	13,979
Stage 2	(968)	4	(174)	4	4	-	-	-	-	-	-	-	(1,134)
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Total transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Change*	(73)	-	-	-	-	-	-	-	-	-	-	-	(73)
Total	16,646	140	(7,859)	-	-	-	-	-	-	-	(3,640)	7,485	12,772

Stage	Changes within the Stage				Transfers among Stages							Newly approved (+)	December 31, 2024
	January 1, 2024	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		
Stage 1	6,133	1,352	(779)	(64)	(64)	-	-	-	-	-	(1,662)	12,707	17,687
Stage 2	(836)	-	-	64	64	-	-	-	-	-	(197)	1	(968)
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Total transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Change*	(218)	-	-	145	145	-	-	-	-	-	-	-	(73)
Total	5,079	1,352	(779)	145	145	-	-	-	-	-	(1,859)	12,708	16,646

(iv) Loans and receivables from clients

Stage	January 1, 2025	Changes within the Stage		Total transfers	Transfers among Stages							Newly approved (+)	December 31, 2025
		Increases (+)	Decreases (-)		S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		
Stage 1	3,625,683	88,386	(602,063)	442,866	(209,195)	672,902	(29,103)	8,261	-	-	(545,651)	940,083	3,949,303
Stage 2	688,382	292,714	(364,227)	(500,631)	209,195	(672,902)	-	-	(203,743)	166,819	(367,681)	475,878	224,435
Stage 3	1,757,909	413,366	(1,738,077)	57,766	-	-	29,103	(8,261)	203,743	(166,819)	(951,781)	473,669	12,852
Total transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Change*	4,355,319	-	-	858,345	623,027	(609,136)	583,416	(8,223)	424,718	(155,457)	-	-	5,213,664
Total	10,427,293	794,466	(2,704,368)	858,345	623,027	(609,136)	583,416	(8,223)	424,718	(155,457)	(1,865,113)	1,889,630	9,400,254

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of the Impairment Allowance of Assets per Class of Assets and per Impairment Stage (Continued)

(iv) Loans and receivables from clients (Continued)

Stage	Changes within the Stage				Transfers among Stages							Newly approved (+)	December 31, 2024
	January 1, 2024	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		
Stage 1	2,492,127	81,623	(407,533)	770,931	(207,371)	991,642	(35,391)	22,051			(469,322)	1,157,857	3,625,683
Stage 2	1,751,832	276,152	(315,420)	(660,647)	207,371	(991,642)			(313,594)	437,218	(818,373)	454,838	688,382
Stage 3	5,101,373	556,620	(913,334)	(110,284)			35,391	(22,051)	313,594	(437,218)	(4,439,104)	1,562,638	1,757,909
Total transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Change*	3,524,278			831,041	465,130	(777,238)	966,999	(21,388)	615,921	(418,383)			4,355,319
Total	12,869,610	914,395	(1,636,287)	831,041	465,130	(777,238)	966,999	(21,388)	615,921	(418,383)	(5,726,799)	3,175,333	10,427,293

(v) Other assets

Stage	Changes within the Stage				Transfers among Stages							Newly approved (+)	December 31, 2025
	January 1, 2025	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		
Stage 1	1,100	16	(80)	(1)	(11)	15	(7)	2			(79)	416	1,372
Stage 2	2,586	315	(174)	5,772	11	(15)			(47)	5,823	(105)	720	9,114
Stage 3	41,337	12,767	(2,403)	(5,771)			7	(2)	47	(5,823)	(33,280)	35,537	48,187
Total transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Change*	12,155			(1,782)	44	(4)	926	(2)	2,759	(5,505)			10,373
Total	57,178	13,098	(2,657)	(1,782)	44	(4)	926	(2)	2,759	(5,505)	(33,464)	36,673	69,046

Stage	Changes within the Stage				Transfers among Stages							Newly approved (+)	December 31, 2024
	January 1, 2024	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		
Stage 1	3,739	2	(3,447)	607	(1)	42	(4)	570			(1)	200	1,100
Stage 2	1,487	144	(15)	797	1	(42)			(32)	870	(103)	276	2,586
Stage 3	61,826	8,393	(10,033)	(1,404)			4	(570)	32	(870)	(49,523)	32,078	41,337
Total transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Change*	10,011			2,144	2	(19)	4	(570)	3,590	(863)			12,155
Total	77,063	8,539	(13,495)	2,144	2	(19)	4	(570)	3,590	(863)	(49,627)	32,554	57,178

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of provision for off-balance sheet exposures

Stage	Changes within the Stage				Transfers among Stages						Exit (-)	Newly approved (+)	December 31, 2025
	January 1, 2025	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)			
Stage 1	280,032,572	17,648,717	(28,841,674)	3,691,418	(17,601,990)	21,298,229	(5,621)	800			(89,008,822)	120,799,708	304,321,919
Stage 2	48,953,410	617,290	(692,611)	(12,001,413)	13,610,498	(25,610,964)			(1,143)	196	(14,509,202)	9,847,932	32,215,406
Stage 3	334,947	122	(6,365)	5,580			5,441	(800)	1,163	(224)	(274,985)	771	60,070
Partial repayments				8,304,415	3,991,492	4,312,735	180	-	(20)	28			
Total	329,320,929	18,266,129	(29,540,650)	-	-	-	-	-	-	-	(103,793,009)	130,648,411	336,597,395

Stage	Changes within the Stage				Transfers among Stages						Exit (-)	Newly approved (+)	December 31, 2024
	January 1, 2024	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)			
Stage 1	220,152,340	18,964,353	(24,537,521)	9,183,441	(8,962,369)	18,117,799	(16,270)	44,281			(80,050,914)	136,320,873	280,032,572
Stage 2	68,829,766	2,773,054	(4,713,106)	(7,395,285)	9,421,285	(16,730,736)			(110,227)	24,393	(32,186,716)	21,645,697	48,953,410
Stage 3	465,214	175	(183)	42,913			12,696	(79,476)	117,788	(8,095)	(335,399)	162,227	334,947
Partial repayments				(1,831,069)	(458,916)	(1,387,063)	3,574	35,195	(7,561)	(16,298)			
Total	289,447,320	21,737,582	(29,250,810)	-	-	-	-	-	-	-	(112,573,029)	158,128,797	329,320,929

Stage	Changes within the Stage				Transfers among Stages						Exit (-)	Newly approved (+)	December 31, 2025
	January 1, 2025	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)			
Stage 1	781,648	125,578	(123,883)	315,002	(25,329)	339,954	(19)	396			(134,073)	222,761	1,187,033
Stage 2	(49,957)	171,023	(90,089)	(314,609)	25,329	(339,954)			(129)	145	(150,156)	254,752	(179,036)
Stage 3	(5,984)	16,903	(2,030)	(393)			19	(396)	129	(145)	(143,610)	566	(134,548)
Total transfers				-	-	-	-	-	-	-			
Change*	529,359			(11,909)	287,950	(303,328)	3,335	(394)	664	(136)			517,450
Total	1,255,066	313,504	(216,002)	(11,909)	287,950	(303,328)	3,335	(394)	664	(136)	(427,839)	478,079	1,390,899

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of provision for off-balance sheet exposures (Continued)

Stage	Changes within the Stage				Transfers among Stages							Newly approved (+)	December 31, 2024
	January 1, 2024	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)		
Stage 1	345,265	44,753	(52,282)	346,064	(16,866)	321,299	(97)	41,728			(103,338)	201,186	781,648
Stage 2	334,482	52,529	(192,056)	(304,786)	16,866	(321,299)			(1,262)	909	(275,400)	335,274	(49,957)
Stage 3	174,802	267	(9,965)	(41,278)			97	(41,728)	1,262	(909)	(231,406)	101,596	(5,984)
Total transfers													
Change*	687,349			(157,990)	124,942	(288,005)	5,454	(41,364)	41,708	(725)			529,359
Total	1,541,898	97,549	(254,303)	(157,990)	124,942	(288,005)	5,454	(41,364)	41,708	(725)	(610,144)	638,056	1,255,066

In the migration overviews above, by position, the following are shown:

- "Changes within the Stage" represent increases and decreases exposures for receivables that exist at the beginning and end of the period;
- The part of the table "Transfers among Stages" shows the exposures with changed Stage at the end of the period compared to the beginning of the period;
- In the "Exit" part of the table, fully repaid exposures are shown, i.e exposures that exist at the beginning of the period but do not exist at the end of the period;
- The "Newly approved" category shows the exposures created during the period;
- Change* means net re-measurement of loss allowances.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Security Instruments - Collaterals

Credit risk is mitigated through adequate collateral management process. The purpose of acquiring all available collaterals, proper booking, assessment and monitoring is to minimize the risk as much as possible. Therefore, the Bank is especially dedicated to the management of collaterals in order to maintain the acceptable relationship between the undertaken risk and the realistic rate of the collateral recovery, control and mitigation of risks related to quality, concentration, or securitization of the receivables, maturity, currency, etc. Aiming at further enhancement of processes and systems with regards to credit risk mitigation, the Bank set up a special organizational unit, whose activities include collateral appraisal, process of collateral monitoring, accurate reporting, management of the relationships with external associates (licensed certified valuers and appraisers, insurance companies and supervisors), preparations of expert opinions, internal appraisal reports and the overall legal and economic collateral assessment, improvement of data quality and statistical monitoring of collaterals.

The Bank uses relevant policies and procedures for collateral management. The most significant collaterals accepted and used by the Bank for minimizing credit risk comprise:

- financial collaterals (cash deposits), allowed to be recognized in full amounts;
- payment guarantees issued by first-class banks and governments, allowed to be recognized at full amounts;
- mortgages on residential or commercial property, recognized up to 70% and 60%, respectively, of the appraised value of the property; and
- securities issued by governments, central banks or institutions with adequate credit rating.

In the event that the currency of a security instrument differs from the currency of the loan for which it provides security, the value of the security instrument must be further reduced using a factor defined for every currency combination, as prescribed by the Bank's internal bylaws governing the process of credit risk mitigation.

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4. RISK MANAGEMENT (Continued)
(b) Credit Risk (Continued)
Security Instruments – Collaterals (Continued)

Appraised fair values of collaterals securitizing the Bank's loans up to the credit risk exposure level as of December 31 are presented in the table below:

	Loans and receivables due from banks and other financial institutions		Loans and receivables due from customers		Off-balance sheet assets	
	2025	2024	2025	2024	2025	2024
Corporate clients, rating 10	-	-	47,367	105,438	-	-
Real estate	-	-	37,308	78,339	-	-
Cash deposit	-	-	-	-	-	-
Guarantee	-	-	10,059	12,777	-	-
Pledge	-	-	-	14,322	-	-
Other	-	-	-	-	-	-
Corporate clients, rating 9	-	-	-	-	-	-
Real estate	-	-	-	-	-	-
Cash deposit	-	-	-	-	-	-
Guarantee	-	-	-	-	-	-
Pledge	-	-	-	-	-	-
Other	-	-	-	-	-	-
Corporate clients, restructured loans	-	-	1,598,925	1,529,768	-	2,549
Real estate	-	-	1,212,526	980,500	-	-
Cash deposit	-	-	5,295	4,706	-	400
Guarantee	-	-	37,408	91,725	-	-
Pledge	-	-	343,696	334,115	-	2,149
Other	-	-	-	118,722	-	-
Retail clients, > 90 days past due	-	-	589,064	496,283	-	-
Real estate	-	-	440,747	464,919	-	-
Cash deposit	-	-	-	637	-	-
Guarantee	-	-	85,822	30,727	-	-
Pledge	-	-	-	-	-	-
Other	-	-	62,495	-	-	-
Group-level impairment allowance based on collateral appraisal	293,831	292,538	126,394,475	118,167,413	17,651,050	20,956,547
Real estate	-	-	108,597,981	96,644,841	8,929,401	9,761,870
Cash deposit	293,469	292,413	3,194,123	3,053,351	4,642,400	6,243,061
Guarantee	362	125	8,144,343	16,515,215	4,019,094	4,859,444
Pledge	-	-	1,781,192	1,858,742	13,616	45,801
Other	-	-	4,676,836	95,264	46,539	46,371
Total	293,831	292,538	128,629,831	120,298,902	17,651,050	20,959,096

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4. RISK MANAGEMENT (Continued)**(c) Market Risks**

Market risks represent the possibility of adverse effects on the financial performance and the Bank's capital due to changes in the value of on-balance sheet and off-balance sheet items that arise from the fluctuations of market prices. The market risks include foreign exchange risk and price risks in respect of debt and equity securities.

The set-up system of limits for the Bank's exposure to the market risks establishes threshold for the total absorption of economic capital as well as the acceptable level of economic loss both for the activities carried out through the trading book and for the overall business activity of the Bank in accordance with its risk-taking capacities.

One of the basic indicators for monitoring the Bank's exposure to the market risks during 2025 is:

- VaR (Value at Risk) – a potential loss of portfolio value in one day with 99% confidence interval; VaR is calculated based on the historical simulation approach and is monitored daily. The main risk factors that are covered by this calculation are: interest rate risk, credit spread risk, foreign exchange risk, volatility and inflation,

In addition to these basic indicators, when monitoring and managing exposure to market risks, the Bank also uses some additional granular limits - aimed at preventing increased exposure within individual risk factors, as well as in risk factors that are not sufficiently considered in VaR analyses. The most important of these indicators are sensitivity analyses – BPV (Basis Point Value Sensitivity) and CPV (Credit Point Value Sensitivity).

During 2025, the Bank's exposure to market risks was within defined limits and in accordance with its risk-taking capacities.

Breakdown of VaR position of the trading portfolio includes only the trading book items of the Bank:

	At December 31	Average	Maximum	Minimum
2025				
Foreign exchange risk	704	1,516	6,531	165
Interest rate risk	6,188	8,110	21,509	2,644
Credit spread risk	10,952	10,399	22,514	2,577
Covariance	(6,688)	-	-	-
Total	11,156	10,896	25,937	2,875
2024				
Foreign exchange risk	210	1,100	2,424	164
Interest rate risk	4,091	32,145	59,537	1,883
Credit spread risk	5,827	19,433	36,220	1,359
Covariance	(3,446)	-	-	-
Total	6,682	33,187	59,963	2,253

Retroactive testing (back-testing) of the VaR model is monitored monthly and reported to the ALCO. If the realized loss is higher than the loss shown by the VaR model, it is considered as overdraft. Retroactive testing refers to the period of last 250 working days in relation to the date of observation.

Climate risk exposure is gradually introduced in Market risk monitoring, currently only for information purposes. The effect on which climate-related risks potentially affect market risk is reflected in the change in fair value of the Bank's positions due to volatility in market factors (interest rates, exchange rates) caused by transition risk (due to more restrictive regulatory requirements to control the economy leading to global warming) and physical risk (due to the economic impact of increased emissions).

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4. RISK MANAGEMENT (Continued)**(c) Market Risks (Continued)**

There were no strategic changes relating to liquidity and market risk management compared to 2024. Basic updates in internal policies relate to the revision of existing process roles and activities, updating of appropriate limits for indicators and implementation of deposit modeling without agreed maturity (from the point of view of liquidity and interest rate risk).

Foreign Exchange (Currency) Risk

Foreign exchange (currency) risk is the risk of potential negative effects on the Bank's performance and capital due to fluctuations in the foreign currency exchange rates.

The foreign currency risk ratio is the total open foreign currency position relative to the Bank's capital, calculated in accordance with the relevant National Bank of Serbia decision on the capital adequacy of banks. The Bank is under obligation to maintain the ratio between assets and liabilities in such a way that its total open foreign currency position at the end of a working day must not exceed 20% of its capital. Financial Risk prepares a report on the Bank's foreign exchange risk position for the purposes of NBS on an intraday basis (the report is sent at noon and at 2 p.m.), as well as on daily and monthly basis.

The Bank is exposed to the effects of exchange rate fluctuations for major foreign currencies on its financial position and cash flow. The Bank's management sets limits for the risk exposure per foreign currency and constantly monitors whether balances (positions) in various foreign currencies are within the prescribed limits.

Limits apply to all the relevant foreign currency products within the Trading. They cover trading items as well as selected strategic foreign currency of Balance Sheet Management. All sensitivities that result from foreign currency balances are limited by the general VaR limit set level, both at the Bank aggregate level and for the Trading and Balance Sheet Management.

To protect itself against the risk of fluctuations in the foreign currency exchange rates, the Bank executes derivative contracts and loan contracts with a foreign currency index clause.

The Bank's foreign currency risk management at the operating level is the responsibility of the Trading organizational structure within Client Risk Management & Treasury.

	2025	2024
Foreign exchange risk ratio:		
- as of December 31	1.24	0.79
- maximum for the period – December	3.63	4.33
- minimum for the period – December	0.25	0.07

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4. RISK MANAGEMENT (Continued)**(c) Market Risks (Continued)**

Foreign Exchange (Currency) Risk (Continued)

The Bank's net currency position as at December 31, 2025:

	USD	EUR	CHF	Other currencies	RSD	Total
Cash and balances held with the central bank	139,932	41,734,204	206,602	109,265	113,957,439	156,147,442
Receivables under derivative financial instruments	-	1,219,201	-	-	13,889	1,233,090
Securities	-	28,697,683	-	-	88,205,676	116,903,359
Loans and receivables due from banks and other financial institutions	12,827,650	5,795,967	54,310	272,898	38,066,711	57,017,536
Loans and receivables from clients	-	264,257,324	73,764	-	153,831,147	418,162,235
Receivables under derivatives designated as risk hedging instruments	-	269,117	-	-	-	269,117
Other assets	2,835	1,284,719	-	315	2,449,363	3,737,232
Total assets	12,970,417	343,258,215	334,676	382,478	396,524,225	753,470,011
Liabilities under derivative financial instruments	-	1,236,126	-	-	14,631	1,250,757
Deposits and other liabilities due to banks, other financial institutions and the central bank	252,109	115,796,724	161	1,123	23,393,264	139,443,381
Deposits and other liabilities due to customers	20,558,998	211,502,391	4,439,059	798,485	244,537,034	481,835,967
Liabilities under derivatives designated as risk hedging instruments	-	607,417	-	-	-	607,417
Liabilities under securities	-	-	-	-	6,012,951	6,012,951
Subordinated liabilities	-	3,556,844	-	-	-	3,556,844
Other liabilities	301,150	4,644,697	19,344	108,779	3,367,389	8,441,359
Total liabilities	21,112,257	337,344,199	4,458,564	908,387	277,325,269	641,148,676
Off-balance sheet financial instruments (FX swap, forward and spot)	8,160,600	(5,974,900)	4,120,243	548,024	(6,859,137)	(5,170)
Net currency position as of December 31, 2025	18,760	(60,884)	(3,645)	22,115	112,339,819	112,316,165

*Note: Assets and liabilities with a currency clause index are stated within currency to which they are indexed

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

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4. RISK MANAGEMENT (Continued)

(c) Market Risks (Continued)

Foreign Exchange (Currency) Risk (Continued)

The Bank's net currency position as at December 31, 2024:

	USD	EUR	CHF	Other currencies	RSD	Total
Cash and balances held with the central bank	145,889	39,740,822	159,485	87,734	151,195,085	191,329,015
Receivables under derivative financial instruments	-	1,647,794	-	-	19,563	1,667,357
Securities	117,009	19,990,882	-	-	82,760,631	102,868,522
Loans and receivables due from banks and other financial institutions	18,307,076	17,537,989	49,814	503,822	36,810,700	73,209,401
Loans and receivables from clients	-	238,943,524	80,001	-	124,925,636	363,949,161
Receivables under derivative financial instruments designated as risk hedging instruments	-	427,229	-	-	-	427,229
Other assets	59,538	1,065,673	-	-	1,999,820	3,125,031
Total assets	18,629,512	319,353,913	289,300	591,556	397,711,435	736,575,716
Liabilities under derivative financial instruments	-	1,693,591	-	-	13,293	1,706,884
Deposits and other liabilities due to banks, other financial institutions and the central bank	397,670	116,154,143	381	-	34,426,322	150,978,516
Deposits and other liabilities due to customers	17,829,982	201,095,006	4,540,662	1,157,751	239,159,394	463,782,795
Liabilities under derivatives designated as risk hedging instruments	-	687,148	-	-	-	687,148
Other liabilities	454,328	4,685,306	32,614	107,750	3,049,127	8,329,125
Total liabilities	18,681,980	324,315,194	4,573,657	1,265,501	276,648,136	625,484,468
Off-balance sheet financial instruments (FX swap, forward and spot)	48,278	4,296,938	4,286,106	665,887	(9,291,027)	6,182
Net currency position as of December 31, 2024	(4,190)	(664,343)	1,749	(8,058)	111,772,272	111,097,430

*Note: Assets and liabilities with a currency clause index are stated within currency to which they are indexed

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4. RISK MANAGEMENT (Continued)

(d) Operational Risks

Operational risk is the risk of possible adverse effects on financial result and capital of the bank caused by omissions (unintentional and intentional) in employees' work, inadequate internal procedures and processes, inadequate management of information and other systems, as well as by unforeseeable external events. Operational risk includes legal risk and compliance risk while strategic risks, business risks and reputational risks are different from operational risk. Operational events are those resulting from inadequate or failed internal processes, personnel and systems or from systemic and other external events: internal or external fraud, employment practices and workplace safety, clients claims, products distribution, fines and penalties due to regulation breaches, damage to Company's physical assets, business disruption and system failures, process management.

(e) Liquidity Risk

Liquidity risk is a risk of adverse effects on the Bank's financial performance and capital caused by the Bank's inability to settle its matured liabilities due to drawdown of the existing sources of financing, i.e., the Bank's inability to obtain new sources of financing or difficult conversion of assets into liquid funds because of market disruptions. The main objective of the overall liquidity management of the Bank is to maintain adequate liquidity and financing position, which will enable the Bank to fulfil its payment obligations not only in regular business, but in stressful circumstances as well.

The liquidity risk that the Bank is faced with in everyday business may have different forms:

- Intraday liquidity risk – the liquidity risk during the day occurs when the Bank is unable to meet its payment obligations in a timely manner, both under normal and stress conditions.
- Short-term liquidity risk refers to a risk of mismatch between the amounts and/or the maturities of cash inflows and outflows over a short period of time (up to one year);
- Market liquidity risk is a risk that the Bank may face a significant loss of its liquid assets' value whenever it is necessary to liquidate them through sales or repo transactions.
- Structural liquidity risk is defined as the inability to obtain the necessary funds to maintain an adequate relationship between mid-term and long-term (over one year) assets and liabilities at reasonable price levels, in a stable and sustainable manner, without affecting the daily operations or the financial position of the Bank.
- The risk of unforeseen or stressful circumstances relates to future and unexpected obligations that could require the Bank to maintain higher liquidity than what is considered enough for conducting regular business operations.
- Financing concentration risk occurs when the Bank uses a limited number of sources of financing, so that they become such that a withdrawal of one or more of them could cause liquidity problems.
- Foreign currency liquidity risk (FX risk) arises from the current and projected liquidity mismatch between the cash inflows and outflows in foreign currencies, or a different allocation of assets and liabilities in foreign currencies within a time horizon.

Within the liquidity risk management, the Bank addresses each of the above listed sources of liquidity risk through the appropriately set up system of limits. The limit system used in daily liquidity risk management ensures that the Bank maintains liquidity and financing position that is strong enough to bear the potential effects of unfavorable scenarios in which the above listed risks can be materialized.

The limit system for the Group is defined in the Risk Appetite Framework (RAF) as well as other granular limits.

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

RAF defines the level of risk that the Bank is willing to take in achieving its strategic goals and business plan, considering the interest of its shareholders, as well as capital and other regulatory and legal requirements. As such, RAF is approved by the Supervisory Board, while the granular limits (or other form of limitation) are derived from RAF: their approval and escalation process, however, includes other Bank's committees or functions that are set at a lower hierarchy level in the Bank's organization.

Some of the main liquidity indicators included in RAF for 2025 were:

- the Bank's liquidity ratio and narrow liquidity ratio,
- the liquidity coverage ratio (LCR); and
- the net stable funding ratio (NSFR).

During 2025, there was no breach of any of the defined limits.

The Bank's liquidity ratio and narrow liquidity ratio

The liquidity ratio of a bank is the ratio of the sum of level 1 and level 2 liquid receivables of the bank and the sum of liabilities payable on demand or with no agreed maturity and liabilities falling due within a month from the date of liquidity ratio calculation.

In the context of this regulatory report, Level 1 liquid receivables are: cash and balances with Central Bank, balances on the accounts with banks that have been rated at least BBB in the Standard & Poor's or Fitch-IBCA rating or at least Baa3 in the Moody's rating and Securities portfolio. Level 2 are other receivables due within a month after the liquidity ratio was calculated.

Bank is obliged to maintain the level of liquidity so that:

- at least 1.0 – when calculated as an average of all working days in a month.
- not below 0.9 – for over three consecutive working days; and
- at least 0.8 – when calculated for one working day.

The narrow liquidity ratio is the ratio of level 1 liquid receivables of a bank and the sum of liabilities payable on demand or with no agreed maturity and liabilities falling due within a month from the date of liquidity ratio calculation.

Bank is obliged to maintain the level of liquidity so that narrow liquidity ratio is:

- at least 0.7 – when calculated as an average of all working days in a month.
- not below 0.6 – for over three consecutive working days; and
- at least 0.5 – when calculated for one working day.

The Bank is obliged to report to NBS if the liquidity ratios are non-compliant with the prescribed parameters for two consecutive working days and must do so on the next working day. If the Bank determines a critically low liquidity ratio, it must report this to the NBS at the latest by the next working day. Such a report should contain information on the amount of shortfall liquid assets, on the reasons for the lack of liquidity and on the activities planned for resolving the causes of illiquidity.

Financial Risk prepares a report on daily liquidity for the National Bank of Serbia daily.

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

The Bank's liquidity ratio and the rigid/cash liquidity ratio (Continued)

The Bank's realized values of the liquidity and narrow liquidity ratios during 2025 and 2024:

	2025	2024
The Bank's liquidity ratio		
- as at December 31	2.14	2.24
- average for the period – December	2.10	2.18
- maximum for the period – December	2.26	2.38
- minimum for the period – December	2.01	2.03
	2025	2024
The Bank's narrow liquidity ratio		
- as at December 31	1.58	1.62
- average for the period – December	1.29	1.35
- maximum for the period – December	1.58	1.62
- minimum for the period – December	1.07	1.02

Liquidity Coverage Ratio (LCR)

This indicator represents the ratio of the Bank's high quality liquid assets (liquidity buffer) to the net outflows of its liquid assets that would occur during the next 30 days from this indicator calculation date under the assumed stress conditions. This ratio is calculated monthly for the Bank and twice annually for at the Group's consolidation level. The Bank is required to maintain the liquidity coverage ratio observing the total in all currencies at a level not lower than 100%.

The Bank's realized LCR values indicate a high level of liquidity maintained during 2025 and 2024:

As at December 31	2025	2024
Liquidity buffer	219,669,623	247,841,765
Net outflows of liquid assets	151,099,059	151,577,583
LCR	145%	164%

Net Stable Funding Ratio (NSFR)

This indicator represents the need for banks for total available stable funding (ASF) to be at least equal to total required stable funding (RSF) over a one-year horizon ($ASF/RSF \geq 100\%$). ASF and RSF are calculated by applying different weights to funding sources and assets through defined factors, according to their liquidity and maturity. The indicator is calculated according to the NBS methodology. This indicator is calculated monthly for the Bank, submitted quarterly to the NBS, and twice a year consolidated at the Group level. During 2025, the Bank operated within the limits defined by the RAF process.

The liquidity risk management system also defines specific limits that ensure that the liquidity reserves are high enough to cover even the intense stress periods. The liquidity risk stress test is carried out monthly and is based on scenario analyses. If necessary, frequency of stress testing can be increased on a weekly basis. The objective of the scenario analysis is to test the Bank's ability to continue its business activities while facing a stressful event.

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

Three basic scenarios are analyzed:

- Market scenario (stressful circumstances caused by market events);
- The name crisis (stressful circumstances caused by unfavorable news in the media or events related to the Bank); and
- Combined scenario (combination of the above two scenarios).

Given the banking turmoil and financial distress of Silicon Valley Bank (SVB) and First Republic Bank in US and of Credit Suisse in Europe, the Group has introduced a new ad hoc scenario in the liquidity stress test, called Extreme scenario, on top of our regular scenarios. Compared to the combined scenario, the main changes in the extreme scenario are in the positions of financial and interbank deposits, which have a full run-off profile.

To ensure timely and adequate actions in cases of increased liquidity risk, the Bank has adopted the Business Continuity Plan, which is tested on an annual basis and which:

- Precisely defines procedures for early detection of the Bank's liquidity problems, including a list of early warning indicators;
- Clearly defines activities, obligations and responsibilities in liquidity crisis management; and
- Precisely defines the manner of accessing available or potential sources of liquidity, as well as procedures for securing access to supplementary sources of financing, or sources that are not used in regular business.

The effects that climate-related risks can potentially have on liquidity risk are reflected in the increased need for liquidity in companies with high CO₂ emissions, which have a problem adapting to the need for neutral carbon dioxide emissions (transition risk); or due to the increased need for liquidity in companies facing the consequences of severe weather events (psychical risk).

Capital policy in emergency situations as well as liquidity procedure in case of unforeseen circumstances were not activated (nor was there a need for it). With a stable and adequate liquidity potential, the Bank has not experienced an outflow of retail and corporate deposits, nor restrictions on the money market due to the reduction of limits by other financial institutions. Early warning indicators EWI, both for the Bank and the market, are set at an appropriate distance from the RAF or the level of regulatory limits, leaving time for the Bank to respond in a timely manner during potential or actual crises.

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

The following table provides breakdown of relevant maturity groups of the Bank's financial assets and liabilities as of December 31, 2025:

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and balances held with the central bank	156,147,442	-	-	-	-	156,147,442
Receivables under derivative financial instruments	-	-	1,233,090	-	-	1,233,090
Securities	15,580,331	-	-	39,473,063	61,849,965	116,903,359
Loans and receivables due from banks and other financial institutions	54,368,178	30,742	1,907,793	710,823	-	57,017,536
Loans and receivables from clients	38,217,789	17,912,181	98,975,996	199,206,427	63,849,842	418,162,235
Receivables under derivatives designated as risk hedging instruments	-	-	269,117	-	-	269,117
Other assets	2,661,971	-	1,075,261	-	-	3,737,232
Total assets	266,975,711	17,942,923	103,461,257	239,390,313	125,699,807	753,470,011
Liabilities						
Liabilities under derivative financial instruments	-	-	1,250,757	-	-	1,250,757
Deposits and other liabilities due to banks, other financial institutions and the central bank	36,567,003	65,642,546	36,733,832	500,000	-	139,443,381
Deposits and other liabilities due to customers	392,391,182	34,208,217	48,780,291	6,094,092	362,185	481,835,967
Liabilities under derivatives designated as risk hedging instruments	-	-	607,417	-	-	607,417
Liabilities under securities	-	-	-	6,012,951	-	6,012,951
Subordinated liabilities	-	-	-	-	3,556,844	3,556,844
Other liabilities	4,827,206	62,585	2,133,647	1,294,620	123,301	8,441,359
Total liabilities	433,785,391	99,913,348	89,505,944	13,901,663	4,042,330	641,148,676
Off-balance sheet items	32,985	65,970	296,864	1,165,866	-	1,561,685
Net liquidity gap as at December 31, 2025	(166,842,665)	(82,036,395)	13,658,449	224,322,784	121,657,477	110,759,650

In the analysis of liquidity risk, the Bank also takes into account off-balance sheet positions. Irrevocable or conditionally revocable liquidity and credit facilities assumed to require structural funding is calculated by using Liquidity outflows T+2 in the Combined scenario, where part to be funded is equal to the sum of Undrawn Revolving committed credit and liquidity facilities and Undrawn Non-Revolving committed credit and liquidity facilities. The total volume assumed to be drawn and requiring structural funding needs is: linearly spread from Spot next up to 1 year (excluded) for financial institutions, assuming the short-term maturity of the drawn line or linearly spread from 1 up to 5 years for all the other counterparty types.

The structure of asset and liability maturities as at December 31, 2025, is indicative of maturity mismatch between the outstanding maturities of assets and those of liabilities in the time buckets, with marked negative mismatch in the buckets of up to a month and from 1 to 3 months. This mismatch is primarily due to maturity structure of deposits, i.e., a significant share of demand deposits in the total deposits. Based on historical data and experience, a significant portion of demand deposits may be considered a long-term source of financing given their stability, growth rate and withdrawal rate. At the same time, we underline that the Bank is in possession of liquid instruments, i.e., securities and other liquidity reserves, that can be pledged with the National Bank of Serbia at any time, or sold on a secondary market, and has at its disposal funds from the parent bank (in line with funding plan) and international financial institutions in accordance with the adopted financing plan for the current year, all of which can be used to cover potential outflows of funds at any time, even in the stress scenarios. The stress scenario analyses are performed and analyzed by the relevant Bank's units and teams on an ongoing basis.

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

The following table provides breakdown of relevant maturity groups of the Bank's financial assets and liabilities as of December 31, 2024:

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and balances held with the central bank	191,329,015	-	-	-	-	191,329,015
Receivables under derivative financial instruments	-	-	1,667,357	-	-	1,667,357
Securities	-	-	3,566,818	51,264,737	48,036,967	102,868,522
Loans and receivables due from banks and other financial institutions	69,784,148	132,274	1,419,936	1,873,043	-	73,209,401
Loans and receivables from clients	22,405,043	18,597,285	100,961,745	179,200,839	42,784,249	363,949,161
Receivables under derivative financial instruments designated as risk hedging instruments	-	-	427,229	-	-	427,229
Other assets	2,333,572	-	791,459	-	-	3,125,031
Total assets	285,851,778	18,729,559	108,834,544	232,338,619	90,821,216	736,575,716
Liabilities						
Liabilities under derivative financial instruments	-	-	1,706,884	-	-	1,706,884
Deposits and other liabilities due to banks, other financial institutions and the central bank	55,894,062	37,115,211	17,145,770	35,220,696	5,602,777	150,978,516
Deposits and other liabilities due to customers	369,140,777	38,867,092	43,601,663	11,331,495	841,768	463,782,795
Liabilities under derivatives designated as risk hedging instruments	-	-	687,148	-	-	687,148
Other liabilities	6,919,227	75,506	566,472	687,258	80,662	8,329,125
Total liabilities	431,954,066	76,057,809	63,707,937	47,239,449	6,525,207	625,484,468
Off-balance sheet items*	2,811,484	401,641	2,312,916	-	-	5,526,041
Net liquidity gap as at December 31, 2024	(148,913,772)	(57,729,891)	42,813,691	185,099,170	84,296,009	105,565,207

*The off-balance sheet items are changed in Liquidity Risk for 2024 to be aligned with presentation methodology for 2025.

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

The following table provides breakdown of relevant maturity groups of the derivative financial instruments for liquidity risk monitoring purposes:

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
FX derivative financial instruments – receive side	33,252,213	-	1,687,000	-	-	34,939,213
FX derivative financial instruments – pay side	33,242,980	-	1,695,760	-	-	34,938,740
Net maturity gap as at December 31, 2025	9,233	-	(8,760)	-	-	473
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
FX derivative financial instruments – receive side	56,342,955	443,152	572,048	-	-	57,358,155
FX derivative financial instruments – pay side	56,342,575	441,598	564,994	-	-	57,349,167
Net maturity gap as at December 31, 2024	380	1,554	7,054	-	-	8,988

The maturity structure of FX derivative financial instruments which is relevant from the aspect of monitoring and managing liquidity risk does not indicate a significant existence of maturity mismatch of the remaining maturity period by time baskets. FX derivative financial instruments are included in all indicators used to monitor both short-term and structural liquidity, thus ensuring adequate management of potential liquidity risk that may arise from these positions.

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4. RISK MANAGEMENT (Continued)**(e) Liquidity Risk (Continued)****Structural FX Gap**

Structural FX Gap is calculated as the difference between the liabilities over 1 year in a specific foreign currency and the assets over 1 year on the same currency, mapped according to the criteria for calculation of the Structural Liquidity Gap. Behavioral models on non-maturing deposits were also considered which led to revision of trigger due to change of the maturity profile on liability side.

	2025	2024
EUR FX Gap >1Y		
Liabilities in time baskets >1Y	213,055	166,378,790
Receivables in time baskets >1Y	336,843	208,213,944
Trigger (max)	(117,282)	(51,486,556)
FX Gap	(123,788)	(41,835,154)
	2025	2024
Other FX Gap >1Y		
Liabilities in time baskets >1Y	157,298,468	-
Receivables in time baskets >1Y	63,227,146	1,420,202
Trigger (max)	84,443,040	(2,340,298)
FX Gap	94,071,322	(1,420,202)

In December 2025, the presentation of indexed positions was changed to align with the presentation in the regulatory reports LCR and NSFR. This change affected approximately 2 billion euros in indexed positions (of which 1.2 billion with a maturity of over one year), which are now presented in RSD currency. In accordance with this change, the Alert Levels (trigger) determined by simulating the expected effects and adopted by ALCO were also adjusted. However, the official December reports showed an exceedance of the alert level in the structural gap in RSD, which was escalated in accordance with the prescribed internal procedures.

(f) Compliance Risks

Compliance risk is the risk of regulatory sanctions, financial losses, or damage to the Bank's reputation resulting from conducting the Bank's activities in a manner that is not in accordance with laws and other regulations, the Bank's internal acts, business standards, procedures for preventing money laundering and terrorist financing, as well as other acts governing the Bank's operations. The Bank has organized a special organizational unit whose competence covers compliance review.

The primary task of the Compliance is to identify and assess the Bank's compliance risk and report thereon to the Management Board and Audit Committee and, as appropriate, the Supervisory Board and to propose plans on management of the main compliance risks. Compliance assesses risks in accordance with the adopted Methodology and Annual Activity Plan.

Moreover, the Bank's compliance function supports other organizational units of the Bank in defining procedures, introducing new products or modifying the existing ones, in implementation of the laws and bylaws, rules, standards and the Bank's internal bylaws and enactments specifically governing the following areas: prevention of money laundering and terrorist financing, financial sanctions, banking secrets, protection of personal data, insider information and market abuse, professional market conduct standards, conflict of interests, corruption, loansharking, professional conduct with clients and provision of adequate advice to clients in accordance with the Code of Conduct and Ethical Principles, application of standards on the protection of financial service users and transparency in behavior, protection of competition and other regulatory areas in accordance with the rules of UniCredit Group and the adopted program for the Bank's compliance function.

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4. RISK MANAGEMENT (Continued)

(g) AML Risks (The Risk of Money Laundering and Terrorist Financing)

The risk of money laundering and terrorist financing is the risk of potential negative effects on the bank's financial results, capital, or reputation due to the use of the bank for the purpose of money laundering and/or terrorist financing and/or financing the proliferation of weapons of mass destruction.

The risk of money laundering and terrorist financing is directly linked to regulatory sanctions in the event of violations of laws and other regulations, and it can cause serious reputational damage to the Bank, thereby exposing the Bank to financial risk as well as the risk of administrative penalties imposed by the regulator.

The Bank has in place policies and procedures for identification, measurement, assessment and management of the risk of money laundering and terrorist financing. The Bank protects itself from this risk by means of an internal control system in place in its organizational units, timely information and training and education as well as testing of its employees, which is a key factor in the management of the risk of money laundering and terrorist financing.

Within the Compliance a separate organizational unit has been formed – Anti Financial Crime Compliance – to take care of the improvement and continuous implementation of the policies and procedures for managing the risk of money laundering and terrorist financing. The Bank has provided the staff of the Anti-Financial Crime Compliance with appropriate HR, material, technical, IT and other resources for work as well as with ongoing professional education and training.

(h) Strategic/Business risk

Strategic/Business risk is the risk of negative effects on financial result or Bank's capital coming from lack of adequate policies and strategies or inadequate implementation of existing strategies and policies, as well as the risk coming from changes in the environment in which Bank operates or lack of adequate reaction on these changes. It is defined as a measure of distance in the future earnings of the bank and the expected ones.

For calculating the internal capital for strategic/business risk, the Bank uses Group tool called Pillar II system which, for calculating this internal capital, is based on simulations of ARIMA model for which it uses quarterly series of net interest income, net fees and commissions and operating expenses from P&L statement. Strategic/Business risk is further elaborated in business rule PP455 Methodology for Credit and other Pillar 2 risks Economic Capital models.

Strategic/Business risk management is the responsibility of every employee of the Bank within the risk management system, along with the most important role of Supervisory Board of the Bank which is responsible for risk management system establishing, as well as the Management Board. The Bank's corporate bodies carry out, among other things, the monitoring of strategic/business risk through establishing and monitoring of the annual budget, as well as the multi-year strategic plan, which is monitored at least quarterly. In that way corporate bodies are in a situation to respond to all changes in the environment in which the Bank operates. The Bank's management reporting system, established in all business segments, provides an adequate and timely set of information needed for the Bank's decision-making process in order to respond to business changes.

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4. RISK MANAGEMENT (Continued)

(h) Strategic/Business risk (Continued)

Organizational structure of the Bank, established by relevant governance bodies, is defined to ensure adequate resources involved in preparation and implementation of risk policies and strategies, as well as methodologies, guidelines, working instructions and other documents. The Bank continually monitors, assesses and updates relevant internal regulations and improves processes in order to actively manage changes in the business environment and mitigate their influence on Bank's financial result and capital.

Besides quantification of this risk through Pillar 2 system and monitoring of evolution of economic capital, an important element in the management of strategic/business risk is the Bank's internal control system which provides continuous monitoring of the risks to which the Bank is exposed, or which may be exposed in its business. This system ensures implementation of appropriate policies and strategies in practice and elimination of possible shortcomings, by which strategic risk to which the Bank is exposed is additionally monitored and managed.

(i) Reputational Risk

Reputational Risk is defined as the current or prospective risk to earnings and capital arising from the adverse perception of the image of the financial institution on the part of customers, counterparties (including also debt-holders, market analysts, and other relevant parties²), shareholders/investors, regulators or employees.

Reputational Risk can be identified as a secondary risk generated as a "knock-on effect" from the risk categories, such as operational, credit, market, and liquidity risks and all others risks types (e.g. business risk, strategy risk) and as an effect of the client's business involvement in some of the sensitive industries from aspect of ESG standards (coal, oil&gas, mining, defence&weapons, water/dam, nuclear).

Reputational risk evaluation of clients/initiatives/transactions/projects and other topics for which there is an identification of potential high reputational risk is performed within the Committee on Non-Financial Risks (NFR) - Reputational Risk Sub-committee.

(j) Interest Rate Risk in the Banking Book

Interest rate risk is defined as a possibility of adverse effects on the Bank's financial performance and equity per items in the Bank's banking book due to changes in interest rates.

The Bank's exposure to the interest rate risk is considered from two perspectives:

- Impact on the economic value - when changes in interest rates affect the basic value of assets, liabilities and off-balance sheet instruments, because the economic value of future cash flows changes (and in some cases, the cash flows themselves); and
- Impact on the financial result - when changes in interest rates affect earnings by changing the net interest income.

²Such as civil society (NGOs), media, etc.

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4. RISK MANAGEMENT (Continued)

(j) Interest Rate Risk in the Banking Book (Continued)

The system of limits for measuring exposure to the interest rate risk is used for monitoring potential changes in the economic value (EV) and changes in the expected net interest income (NII) or profit, addressing all the material sources of risk, in particular:

- Repricing risk - arises from the structure of the banking book and relates to timing mismatch in the maturity and repricing period of assets and liabilities;
- Yield curve risk - arising from changes in the yield curve shape;
- Basis risk to which the Bank is exposed due to different reference interest rates applicable to the interest-sensitive items with similar characteristics in terms of maturity or repricing; and
- Optionality risk to which the Bank is exposed due to embedded options in relation to interest rate-sensitive positions (loans with the option of early repayment, deposits with the option of early withdrawal).

The Bank has implemented the framework of interest rate risk scenarios that address all the aforesaid sources of interest rate risk and, depending on the strength of the assumptions used, those can be divided into two basic groups:

- regular business scenarios, and
- stress test scenarios.

The scenarios vary depending on the specific risk generator, whose parameters are changed or stressed:

- assumptions of stress on interest rates (parallel, non-parallel changes in interest rates);
- assumptions of stress on the balance sheet (dynamic balance sheet, constant balance sheet);
- single-factor analysis; and
- multifactor analysis.

The effects of all scenarios are analyzed from the viewpoint of the change in the economic value and net interest income.

Interest rate risk scenarios included in RAF 2025:

- Economic value (EV) sensitivity, and
- Sensitivity of net interest income (NII).

One of the tasks of the Bank's Balance Sheet Management is to establish procedures for the Bank to comply with the defined limits for the interest rate risk. This is accomplished through activities in the financial markets (through interbank transactions, securities transactions) conducted in cooperation with the Client Risk Management & Treasury as well as other Balance Sheet Management activities used to manage interest gaps for protection against the interest rate risk, in line with the Bank's preferred risk profile. At the same time, those organizational units are involved in the management of the Bank's investment portfolio, which, together with the approved instruments, enables the achievement of a strategic position that ensures stability of interest income from the banking book. For protection against the interest rate risk, Bank undertake hedging transactions to hedge certain portfolios or transactions.

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4. RISK MANAGEMENT (Continued)

(j) Interest Rate Risk in the Banking Book (Continued)

National Bank of Serbia (NBS) has adopted a decision on managing interest rate risk in the banking book, which specifies the conditions and methods for identifying, measuring, and managing IRRBB, including internal capital requirements to cover this risk, as well as for credit spread risk. The NBS, through the Banking Operations Control Sector, documents methods and templates for standardized approaches:

- IRRBB Form 1 – schedule of expected cash flows by defined periods.
- IRRBB 2 – schedule for calculating net income based on risk-free rate projections.
- IRRBB 3 – calculation of IRRBB risk measures.
- IRRBB 4 – results of the supervisory stress test for severe scenarios.

The obligation to apply these, including reports IRRBB 1–4, starts as of June 30, 2026. Until then Banks must establish the process for implementing IRRBB standardized and simplified approaches, along with the preparation and submission of the first reports.

An analysis of the Bank's sensitivity (EV loss or gain) coming from parallel shifts of 200 bps on market interest rates in respect of the positions in the banking book (EV), assuming no asymmetric trends in yield curves, is presented as follows:

	Parallel increase of 200 bp	Parallel decrease of 200 bp
2025		
As at December 31	(3,744,211)	3,875,100
Average for the year	(3,738,286)	3,828,732
Maximum for the year	(3,040,760)	4,310,088
Minimum for the year	(4,178,717)	3,125,271
2024		
As at December 31	(3,201,711)	3,403,088
Average for the year	(2,604,491)	2,591,157
Maximum for the year	(2,096,112)	3,403,088
Minimum for the year	(3,201,711)	2,035,135

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4. RISK MANAGEMENT (Continued)

(j) Interest Rate Risk in the Banking Book (Continued)

The Bank's exposure to interest rate changes as at December 31, 2025, is presented for the entire interest-bearing portion of the statement of the financial position:

	Carrying amount	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing
Cash and balances held with the central bank	156,147,442	62,325,528	-	-	-	-	93,821,914
Receivables under derivative financial instruments	1,233,090	-	-	-	-	-	1,233,090
Securities	116,903,359	17,660,759	14,906	1,532,622	38,402,316	59,292,756	-
Loans and receivables due from banks and other financial institutions	57,017,536	55,307,401	277,147	326,292	901,037	-	205,659
Loans and receivables from clients	418,162,235	26,989,608	160,607,108	118,101,180	60,751,060	49,130,278	2,583,001
Receivables under derivatives designated as risk hedging instruments	269,117	-	-	-	-	-	269,117
Other assets	3,737,232	-	-	-	-	-	3,737,232
Total assets	753,470,011	162,283,296	160,899,161	119,960,094	100,054,413	108,423,034	101,850,013
Liabilities under derivative financial instruments	1,250,757	-	-	-	-	-	1,250,757
Deposits and other liabilities due to banks, other financial institutions and the central bank	139,443,381	13,849,503	74,247,135	41,061,977	3,770,111	-	6,514,655
Deposits and other liabilities due to customers	481,835,967	122,014,852	34,344,631	45,889,700	2,222,900	222,062	277,141,822
Liabilities under derivatives designated as risk hedging instruments	607,417	-	-	-	-	-	607,417
Liabilities under securities	6,012,951	-	5,990,684	-	-	-	22,267
Subordinated liabilities	3,556,844	-	3,518,460	-	-	-	38,384
Other liabilities	8,441,359	-	-	-	-	-	8,441,359
Total liabilities	641,148,676	135,864,355	118,100,910	86,951,677	5,993,011	222,062	294,016,661
Net interest rate risk exposure at December 31, 2025	112,321,335	26,418,941	42,798,251	33,008,417	94,061,402	108,200,972	(192,166,648)

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

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4. RISK MANAGEMENT (Continued)

(j) Interest Rate Risk in the Banking Book (Continued)

The Bank's exposure to interest rate changes as at December 31, 2024, is presented for the entire interest-bearing portion of the statement of the financial position:

	Carrying amount	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing
Cash and balances held with the central bank	191,329,015	93,839,825	-	-	-	-	97,489,190
Receivables under derivative financial instruments	1,667,357	-	-	-	-	-	1,667,357
Securities	102,868,522	4,851,441	14,574	3,566,093	54,375,285	40,061,129	-
Loans and receivables due from banks and other financial institutions	73,209,401	69,784,320	1,491,252	294,268	1,592,753	-	46,808
Loans and receivables from clients	363,949,161	32,330,766	154,582,690	94,150,618	48,098,812	32,172,552	2,613,723
Receivables under derivatives designated as risk hedging instruments	427,229	-	-	-	-	-	427,229
Other assets	3,125,031	-	-	-	-	-	3,125,031
Total assets	736,575,716	200,806,352	156,088,516	98,010,979	104,066,850	72,233,681	105,369,338
Liabilities under derivative financial instruments	1,706,884	-	-	-	-	-	1,706,884
Deposits and other liabilities due to banks, other financial institutions and the central bank	150,978,516	30,316,544	28,153,492	44,541,493	39,022,430	-	8,944,557
Deposits and other liabilities due to customers	463,782,795	89,460,248	52,504,392	38,397,272	7,475,761	1,051,519	274,893,603
Liabilities under derivatives designated as risk hedging instruments	687,148	-	-	-	-	-	687,148
Other liabilities	8,329,125	-	-	-	-	-	8,329,125
Total liabilities	625,484,468	119,776,792	80,657,884	82,938,765	46,498,191	1,051,519	294,561,317
Net interest rate risk exposure at December 31, 2024	111,091,248	81,029,560	75,430,632	15,072,214	57,568,659	71,182,162	(189,191,979)

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4. RISK MANAGEMENT (Continued)

(j) Interest Rate Risk in the Banking Book (Continued)

An analysis of the interest rate gap sensitivity to an interest rate increase/decrease, assuming a parallel change in the yield curve and static banking book is shown in the table below:

	December 31, 2025	December 31, 2024
	The effect of a parallel change in the interest rate by 1 bp	The effect of a parallel change in the interest rate by 1 bp
RSD	(24,832)	(22,687)
EUR	6,062	6,962
USD	(31)	128
GBP	-	2
CHF	(7)	(4)
Other currencies	-	-
Total effect*	30,932	29,783

* The total effect is equal to the sum of the absolute values by currencies.

Exposure based on the sensitivity analysis of the interest rate gap during 2025 was within the defined limits.

(k) Model Risk

The model risk pertains to potential errors in modeling for the material types of risks the Bank is exposed to (credit risk, market risks, operational risk, strategic/business and reputational risk), such as inadequate modelling methodology, improper model application, lacking parameters and inputs.

Model risk analysis is based on the assessment of the risk model components arising from various types of risks. In order to ensure adequate model risk management and define and implement measures for risk mitigation in this area, the Bank applies and regularly evaluates an appropriate set of internal bylaws.

(l) Climate and environmental risk

At the group level, UniCredit strategically manages climate change risks by integrating transition risk, physical risk, and reputational risk into the credit process, while simultaneously implementing Net Zero targets as part of its long-term strategies. The Group focuses on aligning its financial and operational activities with sustainability challenges, while also supporting clients in their transition processes. The Group's defined strategies are published within the publicly available document – the Integrated Sustainability Report Sustainability Reporting - UniCredit.

Transition risk has been incorporated into the credit process, requiring local credit procedures to be adjusted in alignment with the Group's strategy. Consequently, an adapted evaluation and monitoring system for client financing was introduced, categorizing clients into two groups: Group A - key competence clients, with credit process changes launched in October 2024, and Group B - other corporate clients, with changes effective from January 2025. Depending on the client's group, transition risk can be assessed through the C&E Questionnaire (Palantir), a simplified version of the questionnaire (Excel file), or pre-existing external database information (CERVED). As part of the modified credit process, the transition risk will determine which products can be offered to the client.

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*All amounts expressed in thousands of RSD, unless otherwise stated.***4. RISK MANAGEMENT (Continued)****(l) Climate and environmental risk (continued)**

To achieve alignment with Net Zero targets, primarily defined at the group level and subsequently cascaded to local levels, particular attention has been given to clients in Net Zero-relevant industries with significant greenhouse gas emissions (Oil & Gas, Power Generation, Automotive). Clients in these industries are classified based on their Net Zero score: Leaders, Aligning, or Laggards. This classification shapes the business strategy toward each client and determines the approach to financing their energy transition.

These changes in the local credit process have been enhanced by the implementation of Group IT tools, developed to enable detailed risk analysis, greenhouse gas emissions assessments, and robust support in decision-making related to financing energy transition and decarbonization projects. In addition to technical advancements, particular emphasis has been placed on employee training to ensure readiness for the application of new standards and procedures within the credit process.

(m) Capital Management

As the Bank's regulator, the NBS defines the method of calculating capital and capital adequacy based on Basel III Regulatory Framework. The regulatory capital, capital adequacy ratios and calculation of risk-weighted assets are defined by the Decision on Capital Adequacy of Banks, including all amendments, effective as from June 30, 2017 (the "Decision").

The Bank monitors its capital adequacy ratio on a quarterly basis using the standardized approach.

The Bank is required to calculate the following capital adequacy ratios:

1. the Common Equity Tier 1 capital ratio (CET 1 ratio) represents the Bank's common equity tier 1 capital relative to the risk-weighted assets, expressed as percentage. The minimum CET 1 ratio defined by the Decision is 4.5%;
2. the Tier 1 capital ratio (T1 ratio) is the Bank's core capital adequacy ratio, representing the core capital relative to the risk-weighted assets, expressed as percentage. The minimum T1 ratio defined by the Decision is 6%;
3. the total capital adequacy ratio (CAR) represents the Bank's capital relative to the risk-weighted assets, expressed as percentage. The minimum CAR defined by the Decision is 8%.

The Bank is required to always maintain its core capital in RSD equivalent amount of EUR 10,000,000, using the official middle exchange rate of NBS effective as at the calculation date. In addition, the Bank is required to maintain at all times its capital in the amount necessary for coverage of all risks the Bank is or may be exposed to in its operations, yet no less than the amount required to maintain the minimum capital adequacy ratios or increased capital adequacy ratios – in case NBS orders the Bank to achieve and maintain capital adequacy ratios higher than the prescribed ones.

The Bank's capital is the sum of the core capital (Tier 1) and supplementary capital (Tier 2). The core capital is the sum of the Common Equity Tier 1 capital (CET1) and additional Tier 1 capital (AT1).

The Bank's Common Equity Tier 1 capital is the sum of the following items adjusted for the regulatory adjustments less deductible items:

- shares and other equity instruments;
- relevant share premium with the common equity Tier 1 instruments;
- the Bank's profit;
- revaluation reserves and other unrealized gains;
- reserves from profit and other reserves of the Bank;
- reserve funds for general banking risks

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4. RISK MANAGEMENT (Continued)

(m) Capital Management (Continued)

Regulatory adjustments – When calculating the value of its capital components, the Bank is bound to exclude from any capital component any increase in equity determined under IFRS/IAS resulting from securitization of exposures. Since the Republic of Serbia has no regulations enacted to govern this area, the said regulatory adjustment is not applicable.

The Bank does not include in its capital the following:

- fair value reserves relating to gains or losses in cash flow hedging instruments for financial instruments measured at other than fair value, including the projected cash flows;
- gains or losses on the Bank's liabilities measured at fair value, resulting from the changes in the Bank's credit quality;
- gains or losses arising from the credit risk for liabilities per derivatives measured at fair value, where the Bank may not offset such gains or losses against those arising from its counterparty credit risk.

Unrealized gains or losses on assets or liabilities measured at fair value, except for the above listed gains or losses, are included in the calculation of capital. In the calculation of capital, as a deductible item, additional value adjustments are included that are applied to all assets that are valued at fair value, which is calculated as 0.1% of the sum of the absolute value of assets and liabilities that are calculated at fair value in accordance with IFRS/IAS

Deductible from the Common Equity Tier 1 capital are:

- current and prior year's losses and unrealized losses;
- intangible assets, including goodwill, decreased for the amount of deferred tax liabilities that would be derecognized in case of impairment or derecognition of intangible assets under IFRS/IAS;
- deferred tax assets dependable on the Bank's future profitability in line with the effective regulations;
- defined benefit pension fund assets on the Bank's balance sheet;
- the Bank's direct, indirect and synthetic holdings of its own common equity Tier 1 instruments, including those that the Bank is under an actual or contingent obligation to repurchase by virtue of a constructive obligation;
- the Bank's direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where those entities have reciprocal holdings in the Bank, designed to artificially inflate the bank's capital;
- the Bank's applicable direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where the Bank holds no significant investments in accordance with Articles 19 and 20 of the Decision;
- the Bank's applicable direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where the Bank holds significant investments in accordance with Sections 19 and 20 of the Decision;
- the amount for which the Bank's additional Tier 1 capital deductible items exceed the Bank's additional Tier 1 capital;
- the amount of exposures qualifying for application of a risk weight of 1.25%, where the Bank decides to deduct the exposure from the common equity Tier 1 rather than apply the said risk weight, such as:
 - holdings in non-FSI entities exceeding 10% of their capital and/or holdings enabling effective exertion of significant influence on the management of such entities or their business policies;
 - securitized items in accordance with Section 201, paragraph 1, item 2), Section 202, paragraph 1, item 2), and Section 234 of the Decision;
 - free deliveries, if the counterparty has failed to settle its liability within four working days from the agreed delivery/payment date, in accordance with Section 299 of the Decision;

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4. RISK MANAGEMENT (Continued)

(m) Capital Management (Continued)

- any tax charge relating to the common equity Tier 1 items foreseeable at the moment of its calculation, except where the Bank has previously suitably adjusted the amount of common equity Tier 1 items insofar as such tax charges reduce the amount up to which those items may be used to absorb risks or losses;
- gross amount of receivables due from a private individual debtor (other than a farmer and sole trader/entrepreneur) for consumer loans, cash or other loans recorded on accounts 102, 107 and 108 in accordance with NBS decision prescribing the chart of accounts and contents of the accounts within the chart of accounts for banks, where the credit indebtedness of the debtor prior to the loan approval was higher than the percentage rate defined in line with NBS decision governing classification of the balance sheet assets and off-balance sheet items of banks, or the said percentage rate will be higher due to the loan approval, where this item will be deducted regardless of whether after the loan approval, the debtor's credit indebtedness decreased below the said percentage rate.
- gross amount of receivables due from a private individual debtor (other than a farmer and sole trader/entrepreneur) for consumer loans, cash or other loans approved, except for the loans specified under the bullet above, which are recorded on accounts 102, 107 and 108:
 - for which the contractually defined maturity is over 2,920 days, if such loans were approved from January 1, 2019 up to December 31, 2019;
 - for which the contractually defined maturity is over 2,555 days, if such loans were approved from January 1, 2021 up to December 31, 2021;
 - for which the contractually defined maturity is over 2,190 days, if such loans were approved from January 1, 2022;
- gross amount of receivables due from a private individual debtor (other than a farmer and sole trader/entrepreneur) for consumer loans approved for purchase of motor vehicles, which are recorded on account 102, for which the contractually defined maturity is over 2,920 days, if such loans have been approved as from January 1, 2019;
- the total amount of exposure under FX-indexed dinar exposure and FX exposure for which the percentage defined for 2025 of 71% has been exceeded; and
- amount of the required reserve for estimated losses in accordance with NBS regulations, if such regulations prescribe the Bank's obligation to form such a reserve.

From the calculation of deductible items from indents 13 and 14 of the previous paragraph, the period in which the moratorium on the basis of approved loans defined by those indents lasted is not included in the number of days of agreed maturity for the purposes of application of these provisions. The moratorium means a delay in the repayment of obligations in accordance with the provisions of the decision which regulates the temporary measures for preserving the stability of the financial system in the Republic of Serbia in the conditions of the pandemic caused by COVID-19.

The deductibles refer to indents 13, 14 and 15 of previous paragraph shall does not apply to receivables restructured in accordance with the decision governing the classification of bank balance sheet assets and off-balance sheet items if following conditions are meet: the receivables have been incurred under loans refer to indents 13,14 and 15 which deductibles from those provisions had not been applied, the restructuring is carried out based on the bank's offer, the restructuring does not increase the outstanding loan amount, the agreed maturity of the loan after the restructuring is no longer than 3,285 days for loans refer to indents 13 and 14, and no longer than 4,015 days for loans form intents 15 and receivables have not been restructured accordance with provisions.

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4. RISK MANAGEMENT (Continued)

(m) Capital Management (Continued)

The calculation of the deductible item relating to the excess percentage defined for the business year shall apply if the sum of the bank's exposure under FX-indexed placements in dinars and FX placements - approved starting from July 1, 2023 to debtors from the non-financial government sector and the Bank's exposure under FX-indexed dinar debt securities and FX debt securities the defined percentage for the reporting year of the sum of the Bank's exposure based on placements in dinars (including placements indexed with a foreign exchange clause) and placements in foreign currency - approved starting from July 1, 2023 to those debtors and the Bank's exposure based on debt securities in dinars (including securities in dinars indexed with a foreign exchange clause) and in fixed currency.

Upon determining deductible deferred tax assets items and the Bank's applicable direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where the Bank holds significant investments, the Bank is not required to deduct from the common equity Tier 1 capital the amounts of items that in the aggregate are equal to or lower than the limit which is arrived at by multiplying the common equity Tier 1 items remaining after the regulatory adjustments and decrease for deductible items by 17.65%:

- deferred tax assets dependable on the Bank's future profitability, arising from the temporary differences in the amount lower than or equal to 10% of the Bank's common equity Tier 1 capital calculated in accordance with Section 21, paragraph 2 of the Decision;
- the Bank's direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where the Bank holds significant investments in the amount lower than or equal to 10% of the Bank's common equity Tier 1 capital calculated in accordance with Section 21, paragraph 2 of the Decision.

As of December 31, 2025, the Bank did not reduce its common equity Tier 1 capital for the amount of direct holdings of common equity Tier 1 instruments or for deferred tax assets dependable on the Bank's future profitability, arising from the temporary differences since their aggregate amount was below the defined limit.

The Bank's additional Tier 1 capital consists of the sum of the following items less respective deductibles:

- shares and other equity instruments that meet the requirements referred to in Section 23 of the Decision;
- relevant share premium.

As of December 31, 2025, the Bank had no additional Tier 1 capital.

The Bank's supplementary (Tier 2) capital consists of the sum of the following items less respective deductibles:

- shares and other Tier 2 instruments and liabilities under subordinated loans;
- the relevant share premium, i.e., amounts paid in above the par value of such instruments;
- general credit risk adjustments gross of tax effects, of up to 1.25% of the risk-weighted credit risk exposures for banks calculating the risk-weighted exposures amounts by applying the standardized approach.

The amount in which the supplementary Tier 2 capital instruments, i.e., subordinated liabilities, are included in the calculation of the supplementary Tier 2 capital during the final five years before they mature, is calculated as follows: the quotient their nominal value and/or the principal amount on the first day of the final five-year period before their mature and the number of calendar days in that period is multiplied by the number of the calendar days remaining to maturity of the instruments or subordinated liabilities at the calculation date.

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4. RISK MANAGEMENT (Continued)

(m) Capital Management (Continued)

The Bank has received prior approval from the National Bank of Serbia to include a subordinated loan in the calculation of supplementary Tier 2 capital, starting from the third quarter of 2025.

As of December 31, 2025, the Bank had supplementary Tier 2 capital in amount of RSD 3,518,460 thousand.

The following table presents the Bank's balance of capital and total risk-weighted assets as of December 31, 2025, and 2024:

	2025	2024
Common equity Tier 1 capital - CET1		
Paid in common equity Tier 1 instruments	23,607,620	23,607,620
Relevant share premium with the common equity Tier 1 instruments	562,156	562,156
Revaluation reserves and other unrealized gains	734,692	561,407
		(357,085)
(-) Unrealized losses	(378,724)	
Other reserves	66,737,888	63,214,011
(+) Fair value of reserves related to gains (-) or losses (+) from cash flow hedging instruments not valued at fair value, including projected cash flows	378,724	357,085
(-) Additional value adjustments	(50,510)	(44,507)
(-) Intangible assets, including goodwill, decreased for the amount of deferred tax liabilities)	(2,386,442)	(2,396,601)
(-) Gross amount of receivables due from a private individual debtor (other than a farmer and sole trader/entrepreneur) for consumer loans, cash or other loans recorded on accounts 102, 107 and 108 in accordance with NBS decision prescribing the chart of accounts and contents of the accounts within the chart of accounts for banks, where the credit indebtedness of the debtor prior to the loan approval was higher than the percentage rate defined in line with NBS decision governing classification of the balance sheet assets and off-balance sheet items of banks, or the said percentage rate will be higher due to the loan approval, where this item will be deducted regardless of whether after the loan approval, the debtor's credit indebtedness decreased below the said percentage rate	(36,910)	(78,005)
(-) Gross amount of receivables due from a private individual debtor (other than a farmer and sole trader/entrepreneur) for consumer loans, cash or other loans approved, except for the loans specified under the bullet above, which are recorded on accounts 102, 107 and 108 in accordance with NBS decision prescribing the chart of accounts and contents of the accounts within the chart of accounts for banks, which based on the maturity criterion meet condition for deduction from CET 1 capital:	(215,470)	(381,778)
<i>of which (-) whose contractual maturity is longer than 2920 days – if these loans are approved in period from January 1 to December 31 2019</i>	(7,954)	(15,316)
<i>of which (-) whose contractual maturity is longer than 2920 days – if these loans are approved in period from January 1 to December 31 2021</i>	(3,976)	(10,143)
<i>of which (-) whose contractual maturity is longer than 2190 days – if these loans are approved in period from January 1 to December 31 2022</i>	(203,540)	(356,319)
Total common equity Tier 1 capital - CET1	88,953,024	85,044,303
Additional Tier 1 capital - AT1	-	-
Total core Tier 1 capital - T1 (CET1 + AT1)	88,953,024	85,044,303
Supplementary capital - T2	3,518,460	-
Total regulatory capital (T1 + T2)	92,471,484	85,044,303

In both 2025 and 2024, the Bank achieved business indicators within the limits defined by NBS Decision on Capital Adequacy and Decision on Risk Management: basic share capital adequacy indicator - CET1 and capital adequacy indicator - T1 of 19.86% (in 2024: 21.34%) and capital adequacy indicator of 20.65% (in 2024: 21.34%).

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5. USE OF ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

These disclosures supplement the comments on financial risk management (Note 4).

Critical Accounting Estimates and Judgments in Applying the Bank's Accounting Policies

(i) Provisions for Expected Credit Losses

Impairment of financial assets is assessed in the manner described in note 3(k)(viii).

Under IFRS 9, measurement of ECL for all categories of financial assets requires estimates and judgements to be made, particularly those relating to determining the amount and expected timing of the future cash flows, both from operation and from collateral foreclosure upon determining the ECL and assessing whether there has been a significant credit risk increase. The said estimates are based on a number of factors, the combination and interaction of which may result in different amounts of expected credit loss provisions in different scenarios analyzed.

The Bank's ECL calculations are a result of complex models involving a number of assumptions concerning a selection of input variables and their interdependence. Elements of ECL models that are included in the accounting judgments and estimates include the following:

- the internal model for assessing credit quality, which is used to assign PD values to individual credit rating categories;
- the Bank's criteria for assessing whether there has been a significant credit risk increase, which consequently result in lifetime ECL calculation using the quantitative criteria (a change in PD compared to the initial recognition date of a financial asset) as well as qualitative assessments (forbearance or restructuring classification, 30 days past due or watch list 2 classification);
- segmentation of the financial assets when their ECL need to be assessed on a collective basis;
- development of ECL models, including various formulas and inputs to be selected;
- establishing relations between macroeconomic scenarios and economic inputs, such as GDP movements, movements in unemployment rates, salaries and interest rates and modelling of their relations and impacts on the used PD and LGD; and
- selection of macroeconomic forward-looking scenarios in collaboration with UniCredit Group and probability-weighting of those scenarios in order to arrive at the relation between the ECL models and possible economic trends.

In line with its internal policies, the Bank regularly reviews, maintains and adjusts its models within the context of its actually experienced credit losses.

The Bank assess impairment of financial assets and probable losses per off-balance sheet items for individually significant receivables on an individual basis. The individual impairment assessment involves determining whether there is objective evidence of impairment, i.e., whether the default status exists. The amount of impairment of financial assets is determined as the difference between the carrying value of each receivable and the present value of the expected future cash flows from the receivable, while the assessment of ECL per off-balance sheet items entails assessing recoverability of the future cash flows for each off-balance sheet commitment.

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5. USE OF ESTIMATES AND JUDGMENTS (Continued)

Critical Accounting Estimates and Judgments in Applying the Bank's Accounting Policies (Continued)

(i) Provisions for Expected Credit Losses (Continued)

The Bank assess impairment of financial assets and ECL per off-balance sheet items on a collective basis for all receivables where the impairment losses cannot be directly linked to the receivables but may be estimated to be present in the loan portfolio based on the experience.

Upon performing the said assessment, the Bank groups receivables according to their similar credit risk characteristics, which reflect the ability of the borrowers to settle their liabilities in accordance with contractual terms (portfolio segments, rating categories, etc.). Collective impairment assessment represents a joint estimate of the future cash flows for a group of receivables based on the historical information on the losses incurred in prior periods per receivables with credit risk characteristics similar to those in that group, in accordance with the Bank's methodology.

(ii) Measurement of Financial Instruments at Fair Value (Note 3 (k)(vii))

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(k)(vii). For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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

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

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

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5. USE OF ESTIMATES AND JUDGMENTS (Continued)

Critical Accounting Estimates and Judgments in Applying the Bank's Accounting Policies (Continued)

(ii) Measurement of Financial Instruments at Fair Value (Note 3 (k)(vii)) (Continued)

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

The Bank uses generally accepted models for determining the fair values of regular and common financial instruments such as interest rate and currency swaps, for which exclusively observable inputs are used, requiring less estimates and assumptions to be made by the management. Observable model inputs are mostly available on the market of the quoted debt and equity instruments, trading derivatives and simple derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for estimates and assumptions made by management and reduces uncertainty associated with determining fair value. Availability of observable market prices and inputs varies depending on the products and market; it is prone to changes caused by various events and general conditions prevailing in the future markets.

Level 2 securities are measured based on internally developed valuation model which basically relies on quoted market prices in active markets for similar instruments. Portfolio consists of bonds issued by Republic of Serbia and denominated in RSD and EUR currency. Output of the model is RSD and EUR valuation curve which is further used for calculation of Fair value of securities. Since secondary market for RSD denominated securities is relatively active, RSD valuation curve is constructed by using quoted yields on the secondary market for benchmark (the most liquid) securities with different maturities. On the other side, for EUR denominated securities curve is constructed based on EURIBOR money market curve with add-on spread realized on primary market auctions.

Both models for RSD and EUR curves are regularly back tested on yearly basis.

Level 3 securities are bonds which are not liquid or tradable on the market and they are valued by using discounted cash flow approach.

(iii) Estimated Useful Lives of Intangible Assets, Property and Equipment and Amortization/Depreciation Rates Used (Note 3 (q), 3 (r), 27 and 28)

The calculation of amortization/depreciation charge and amortization/depreciation rates applied are based on the estimated useful lives of intangible assets, property and equipment, which are subject to an ongoing review. The estimated useful lives are reviewed for adequacy at least annually, or more frequently if there is any indication that significant changes have occurred to the factors determining the previously defined estimated useful lives or other events affecting the estimated useful lives. Useful life estimates require the management to make significant estimates and judgments based on the historical experience with similar assets, as well as anticipated technical advancement and changes in economic and industrial factors that may affect the useful lives of assets.

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All amounts expressed in thousands of RSD, unless otherwise stated.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

Critical Accounting Estimates and Judgments in Applying the Bank's Accounting Policies (Continued)

(iv) Impairment of Non-Financial Assets (Note 3 (u))

At each reporting date, the Bank's management reviews the carrying amounts of the its non-financial assets other than investment property and deferred tax assets in order to determine the indications of impairment losses. 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 impairment loss. If the estimated recoverable amount of an asset is below its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is immediately recognized as an expense of the current period. Assessment of indicators and objective evidence of impairment requires the management to make significant estimates regarding the expected cash flows, discount rates and usage capacity of the assets subject to review.

(v) Fair value of property and investment property (Notes 3 (k)(vii), 3 (q), 3 (s), 28 and 29)

The Bank uses the fair value model for the valuation of investment property and the revaluation model for real estate that it uses for its own business purposes. Fair value measurement is performed regularly to reconcile the carrying amount at the end of the reporting period.

(vi) Deferred Tax Assets (Notes 3 (j) and 38)

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which such deferred tax assets may be utilized. The Bank's management needs to make prudent assessments of deferred tax assets which may be recognized, based on their period of inception and amounts, as well as on the amount of future taxable income and tax policy planning strategy.

(vii) Provisions for Litigations (Notes 3 (w) and 37)

The Bank is involved in a number of lawsuits and labor disputes. Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of past events, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Estimating the provisions for legal suits requires the Bank's management and Legal Unit to make significant estimates and judgments, including the estimate of the probability of negative suit outcomes and probable and reasonable estimates of loss amounts. The required provision amounts represent the best estimates made by the management based on the information available as at the reporting date. However, they may be subject to future changes due to new events taking place or new information obtained.

(viii) Provisions for Employee Benefits (Notes 3 (y) and 37)

The costs of provisions for employee retirement benefits determined by actuarial calculation. The actuarial calculation includes an assessment of the discount rate, future salary growth rate, future employee turnover rate and mortality rates. Actual outcome may vary significantly from the said estimates, particularly given the long term they relate to.

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6. FINANCIAL ASSETS AND LIABILITIES - ACCOUNTING CLASSIFICATION AND FAIR VALUES

The following tables show the breakdown of financial instruments measured at fair value at the end of the reporting period, grouped in fair value hierarchy levels:

	Note	Level 1	Level 2	Level 3	Total
2025					
Receivables under derivatives	21	-	1,233,090	-	1,233,090
Receivables under derivatives designated as risk hedging	25	-	269,117	-	269,117
Securities					
- at FVtPL	22	-	2,388,952	-	2,388,952
- at FVtOCI	22	18,986,573*	25,774,511	-	44,761,084
		18,986,573	29,665,670	-	48,652,243
Liabilities under derivatives	31	-	1,250,757	-	1,250,757
Liabilities per derivatives designated as risk hedging instruments	25	-	607,417	-	607,417
		-	1,858,174	-	1,858,174

* Securities at FVtOCI – Level 1 include bonds issued by the Republic of Serbia, denominated in EUR (Eurobonds) and listed in EU Stock Exchanges.

	Note	Level 1	Level 2	Level 3	Total
2024					
Receivables under derivatives	21	-	1,666,127	1,230	1,667,357
Receivables under derivatives designated as risk hedging	25	-	427,229	-	427,229
Securities					
- at FVtPL	22	117,009*	1,254,720	-	1,371,729
- at FVtOCI	22	11,841,158*	26,805,346	-	38,646,504
		11,958,167	30,153,422	1,230	42,112,819
Liabilities under derivatives	31	-	1,706,884	-	1,706,884
Liabilities per derivatives designated as risk hedging instruments	25	-	687,148	-	687,148
		-	2,394,032	-	2,394,032

* Securities at FVtPL and at FVtOCI – Level 1 include bonds issued by the Republic of Serbia, denominated in EUR and listed in EU Stock Exchanges.

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6. FINANCIAL ASSETS AND LIABILITIES - ACCOUNTING CLASSIFICATION AND FAIR VALUES (Continued)

(i) Fair Value Hierarchy for Assets and Liabilities Other than Measured at Fair Value

Estimated fair values of financial assets and liabilities other than measured at fair value are provided in the table below, according to the fair value hierarchy levels under IFRS 13:

	Note	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
2025						
Cash and balances held with the central bank	20	-	156,145,766	-	156,145,766	156,147,442
Securities						
- securities measured at amortized cost (AC)	22	7,168,979*	61,606,404	2,015,695	70,791,078	69,753,323
Loans and receivables due from banks and other financial institutions	23	-	-	57,023,556	57,023,556	57,017,536
Loans and receivables from clients	24	-	-	427,205,654	427,205,654	418,162,235
Other assets	30	-	-	3,737,232	3,737,232	3,737,232
		7,168,979	217,752,170	489,982,137	714,903,286	704,817,768
Deposits and other liabilities due to banks, other financial institutions and the central bank	32	-	-	139,904,895	139,904,895	139,443,381
Deposits and other liabilities due to customers	33	-	-	481,777,129	481,777,129	481,835,967
Liabilities under securities	35	-	-	6,012,951	6,012,951	6,012,951
Subordinated liabilities	36	-	-	3,556,844	3,556,844	3,556,844
Other liabilities	39	-	-	8,441,359	8,441,359	8,441,359
		-	-	639,693,178	639,693,178	639,290,502

* Securities at amortized cost (AC) – Level 1 include bonds issued by the Republic of Serbia, denominated in EUR and listed in EU Stock Exchanges.

	Note	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
2024						
Cash and balances held with the central bank	20	-	191,323,140	-	191,323,140	191,329,015
Securities						
- securities measured at amortized cost (AC)	22	3,970,909*	60,194,440	-	64,165,349	62,850,289
Loans and receivables due from banks and other financial institutions	23	-	-	73,128,695	73,128,695	73,209,401
Loans and receivables from clients	24	-	-	363,245,377	363,245,377	363,949,161
Other assets	30	-	-	3,125,031	3,125,031	3,125,031
		3,970,909	251,517,580	439,499,103	694,987,592	694,462,897
Deposits and other liabilities due to banks, other financial institutions and the central bank	32	-	-	154,099,479	154,099,479	150,978,516
Deposits and other liabilities due to customers	33	-	-	465,469,969	465,469,969	463,782,795
Other liabilities	39	-	-	8,329,125	8,329,125	8,329,125
		-	-	627,898,573	627,898,573	623,090,436

* Securities at amortized cost (AC) – Level 1 include bonds issued by the Republic of Serbia, denominated in EUR and listed in EU Stock Exchanges.

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

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6. FINANCIAL ASSETS AND LIABILITIES - ACCOUNTING CLASSIFICATION AND FAIR VALUES (Continued)

(i) *Fair Value Hierarchy for Assets and Liabilities Other than Measured at Fair Value (Continued)*

Valuation techniques and models the Bank uses for fair value calculations are disclosed in Note 5(ii).

(ii) *Assets The Fair Values of which Approximate their Carrying Values*

For high liquid financial assets and financial liabilities that have a short-term original maturity (less than one year) it is assumed that the carrying amounts approximate their fair values. The basic assumption used here is that in the near term, for high liquid assets, no significant market changes will occur that can affect the fair value. This assumption is also applied to demand deposits and savings accounts without specified maturity.

(iii) *Financial Instruments with Fixed Interest Rates*

The fair values of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments. The estimated fair values of fixed interest-bearing financial instruments are based on discounted cash flows using prevailing money-market interest rates for financial instruments with similar credit risk characteristics and maturities.

Financial assets held to maturity and loans and deposits include a portion of the loan portfolio at fixed interest rates, which causes differences between the carrying amounts and fair values of such instruments.

7. NET INTEREST INCOME

Net interest income includes:

	2025	2024
Interest income from		
Cash and balances held with the central bank	1,275,291	1,201,636
Securities at fair value through OCI	1,170,663	1,011,174
Securities at amortized cost	2,970,861	2,691,530
Loans and receivables due from banks and other financial institutions	4,676,559	5,272,959
Loans and receivables from clients	26,006,975	27,743,743
Total interest income using effective interest rate	36,100,349	37,921,042
Securities at fair value through profit or loss	128,644	128,933
Receivables under derivative financial instruments	512,198	1,022,044
Financial derivatives and assets held for risk hedging purposes	1,183,318	1,180,976
Total interest income	37,924,509	40,252,995
Interest expenses from		
Liabilities under derivative financial instruments	(521,456)	(1,042,233)
Liabilities per financial derivatives designated as risk hedging instruments	(313,002)	(291,065)
Deposits and other liabilities due to banks, other financial institutions and the central bank	(4,887,895)	(6,480,197)
Deposits and other liabilities due to customers	(4,585,017)	(5,117,012)
Liabilities under securities	(22,396)	-
Lease liabilities	(90,652)	(50,161)
Total interest expenses	(10,420,418)	(12,980,668)
Net interest income	27,504,091	27,272,327

In accordance with the Bank's accounting policy 3 (d), interest income from non-performing impaired loans amounted to RSD 428,401 thousand in 2025 (2024: RSD 555,078 thousand).

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8. NET FEE AND COMMISSION INCOME

Net fee and commission income includes:

	Private individuals		Corporate Clients		Total	
	2025	2024	2025	2024	2025	2024
Fee and commission income						
Payment transfer activities	544,021	494,280	2,312,236	2,207,591	2,856,257	2,701,871
Fees related loans	47,294	54,840	770,592	853,430	817,886	908,270
Fees arising from card operations	808,077	733,898	2,556,225	2,309,784	3,364,302	3,043,682
Maintaining of current accounts	884,974	798,496	195,515	202,434	1,080,489	1,000,930
Brokerage fees	1,781	1,031	4,301	14,918	6,082	15,949
Custody fees	1,446	225	400,936	382,938	402,382	383,163
Fee on foreign exchange purchases/sales and foreign cash transactions	568,260	460,272	3,921,137	3,243,415	4,489,397	3,703,687
Other fees and commissions	108,127	122,359	395,296	475,828	503,423	598,187
Total fee and commission income from contracts with customers	2,963,980	2,665,401	10,556,238	9,690,338	13,520,218	12,355,739
Fees on issued guarantees and other contingent liabilities	3,481	3,775	1,381,355	1,219,586	1,384,836	1,223,361
Total fee and commission income	2,967,461	2,669,176	11,937,593	10,909,924	14,905,054	13,579,100
Fee and commission expenses						
Payment transfer activities	-	-	(598,987)	(554,615)	(598,987)	(554,615)
Fees arising from card operations	-	-	(2,827,424)	(2,307,567)	(2,827,424)	(2,307,567)
Fees arising on guarantees, sureties and letters of credit	-	-	(7,894)	(10,329)	(7,894)	(10,329)
Fee arising on foreign exchange purchases/sales and foreign cash transactions	(50,131)	(47,609)	(1,467,936)	(1,022,996)	(1,518,067)	(1,070,605)
Other fees and commissions	-	-	(189,204)	(172,362)	(189,204)	(172,362)
Total fee and commission expenses	(50,131)	(47,609)	(5,091,445)	(4,067,869)	(5,141,576)	(4,115,478)
Net fee and commission income	2,917,330	2,621,567	6,846,148	6,842,055	9,763,478	9,463,622

9. NET GAINS ON THE CHANGES IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS

Net gains on the changes in the fair value of financial instruments include:

	2025	2024
Net gains on the changes in the fair value of derivatives at FVtPL	345,552	237,823
Net losses on the changes in the fair value of securities at FVtPL	(3,354)	(23,168)
Net gains on the changes in the fair value of financial instruments	342,198	214,655

10. NET GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE

Net gains/(losses) on derecognition of financial instruments measured at fair value include:

	2025	2024
Net gains/(losses) on derecognition of securities measured at FVtOCI	119,997	(382,221)
Net gains on derecognition of securities measured at FVtPL	181,007	328,246
Net gains/(losses) on the changes in the fair value of financial instruments	301,004	(53,975)

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All amounts expressed in thousands of RSD, unless otherwise stated.

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

Net foreign exchange (losses)/gains and currency clause effects include:

	2025	2024
Foreign exchange gains and currency clause effects	27,989,802	19,643,789
Foreign exchange losses and currency clause effects	<u>(28,114,896)</u>	<u>(19,472,379)</u>
Net foreign exchange (losses)/gains	<u>(125,094)</u>	<u>171,410</u>

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

Net gains on impairment of financial assets not measured at fair value through profit or loss include:

	2025	2024
Financial instruments at amortized costs		
Net decrease in individual impairment allowance	671,883	255,026
Net (increase) in collectively assessed impairment	<u>(968,932)</u>	<u>(89,089)</u>
	(297,049)	165,937
Net decrease/(increase) in impairment charge per securities measured at FVtOCI	49,211	(47,501)
Contingent liabilities		
Net decrease in individual impairment allowance (Note 37.2)	174,780	133,085
Net decrease/(increase) in collectively assessed impairment (Note 37.2)	<u>(310,612)</u>	<u>153,745</u>
	(135,832)	286,830
Net gains/(losses) on modification*	935	(509,089)
Write-offs	(6,471)	(8,967)
Recovery of the receivables previously written off	<u>670,398</u>	<u>596,102</u>
Total gains	<u>281,192</u>	<u>483,312</u>

* In 2024, the position "Net gains/(losses) on modification" includes the modification loss recognized by the Bank based on the implementation of the Decision on the temporary limitation of interest rates for credit contracts concluded with private individuals adopted by the National Bank of Serbia ("Official Gazette" No. 102/2024) in the amount RSD 516,190 thousand which are fully amortized and recognized during 2025 in position "Interest income".

13. NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST

Net gains on derecognition of financial assets measured at amortized cost include:

	2025	2024
Gains on the sales of placements measured at amortized cost	<u>-</u>	<u>150,618</u>
Total net gains	<u>-</u>	<u>150,618</u>

14. OTHER OPERATING INCOME

Other operating income includes:

	2025	2024
Rental income, reimbursement and other operating income	<u>336,723</u>	<u>205,599</u>
Total other operating income	<u>336,723</u>	<u>205,599</u>

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15. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES

Salaries, salary compensations and other personal expenses include:

	2025	2024
Employee salaries, net	(2,837,623)	(2,622,384)
Payroll taxes and contributions	(1,129,129)	(1,041,159)
Net expenses per provisions for employee retirement benefits and unused annual leaves	(15,287)	(30,301)
Other personnel expenses	(734,640)	(540,709)
Total personnel expenses	(4,716,679)	(4,234,553)

16. DEPRECIATION/AMORTIZATION CHARGE

Depreciation/amortization charge includes:

	2025	2024
Amortization charge for intangible assets (Notes 27.2, 27.3)	(532,551)	(558,871)
Depreciation charge for property, plant and equipment (Notes 28.2, 28.3)	(274,917)	(257,289)
Depreciation charge for right-of-use assets (Note 28.5, 28.6)	(431,522)	(508,659)
Total depreciation/amortization charge	(1,238,990)	(1,324,819)

17. OTHER INCOME

Other income includes:

	2025	2024
Reversal of provisions for litigations (Note 37.2)	978,637	912,461
Gains on the valuation of investment property	26	3,983
Other income	200,872	358,814
Total other income	1,179,535	1,275,258

The item "Other income" includes compensation for damages from insurance companies and similar income.

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18. OTHER EXPENSES

18.1. Other expenses include:

	2025	2024
Business premises costs	(194,992)	(181,420)
Office and other supplies	(77,085)	(59,201)
Rental costs (Note 18.2)	(446,826)	(438,073)
Information system and applications maintenance	(1,472,476)	(1,245,276)
Property and equipment maintenance	(106,456)	(88,440)
Marketing, advertising, entertainment, culture and donations	(358,852)	(303,696)
Lawyer fees, other consultant and research services and auditing fees	(313,564)	(275,359)
Telecommunications and postage services	(150,148)	(118,560)
Insurance premiums	(1,116,129)	(1,034,387)
Security services – for property and money transport and handling	(302,185)	(256,076)
Professional training costs	(25,301)	(35,033)
Servicing costs	(122,605)	(121,412)
Transportation services	(9,790)	(10,499)
Employee commuting allowances	(25,782)	(37,888)
Accommodation and meal allowances – business travel costs	(23,748)	(27,635)
Other taxes and contributions	(656,218)	(616,242)
Provisions for litigations (Note 37.2)	(651,398)	(934,875)
Losses on the valuation of investment property	(5,394)	(15)
Losses on disposal, retirement and impairment of property, equipment and intangible assets	(5,895)	(5,050)
Other costs	(1,112,708)	(973,899)
Total other expenses	(7,177,552)	(6,763,036)

The item "Other costs" refers to court and administrative fee expenses, costs for occupational safety and environmental protection, costs of participation in financing persons with disabilities, costs of personalization and distribution of payment cards, costs of printing and envelopes, costs of using licenses for up to one year, costs related to lost litigations, archiving and scanning costs, compensation costs from regular business and similar expenses.

18.2. Rental costs of RSD 446,826 thousand incurred in 2025 relate to the costs which, in line with IFRS 16 and the Bank's accounting policy (Note 3.t) are not included in the measurement of the lease liability. The breakdown of the said rental costs is provided in the table below:

	2025	2024
Rental cost per leases with low-value underlying assets	(193,898)	(177,847)
Rental costs per short-term leases	(8,629)	(9,959)
VAT payable per leases recognized in accordance with IFRS 16	(78,655)	(90,039)
Assets not identifiable in accordance with IFRS 16	(163,050)	(159,104)
Variable lease payments	(1,455)	(849)
Other	(1,139)	(275)
Total	(446,826)	(438,073)

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19. INCOME TAXES

19.1. Basic components of income taxes as at December 31 were as follows:

	2025	2024
Current income tax expense	(3,108,393)	(3,286,001)
Decrease in deferred tax assets and increase in deferred tax liabilities	<u>(111,045)</u>	<u>(80,995)</u>
Total	<u>(3,219,438)</u>	<u>(3,366,996)</u>

19.2. Numerical reconciliation of the effective tax rate is provided below:

	2025	2024
Profit before taxes	<u>26,443,070</u>	<u>26,855,937</u>
Income tax at the legally prescribed tax rate of 15%	(3,966,460)	(4,028,391)
<i>Tax effects of permanent differences:</i>		
Tax effects of expenses not recognized for tax purposes	(17,608)	(13,565)
Tax effects of income adjustment relate to interest on debt securities issued by RS	758,810	677,961
Tax effects of income adjustment achieved from the cancellation of unused long-term provisions that were not recognized as an expense in the tax period in which they were incurred	146,796	139,926
Tax effects of income adjustment on the basis of written-off, adjusted and other receivables, which are not recognized as expenses, and which are subsequently charged	3,410	3,056
<i>Tax effects of temporary differences:</i>		
Differences in amortization for tax and accounting purposes	11,020	11,805
Tax effects of IAS 19	(1,456)	(1,379)
Tax effects of losses which will be recognized in future periods	(116,307)	(148,088)
Tax effects of reductions of current tax according to legal regulations and IFRS application	<u>73,402</u>	<u>72,674</u>
Tax effects presented in the income statement	<u>(3,108,393)</u>	<u>(3,286,001)</u>
<i>Effective tax rate</i>	11.76%	12.24%

19.3. Income taxes recognized within other comprehensive income are provided below:

	2025			2024		
	Before taxes	Tax expense	After taxes	Before taxes	Tax expense	After taxes
Positive effects on the change in the fair value of debt instruments at FvtOCI	31,629	(4,744)	26,885	1,730,072	(259,511)	1,470,561
Increase in revaluation reserves based on intangible assets and fixed assets (Notes 41.3)	4,080	(613)	3,467	109,025	(16,354)	92,671
Actuarial gains	33,086	(4,963)	28,123	34,725	(5,209)	29,516
(Losses)/Gains on cash flow hedging instruments	(25,457)	3,819	(21,638)	115,488	(17,323)	98,165
Balance at December 31	<u>43,338</u>	<u>(6,501)</u>	<u>36,837</u>	<u>1,989,310</u>	<u>(298,397)</u>	<u>1,690,913</u>

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19. INCOME TAXES (Continued)

19.4. The calculated current income tax payable for the year 2025 amounted to RSD 3,108,393 thousand (for 2024: RSD 3,286,001 thousand). Given that the calculated amount of the tax payable was above the sum of the monthly income tax advance payments the Bank paid during the year, as of December 31, 2025, the Bank reported current tax liabilities in the amount of RSD 96,225 thousand (for 2024: current tax liabilities of RSD 1,093,818 thousand).

20. CASH AND BALANCES HELD WITH THE CENTRAL BANK

20.1. Cash and balances held with the central bank include:

	2025	2024
RSD cash on hand	9,141,439	6,501,775
Gyro account balance	91,799,989	97,673,774
Foreign currency cash on hand	1,989,510	1,824,488
Other foreign currency cash funds	35,262	35,205
Liquid surplus funds deposited with NBS	13,001,625	47,005,875
Obligatory foreign currency reserve held with NBS	40,179,628	38,287,906
	<u>156,147,453</u>	<u>191,329,023</u>
Impairment allowance	<u>(11)</u>	<u>(8)</u>
Balance at December 31	<u>156,147,442</u>	<u>191,329,015</u>

The gyro account balance includes the RSD required reserves, which represent the minimum amount of RSD reserves allocated in accordance with the Decision on Required Reserves Held with the NBS. In accordance with the said Decision, the required RSD reserves are calculated based on the average daily carrying amount of RSD deposits, loans, securities and other RSD liabilities during a single calendar month, using rates from 2% to 7% depending on the agreed maturity and source of financing, and then held in the bank's gyro account. The bank is obliged to maintain the average daily balance of the calculated dinar required reserve. During 2025, the NBS paid interest on the required reserve at the rate of 0.75% per year.

NBS, in accordance with the Decision on Interest Rates Applied by the NBS in the Monetary Policy Implementation Procedure, in order to mitigate the economic consequences of the COVID-19 pandemic, calculated dinar required reserves, pays interest at an interest rate increased by 0.50% on an annual basis. The amount on which interest is calculated on that basis is determined in the amount of the average daily balance of dinar loans that meet the conditions prescribed by the Decree, or the Law establishing a guarantee scheme as a measure of economic support to mitigate the consequences of the COVID-19 SARS-CoV-2 if each individual loan included in that balance is approved at an interest rate that is at least 0.50% lower than the maximum interest rate prescribed by the Decree or the Law for loans approved in RSD. The last time interest was collected on this basis was with the calculation of the required reserve for June 2025.

The required foreign currency reserve with the NBS represents the minimum foreign currency reserve amount allocated in accordance with the Decision on Required Reserves Held with the NBS. In accordance with the said Decision, the required foreign currency reserves are calculated based on the average daily carrying amount of foreign currency deposits, loans and other foreign currency liabilities or those in RSD with a currency clause index (EUR to RSD) during a single calendar month. The required foreign currency reserve rate is 23% on foreign currency liabilities up to two years and 16% on foreign currency liabilities over two years. The rate applied to the portion of the foreign currency reserve comprised of RSD liabilities with a currency clause index was 100%.

The Bank is obliged to keep the average daily balance of allocated foreign currency reserves at the level of the calculated foreign currency reserve requirements. Foreign currency obligatory reserve does not accrue interest.

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20. CASH AND BALANCES HELD WITH THE CENTRAL BANK (Continued)

20.2. Movements on the account of impairment allowance of cash and balances held with the central bank during the year are provided in the table below:

	Individual		Collective	
	2025	2024	2025	2024
Balance at January 1	-	-	(8)	(8)
Impairment losses:				
Change for the year	-	-	(3)	-
Total for the year	-	-	(3)	-
Balance at December 31	-	-	(11)	(8)

21. RECEIVABLES UNDER DERIVATIVE FINANCIAL INSTRUMENTS

Receivables under derivative financial instruments include:

	2025	2024
Receivables per forward revaluation and currency swaps	13,889	19,563
Receivables per interest rate swaps	1,219,201	1,647,794
Balance at December 31	1,233,090	1,667,357

22. SECURITIES

22.1. Securities include:

	2025	2024
Securities measured at amortized cost	69,834,148	63,032,961
Securities measured at fair value through OCI	44,80,691	38,748,762
Securities measured at fair value through profit or loss	2,388,952	1,371,729
Total	117,026,791	103,153,452
Impairment allowance	(123,432)	(284,930)
Balance at December 31	116,903,359	102,868,522

22.2. Movements on the account of impairment allowance of securities at AC and at FVtOCI during the year are provided in the table below:

	Individual		Collective	
	2025	2024	2025	2024
Balance at January 1	-	-	(284,930)	(271,187)
Impairment losses:				
Change for the year	-	-	151,105	(67,788)
Foreign exchange effects	-	-	(96)	102
Effects of the sales of securities	-	-	10,489	53,943
Total for the year	-	-	161,498	(13,743)
Balance at December 31	-	-	(123,432)	(284,930)

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22. SECURITIES (Continued)

22.2 Breakdown of securities per measurement and issuer is presented in the table below:

	Measurement	2025	2024
Receivables discounted bills of exchange	AC	22,770	21,523
Corporate bonds	AC	2,001,779	-
	AC	62,411,478	57,620,101
Bonds issued by the Republic of Serbia	FVtOCI	28,474,410	27,469,542
	FVtPL	2,388,952	1,371,729
	FVtOCI	16,286,674	11,176,962
Bonds of the Republic of Serbia – hedged items	AC	5,317,296	5,208,665
Balance at December 31		116,903,359	102,868,522

As of December 31, 2025, the Bank's receivables per discounted bills of exchange of RSD 22,770 thousand represent investments with maturities of up to a year and at a discount rate equal to 1-month BELIBOR plus 2.80% to 3% per annum.

As of December 31, 2025, the Bank's securities measured at amortized cost include investments in corporate bonds ("mini bonds") in the amount of RSD 2,001,779 thousand with a maturity date of 2032 year and investments of RSD 62,411,478 thousand refer to the investments in the bonds issued by the Republic of Serbia maturing up to 2035.

As of December 31, 2025, the Bank's securities measured at fair value through other comprehensive income of RSD 28,474,410 thousand pertain to the investments in the bonds issued by the Republic of Serbia maturing up to 2033.

As of December 31, 2025, the Bank's securities measured at fair value through profit or loss of RSD 2,388,952 thousand pertain to the investments in the bonds issued by the Republic of Serbia maturing up to 2037.

As of December 31, 2025, the Bank's securities measured at fair value through other comprehensive income totaling RSD 16,286,674 thousand refer to the investments in the bonds issued by the Republic of Serbia as hedged items, with maturities up to 2033.

Investments in securities measured at amortized cost of RSD 5,317,296 refer to the investments in bonds issued by the Republic of Serbia as hedged items, with maturities up to 2035.

For protection of the bonds of the Republic of Serbia against the interest rate risk, the Bank implemented fair value micro hedging (note 25).

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23. LOANS AND RECEIVABLES DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

23.1. Loans and receivables due from banks and other financial institutions include:

	2025	2024
Foreign currency accounts held with:		
- other banks within UniCredit Group	1,474,476	2,022,341
- other foreign banks	960,164	1,301,068
Total foreign currency accounts	<u>2,434,640</u>	<u>3,323,409</u>
Overnight deposits:		
- in foreign currency	14,816,894	29,653,983
Total overnight deposits	<u>14,816,894</u>	<u>29,653,983</u>
Guarantee foreign currency deposit placed for purchase and sale of securities	4,691	4,681
Foreign currency earmarked deposits	201,856	37,309
Short-term loans:		
- in RSD	1,177,781	7,317
Total short-term loans	<u>1,177,781</u>	<u>7,317</u>
Long-term loans:		
- in RSD	1,480,627	3,404,100
Total long-term loans	<u>1,480,627</u>	<u>3,404,100</u>
REPO with NBS in RSD	36,886,340	36,795,248
Factoring in foreign currency	27,249	-
Total	<u>57,030,308</u>	<u>73,226,047</u>
Impairment allowance	<u>(12,772)</u>	<u>(16,646)</u>
Balance at December 31	<u>57,017,536</u>	<u>73,209,401</u>

23.2. Movements on the account of impairment allowance of loans and receivables due from banks during the year are provided in the table below:

	Individual		Collective	
	2025	2024	2025	2024
Balance at January 1	-	-	(16,646)	(5,079)
Impairment losses:				
Change for the year	-	-	2,664	(11,548)
Foreign exchange effects	-	-	1,210	(19)
Write-off without debt acquittal	-	-	-	-
Total for the year	<u>-</u>	<u>-</u>	<u>3,874</u>	<u>(11,567)</u>
Balance at December 31	<u>-</u>	<u>-</u>	<u>(12,772)</u>	<u>(16,646)</u>

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23. LOANS AND RECEIVABLES DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

23.3. The Bank's balances/foreign currency accounts held with banks members of UniCredit Group are listed below:

	2025	2024
UniCredit Bank Austria AG, Vienna	687,919	1,104,716
UniCredit Bank AG, Munich	74,222	14,663
UniCredit Bank Hungary Z.r.t., Hungary	31,244	336,679
UniCredit Bank Czech Republic and Slovakia A.S.	145	115,970
UniCredit S.P.A. Milan	671,730	416,878
Zagrebačka banka	242	-
UniCredit Bank BIH	130	935
UniCredit Bank ZAO Moscow	8,844	32,500
	<u>1,474,476</u>	<u>2,022,341</u>
Balance at December 31	1,474,476	2,022,341

24. LOANS AND RECEIVABLES FROM CLIENTS

24.1. Loans and receivables from clients include:

	2025	2024
Short-term loans:		
- in RSD	46,894,549	50,944,741
- in foreign currencies	151,123	148,025
Total short-term loans	<u>47,045,672</u>	<u>51,092,766</u>
Long-term loans:		
- in RSD	345,734,051	297,565,635
- in foreign currencies	22,048,162	20,455,139
Total long-term loans	<u>367,782,213</u>	<u>318,020,774</u>
Receivables in respect of acceptances, sureties and payments made per guarantees:		
- in RSD	121,817	27,906
Total	<u>121,817</u>	<u>27,906</u>
RSD factoring receivables		
- in RSD	12,512,704	5,128,255
- in foreign currencies	100,083	106,753
Total factoring receivables	<u>12,612,787</u>	<u>5,235,008</u>
Total	<u>427,562,489</u>	<u>374,376,454</u>
Impairment allowance	<u>(9,400,254)</u>	<u>(10,427,293)</u>
Balance at December 31	418,162,235	363,949,161

Loans with a currency clause index (EUR, CHF, USD) are presented within RSD loans in the above table.

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24. LOANS AND RECEIVABLES FROM CLIENTS (Continued)

24.2. Movements on the account of impairment allowance of loans and receivables from clients during the year are provided in the table below:

	Individual		Collective	
	2025	2024	2025	2024
Balance at January 1	(3,171,622)	(5,025,590)	(7,255,671)	(7,844,020)
Impairment losses:				
Change for the year	584,782	72,765	(1,058,790)	(148,722)
Foreign exchange effects	(5,810)	4,398	(6,949)	4,087
Unwinding (time value)	9,655	19,326	4,094	1,131
Effects of the portfolio sales	-	821,985	-	-
Write-off with debt acquittal	-	-	15	343
Write-off without debt acquittal*	316,079	935,494	1,183,963	731,510
Total for the year	904,706	1,853,968	122,333	588,349
Balance at December 31	(2,266,916)	(3,171,622)	(7,133,338)	(7,255,671)

*Write-off without debt acquittal, i.e., accounting write-off, is a write-off of receivables made in accordance with the Decision on the Accounting Write-Off of Bank Balance Sheet Assets of the NBS (Official Gazette of RS no. 77/2017), effective as from September 30, 2017. In line with the said Decision, the Bank writes off balance sheet assets with highly unlikely recoverability, i.e., makes a full accounting write-off of impaired receivables. Within the meaning of the aforesaid Decision, the accounting write-off entails transfer of the written-off receivables from the Bank's balance sheet assets to its off-balance sheet items.

24.3. Breakdown of loans and receivables from clients is provided below:

	2025		
	Gross Amount	Impairment Allowance	Carrying Amount
Public sector	34,766,092	(36,323)	34,729,769
Corporate customers	259,741,946	(5,637,219)	254,104,727
Retail customers	133,054,451	(3,726,712)	129,327,739
Balance at December 31	427,562,489	(9,400,254)	418,162,235

	2024		
	Gross Amount	Impairment Allowance	Carrying Amount
Public sector	24,493,640	(67,765)	24,425,875
Corporate customers	234,151,197	(6,266,653)	227,884,544
Retail customers	115,731,617	(4,092,875)	111,638,742
Balance at December 31	374,376,454	(10,427,293)	363,949,161

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24. LOANS AND RECEIVABLES FROM CLIENTS (Continued)

Corporate loans were mostly approved for maintaining current liquidity (current account overdrafts), financing working capital and investments. They were used for funding business activities in trade and services, manufacturing industry, construction industry, agriculture and food industry and other purposes. Short-term loans were approved for periods ranging from 30 days to a year. Interest rates on short-term loans with a currency clause index ranged from 1-month, 3-month or 6-month EURIBOR increased by 2.84% on the average, while RSD short-term loans accrued interest at the rates between 1-month, 3-month or 6-month BELIBOR increased by 1.83% on the average.

Long-term corporate loans were approved for periods up to 10 years. Interest rate applied to long-term loans with a currency clause index ranged from 1-month, 3-month or 6-month EURIBOR increased by 2.72% annually on the average, while RSD long-term loans accrued interest at the rates between 1-month, 3-month or 6-month BELIBOR increased by 2.38% annually on the average, in line with the other costs and the Bank's interest rate policy. Besides, Bank granted long term loans in RSD with fix interest rates.

The Bank offers housing loans with fixed, variable and combined interest rates. Housing loans indexed in EUR for households are approved with a repayment period of 60 to 360 months in the case of the variable and combined interest rate option, or up to 240 months in the case of fixed interest rate loans. In addition to the above-mentioned types of loans, in 2025 the Bank joined the state loan program for young people, and in accordance with the Law on Establishing a Guarantee Scheme and Subsidizing Part of the Interest as a measure to support young people in purchasing their first residential property, within which loans are realized with a combined interest rate subsidized by the Republic of Serbia during the first six years, with a maximum amount of EUR 100,000 in dinar equivalent and a maximum term of 480 months. During 2025, based on the Decision of the National Bank of Serbia and the new Customer Protection Law, the Bank applied a nominal interest rate limit of 5%.

Loans with a fixed nominal interest rate, and for amounts over EUR 200,000, were realized at an interest rate ranging from 4.75% to 4.99%. Loans with a combined nominal interest rate, also for amounts over EUR 200,000, are realized at an interest rate that is fixed for the first 60 months, in the amount of 4.50%-4.99%, while after that period the interest rate is realized in the amount of 1.70%-2.30% increased by the six-month EURIBOR. Loans with a variable interest rate were realized at an interest rate of 1.60%-2.30% increased by the six-month EURIBOR.

The bank also offers housing loans for private individuals in dinars that are approved for a period of 240 months, with a variable interest rate of 5% increased by the six-month BELIBOR, with the application of a regulatory limit of 5% until the end of 2025.

Concluding with the end of 2024, the implementation of the Decision on temporary measures for banks related to housing loans to private individuals was completed, which prescribes temporary measures and activities aimed at preserving the stability of the financial system, which commercial banks are obliged to implement in order to protect borrowers - beneficiaries of housing loans and the stability of the financial system. From January 1, 2025, the new Decision of the National Bank of Serbia on the temporary limitation of interest rates for credit contracts concluded with the user – private individual, to which the limitation of the variable nominal interest rate of existing and new loans, housing loans with a fixed interest rate is applied, with the introduction of the maximum effective interest rate. In addition to the aforementioned restrictions on loans for private individuals, a limitation in the form of the maximum effective interest rate for permitted overdrafts and credit cards was also introduced.

The temporary restrictions on interest rates by the aforementioned Decision entered into force on January 1, 2025, and continued through the implementation of the new Law on the Protection of Users of Financial Services from March 2025. In addition to the already valid restrictions, as of January 1, 2026, the 5% limit on the nominal interest rate will cease to apply and the limit based on the average weighted interest rate published by the National Bank of Serbia, twice a year, on its website, will begin to apply.

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24. LOANS AND RECEIVABLES FROM CLIENTS (Continued)

During September 2025, based on the results of the analysis of active and passive interest rates, costs of funding costs as well as availability of credit products to certain categories of natural persons, the NBS recommended to banks the consideration of an additional reduction of interest rates for cash, consumer and housing loans. In accordance with the above, on September 15, 2025, Bank amended and adjusted the sales prices of cash and housing loans in accordance with the Supervisory expectations of the NBS, making the special offer even more attractive since the offer is not limited/linked to the amount of the loan or client's salary, so that it is available to a wider range of clients than the regulator had foreseen. The expected duration of the special offer is until September 15, 2026.

The Bank has implemented cash flow hedging to hedge against exposure to changes in cash flows of loan interest which have variable interest rate by using interest rate swaps (note 25).

24.4. The concentration of total loans and receivables from clients per industry was as follows:

	2025	2024
Corporate customers		
- Energy	27,951,468	20,676,795
- Agriculture	3,859,855	3,467,253
- Construction industry	27,362,351	21,796,300
- Mining and industry	61,262,505	69,160,022
- Trade	41,583,484	36,585,122
- Services	57,215,231	46,035,679
- Transportation and logistics	29,104,932	22,979,519
- Other	11,402,120	13,450,507
	<u>259,741,946</u>	<u>234,151,197</u>
Public sector	34,766,092	24,493,640
Retail customers		
- Private individuals	122,819,119	106,602,079
- Entrepreneurs	10,235,332	9,129,538
	<u>133,054,451</u>	<u>115,731,617</u>
Total	<u>427,562,489</u>	<u>374,376,454</u>
Impairment allowance	(9,400,254)	(10,427,293)
Balance at December 31	<u>418,162,235</u>	<u>363,949,161</u>

Structure of loans and receivables to private individuals per loan type is presented in table below:

	2025	2024
- Overdrafts	760,898	706,502
- Consumer loans	59,539	118,941
- Working capital loans	1,165,388	1,091,460
- Investment loans	3,498,638	3,261,602
- Mortgage loans	43,543,342	39,780,073
- Cash loans	71,923,533	60,062,121
- Credit cards	1,867,781	1,581,380
	<u>122,819,119</u>	<u>106,602,079</u>
Total	<u>122,819,119</u>	<u>106,602,079</u>

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24. LOANS AND RECEIVABLES FROM CLIENTS (Continued)

Loans to private individuals also include loans to registered agricultural producers.

The Bank manages credit risk concentration in portfolio by determining limits. Limits are determined by internal acts and/or NBS regulations, and they are regularly monitored and reported on. With defining industrial limits, geographical limits, limit of leverage transactions and through regular monitoring and reporting of portfolio exposure per segments, products, collateral types etc. the Bank controls credit risk at portfolio level.

25. HEDGE ACCOUNTING

Net losses on risk hedging include:

	2025	2024
Net (losses)/gains on the change in the value of hedged loans, receivables and securities	(5,297)	243,531
Net losses on the change in the value of derivatives designated as risk hedging instruments	(1,539)	(248,012)
Net losses on risk hedging	(6,836)	(4,481)

25.1. Fair value hedge

The Bank applies accounting for the protection against the risk of bonds of the Republic of Serbia using interest rate swaps as a hedging instrument, while the hedged risk is interest rate risk

Information about remaining maturity of interest rate swaps are presented in the following table:

	Maturity 2025			Maturity 2024		
	Less than 1 year	1-5 years	More than 5 years	Less than 1 year	1-5 years	More than 5 years
Nominal amount	-	16,561,391	5,864,100	-	16,581,011	-
Average fixed interest rate	-	1.62%	2.42%	-	1.62%	-

The amounts relating to hedging instrument are presented in the following table:

Instrument	Line item in the statement of financial position	2025			2024		
		Nominal amount	Carrying amount		Nominal amount	Carrying amount	
			Assets	Liabilities		Assets	Liabilities
Interest rate swap	Receivables under derivatives designated as risk hedging instruments	14,485,500	228,343	-	9,829,251	338,442	-
Interest rate swap	Liabilities under derivatives designated as risk hedging instruments	7,939,991	-	120,937	6,751,760	-	176,956

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25. HEDGE ACCOUNTING (Continued)

25.1. Fair value hedge (Continued)

The amounts relating to items designated as hedged items and hedge effectiveness at December 31, 2025 were as follows:

Hedged item	Line item in the statement of financial position	Carrying amount	Change in fair value of instrument used for calculating hedge ineffectiveness	Change in value of hedged item used for calculating hedge ineffectiveness	Line item in the income statement	Ineffectiveness recognised in profit or loss	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
							Assets	Liabilities	
Bonds issued by the Republic of Serbia carried at FVtOCI	Securities	16,286,674	189,437	(190,033)	Net loss from risk hedging	(2,466)	(190,033)	-	-
Bonds issued by the Republic of Serbia carried at AC	Securities	5,317,296	38,479	(38,435)	Net loss from risk hedging	(795)	(38,435)	-	-

The amounts relating to items designated as hedged items and hedge effectiveness at December 31, 2024 were as follows:

Hedged item	Line item in the statement of financial position	Carrying amount	Change in fair value of instrument used for calculating hedge ineffectiveness	Change in value of hedged item used for calculating hedge ineffectiveness	Line item in the income statement	Ineffectiveness recognised in profit or loss	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
							Assets	Liabilities	
Bonds issued by the Republic of Serbia carried at FVtOCI	Securities	11,176,962	206,627	(204,978)	Net loss from risk hedging	4,536	(204,978)	-	-
Bonds issued by the Republic of Serbia carried at AC	Securities	5,208,665	70,615	(69,775)	Net loss from risk hedging	2,308	(69,775)	-	-

In this hedging relationships, the main source of ineffectiveness is the effect of Credit/Debit Value and Funding Value adjustment impacting derivative transactions fair value.

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25. HEDGE ACCOUNTING (Continued)

25.2. Cash flow hedge

The Bank has implemented cash flow hedging to hedge against variability of interest cash flows stemming from variable rate EUR denominated loans. Considering that part of loans with variable interest rate is financed from sight deposits with fixed or zero interest rate, the Bank has decided to apply cash flow hedge accounting converting highly probable future variable interest cash flows into fixed ones using interest rate swaps.

	Maturity 2025			Maturity 2024		
	Less than 1 year	1-5 years	More than 5 years	Less than 1 year	1-5 years	More than 5 years
Nominal amount of hedged item	716,723	750,605	5,058,764	-	1,495,190	6,030,168
Average fixed interest rate	3.28%	0,10%	1,09%	-	3.28%	1.04%

The amounts relating to hedging instrument are presented in the following table:

Instrument	Line item in the statement of financial position	2025			2024		
		Nominal amount	Carrying amount		Nominal amount	Carrying amount	
			Assets	Liabilities		Assets	Liabilities
Interest rate swap	Receivables under derivatives designated as risk hedging instruments	2,573,688	40,774	-	3,581,956	88,787	-
Interest rate swap	Liabilities under derivatives designated as risk hedging instruments	3,952,404	-	486,480	3,943,402	-	510,192

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**December 31, 2025***All amounts expressed in thousands of RSD, unless otherwise stated.***25. HEDGE ACCOUNTING (Continued)**

25.2. Cash flow hedge (Continued)

The amounts relating to items designated as hedged items and hedge effectiveness at December 31, 2025 were as follows:

Hedged item	Changes in the value of the hedging instrument recognised in OCI	Change in value of hedged item	Line item in the income statement	Ineffectiveness recognised in profit or loss	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Highly probable interest cash flows derived from variable rate loans	(445,558)	438,173	Net loss from risk hedging	(3,575)	(445,558)	-

The amounts relating to items designated as hedged items and hedge effectiveness at December 31, 2024 were as follows:

Hedged item	Changes in the value of the hedging instrument recognised in OCI	Change in value of hedged item used	Line item in the income statement	Ineffectiveness recognised in profit or loss	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Highly probable interest cash flows derived from variable rate loans	(420,100)	412,732	Net loss from risk hedging	(11,325)	(420,100)	-

Generally, the Bank is always in under hedged position (not targeting full offset since hedge item will be lower than hedge eligible item). Ineffectiveness could appear when:

- The FV of the derivatives is higher than the FV of the hedged underlying with regard to the hedged interest rate risk. Hypothetical derivative change in Fair value might not reflect collateralized contract (usage of collateralized hedging derivatives is a source of ineffectiveness). Currently, there is no clear plan to switch to collateral module in Murex (module which supports credit support annex agreements (CSA)) for CEE countries, including Serbia. As the revaluation in Murex (and risk) systems will not consider collateralization to compute the FV (by adopting a specific discounting curve, eg ESTER), ineffectiveness situations are not expected.
- Deterioration in credit risk of the hedging instrument counterparty affects the cash flows and reduces the fair value of the derivative. However, if this is the case Bank strategy covers revoking the designation of such derivatives and replacing them with new ones from a counterparty with sound credit standing. In this hedging relationships, the only source of ineffectiveness is the effect of Credit/Debit Value and Funding Value adjustment impacting derivative transactions fair values.

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26. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries include investments in the capital of the following legal entities:

	% stake	2025	2024
UniCredit Leasing Srbija d.o.o	100%	-	-
UCITS Fund Management Company UniCredit Invest a.d.	51%	36,292	-
Balance at December 31		36,292	-

As of May 30, 2025, the establishment of the legal entity UCITS Fund Management Company UniCredit Invest a.d. was registered in the register of the Business Registers Agency in Belgrade under number 43651/2025. The Company was founded by the Bank as the majority owner with a 51% share in the equity and Structured Invest Luxembourg as the minority owner with a 49% share in the equity. The Company's primary activity is fund management.

27. INTANGIBLE ASSETS

27.1. Intangible assets, net:

	2025	2024
Software and licenses	1,560,167	1,600,297
Investments in progress	826,275	796,304
Balance at December 31	2,386,442	2,396,601

27.2. Movements in intangible assets in 2025 are presented in the table below:

	Software and licences	Investment in Progress	Total
Cost			
Balance at January 1, 2025	7,297,702	796,304	8,094,006
Additions	-	532,550	532,550
Transfer from investment in progress	499,832	(499,832)	-
Impairment losses	-	-	-
Other	(11,372)	(2,747)	(14,119)
Balance at December 31, 2025	7,786,162	826,275	8,612,437
Accumulated amortization and impairment losses			
Balance at January 1, 2025	5,697,405	-	5,697,405
Amortization charge for the year	532,551	-	532,551
Impairment losses	-	-	-
Other	(3,961)	-	(3,961)
Balance at December 31, 2025	6,225,995	-	6,225,995
Net book value at December 31, 2025	1,560,167	826,275	2,386,442
Net book value at January 1, 2025	1,600,297	796,304	2,396,601

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27. INTANGIBLE ASSETS (Continued)

27.3. Movements in intangible assets in 2024 are presented in the table below:

	Software and licences	Investment in Progress	Total
Cost			
Balance at January 1, 2024	6,699,627	952,519	7,652,146
Additions	-	460,033	460,033
Transfer from investment in progress	608,413	(608,413)	-
Impairment losses	(2,547)	-	(2,547)
Other	(7,791)	(7,835)	(15,626)
Balance at December 31, 2024	7,297,702	796,304	8,094,006
Accumulated amortization and impairment losses			
Balance at January 1, 2024	5,141,137	-	5,141,137
Amortization charge for the year	558,871	-	558,871
Impairment losses	(2,207)	-	(2,207)
Other	(396)	-	(396)
Balance at December 31, 2024	5,697,405	-	5,697,405
Net book value at December 31, 2024	1,600,297	796,304	2,396,601
Net book value at January 1, 2024	1,558,490	952,519	2,511,009

28. PROPERTY, PLANT AND EQUIPMENT

28.1. Property, plant and equipment comprise:

	2025	2024
Buildings	734,420	740,704
Equipment and other assets	664,523	598,926
Leasehold improvements	133,576	167,112
Investments in progress	271,983	210,626
Right-of-use assets	1,776,947	1,231,642
Balance at December 31	3,581,449	2,949,010

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28. PROPERTY, PLANT AND EQUIPMENT (Continued)

28.2. Movements in property and equipment in 2025 are presented below:

	Buildings	Equipment and other assets	Leasehold improvements	Investments in progress	Right-of-use assets	Total
Cost/Revalued value						
Balance at January 1, 2025	1,052,224	2,583,948	705,096	210,626	3,869,501	8,421,395
Additions	-	-	-	363,014	212,366	575,380
Transfer from investments in progress	2,324	279,075	20,204	(301,603)	-	-
Disposal and retirement	-	(474,805)	(35,522)	-	(283,855)	(794,182)
Effect of the change in fair value	12,471	-	-	-	-	12,471
Other	-	-	-	(54)	-	(54)
Modifications	-	-	-	-	820,106	820,106
Balance at December 31, 2025	1,067,019	2,388,218	689,778	271,983	4,618,118	9,035,116
Accumulated depreciation and impairment						
Losses						
Balance at January 1, 2025	311,520	1,985,022	537,984	-	2,637,859	5,472,385
Depreciation charge for the year	18,256	206,650	50,011	-	431,522	706,439
Impairment losses	-	-	-	-	-	-
Disposal and retirement	-	(467,977)	(31,793)	-	(228,210)	(727,980)
Effect of the change in fair value	2,823	-	-	-	-	2,823
Balance at December 31, 2025	332,599	1,723,695	556,202	-	2,841,171	5,453,667
Net book value at December 31, 2025	734,420	664,523	133,576	271,983	1,776,947	3,581,449
Net book value at January 1, 2025	740,704	598,926	167,112	210,626	1,231,642	2,949,010

As of December 31, 2025, Bank has hired a certified appraiser CBS International d.o.o. Belgrade to assess the fair value of the properties used for performance of Bank's own business activity in accordance with IFRS 13. The appraisers determined the fair, liquidation and construction value of each individual property using the income approach for 12 properties and Market Transaction Comparison Method and the Yield Capitalization Method with 50% ponder for one real estate, as well as valuation techniques for which there were sufficient available data. Given that in the real estate market of the Republic of Serbia there are no quoted prices or prices achieved for properties identical to those owned by the Bank, the appraiser used Level 2 and Level 3 inputs in the fair value assessment. Level 2 inputs are observable from the market data such as publicly available information on the transactions reflecting the assumptions that the other market participants would use. Level 3 inputs are assumed (unobserved) inputs developed by the appraiser using the best information available in the current circumstances. If the Bank had continued to apply the cost model (from 31.12.2019 the Bank uses the revaluation method), the net present value as of December 31, 2025, would have been RSD 492,884 thousand for property used for performance of the Bank's business activity. The Bank does not have pledged property, plant and equipment.

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28. PROPERTY, PLANT AND EQUIPMENT (Continued)

28.3. Movements in property and equipment in 2024 are presented below:

	Buildings	Equipment and other assets	Leasehold improvements	Investments in progress	Right-of-use assets	Total
Cost/Revalued value						
Balance at January 1, 2024	857,277	2,457,850	642,161	238,259	3,676,371	7,871,918
Additions	-	-	-	324,532	42,461	366,993
Transfer from investments in progress	32,861	227,642	91,551	(352,054)	-	-
Disposal and retirement	-	(101,544)	(28,616)	(111)	(74,157)	(204,428)
Effect of the change in fair value	162,086	-	-	-	-	162,086
Modifications	-	-	-	-	224,826	224,826
Balance at December 31, 2024	1,052,224	2,583,948	705,096	210,626	3,869,501	8,421,395
Accumulated depreciation and impairment losses						
Balance at January 1, 2024	246,672	1,897,008	507,799	-	2,193,516	4,844,995
Depreciation charge for the year	15,363	183,125	58,801	-	508,659	765,948
Impairment losses	-	-	-	-	-	-
Disposal and retirement	-	(95,111)	(28,616)	-	(64,316)	(188,043)
Effect of the change in fair value	49,485	-	-	-	-	49,485
Balance at December 31, 2024	311,520	1,985,022	537,984	-	2,637,859	5,472,385
Net book value at December 31, 2024	740,704	598,926	167,112	210,626	1,231,642	2,949,010
Net book value at January 1, 2024	610,605	560,842	134,362	238,259	1,482,855	3,026,923

28.4. The right-of-use assets include:

	2025	2024
Business premises	1,709,240	1,198,731
Storage and warehouse area	3,330	1,081
Parking spots	61,370	23,803
Automobiles	2,517	6,558
Other equipment	490	1,469
Balance at December 31	1,776,947	1,231,642

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28. PROPERTY, PLANT AND EQUIPMENT (Continued)

28.5. Movements in the right-of-use assets during 2025 are presented below:

	Business premises	Storage and warehouse	Parking spots	Automobiles	Other equipment	Total
Gross carrying value						
Balance at January 1, 2025	3,696,298	5,326	118,227	38,107	11,543	3,869,501
Additions	204,484	-	7,882	-	-	212,366
Disposal and retirement	(259,615)	-	(20,145)	(4,095)	-	(283,855)
Modifications						
- positive effects	769,117	2,918	45,568	1,520	983	820,106
- negative effects	-	-	-	-	-	-
	769,117	2,918	45,568	1,520	983	820,106
Balance at December 31, 2025	4,410,284	8,244	151,532	35,532	12,526	4,618,118
Accumulated depreciation						
Balance at January 1, 2025	2,497,567	4,245	94,424	31,549	10,074	2,637,859
Depreciation charge	411,455	669	11,876	5,560	1,962	431,522
Disposal and retirement	(207,978)	-	(16,138)	(4,094)	-	(228,210)
Balance at December 31, 2025	2,701,044	4,914	90,162	33,015	12,036	2,841,171
Net book value at December 31, 2025	1,709,240	3,330	61,370	2,517	490	1,776,947

28.6. Movements in the right-of-use assets during 2024 are presented below:

	Business premises	Storage and warehouse	Parking spots	Automobiles	Other equipment	Total
Gross carrying value						
Balance at January 1, 2024	3,506,354	5,271	117,026	38,107	9,613	3,676,371
Additions	40,830	-	-	-	1,631	42,461
Disposal and retirement	(73,473)	-	-	-	(684)	(74,157)
Modifications						
- positive effects	222,587	55	1,201	-	983	224,826
- negative effects	-	-	-	-	-	-
	222,587	55	1,201	-	983	224,826
Balance at December 31, 2024	3,696,298	5,326	118,227	38,107	11,543	3,869,501
Accumulated depreciation						
Balance at January 1, 2024	2,078,254	3,435	76,733	25,758	9,336	2,193,516
Depreciation charge	482,945	810	17,691	5,791	1,422	508,659
Disposal and retirement	(63,632)	-	-	-	(684)	(64,316)
Balance at December 31, 2024	2,497,567	4,245	94,424	31,549	10,074	2,637,859
Net book value at December 31, 2024	1,198,731	1,081	23,803	6,558	1,469	1,231,642

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29. INVESTMENT PROPERTY

Movements in the account of investment property in 2025 are presented below:

	Investment property	Investments in progress	Total
Fair value			
Balance at January 1, 2025	11,701	-	11,701
Effect of the change in fair value	(5,368)	-	(5,368)
Balance at December 31, 2025	6,333	-	6,333

Certified Appraiser CBS International d.o.o. Belgrade performed assessment of the fair value of investment property for the purpose of financial reporting as of December 31, 2025, in accordance with IFRS 13. The appraiser determined the fair, liquidation and construction value of each individual property using the comparative approach as well as appraisal techniques for which sufficient data were available. If the Bank had continued to apply the cost model (from 31.12.2019 the Bank uses the fair value), the net present value as of December 31, 2025, would have been RSD 1.101 thousand for investment property.

30. OTHER ASSETS

30.1. Other assets relate to:

	2025	2024
<i>Other assets in RSD:</i>		
Fee and commission receivables calculated per other assets	176,650	155,708
Advances paid, deposits and retainers	14,701	21,248
Receivables per actual costs incurred	111,575	103,310
Receivables from the RS Health Insurance Fund	85,963	77,213
Other receivables from operations*	1,729,738	1,364,594
Assets acquired in lieu of debt collection	4,927	4,927
Accrued other income receivables	41,630	56,128
Deferred other expenses	492,034	341,737
Total	2,657,218	2,124,865
<i>- from which: Other assets in RSD from related parties</i>	73,002	79,528
<i>Other assets in foreign currencies:</i>		
Receivables for calculated compensation and commission based on other assets	5,301	-
Other receivables from operations	602,162	663,751
Accrued other income receivables	541,597	393,593
Total	1,149,060	1,057,344
<i>-from which: Other assets in foreign currencies from related parties</i>	11,180	704,811
Total	3,806,278	3,182,209
Impairment allowance	(69,046)	(57,178)
Balance at December 31	3,737,232	3,125,031

* Other receivables from relationships primarily relate to transactions arising from card operations.

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30. OTHER ASSETS (Continued)

30.2. Movements on the impairment allowance accounts of other assets during the year are provided in the table below:

	Individual		Collective	
	2025	2024	2025	2024
Balance at January 1	(2,867)	(1,542)	(54,311)	(75,521)
Impairment losses:				
Change for the year	(1,258)	(9,169)	(186,088)	(139,697)
Foreign exchange effects	12	-	6	(49)
Write-off with debt acquittal	-	-	523	205
Write-off without debt acquittal	3,015	7,844	171,922	160,751
Total for the year	1,769	(1,325)	(13,637)	21,210
Balance at December 31	(1,098)	(2,867)	(67,948)	(54,311)

31. LIABILITIES UNDER DERIVATIVE FINANCIAL INSTRUMENTS

Liabilities under derivative financial instruments include:

	2025	2024
Types of instruments:		
- currency swaps and forwards	14,631	13,293
- interest rate swaps	1,236,126	1,693,591
Balance at December 31	1,250,757	1,706,884

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

32.1. Deposits and other liabilities due to banks, other financial institutions and the central bank include:

	2025	2024
Demand deposits:		
- in RSD	7,365,439	16,868,102
- in foreign currencies	1,623,677	2,004,073
Total demand deposits	8,989,116	18,872,175
Overnight deposits:		
- in RSD	4,473,919	4,396,456
- in foreign currencies	3,235,888	2,350,876
Total overnight deposits	7,709,807	6,747,332
Short-term deposits:		
- in RSD	10,210,554	10,013,351
- in foreign currencies	15,192,645	15,825,751
Total short-term deposits	25,403,199	25,839,102
Long-term deposits:		
- in RSD	778,209	573,393
- in foreign currencies	46,967,743	47,134,380
Total long-term deposits	47,745,952	47,707,773
Long-term borrowings:		
- in RSD	588,317	2,599,389
- in foreign currencies	48,973,077	47,820,165
Total long-term borrowings	49,561,394	50,419,554
Other financial liabilities:		
- in RSD	123	-
- in foreign currencies	33,790	1,392,580
Total other financial liabilities	33,913	1,392,580
Balance at December 31	139,443,381	150,978,516

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32. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, OTHER FINANCIAL INSTITUTIONS AND THE CENTRAL BANK (Continued)

Short-term RSD deposits were placed by other banks for periods of up to a year at annual interest rates up to 4.55%, while short-term foreign currency deposits of other banks maturing within a year accrued interest at rates up to 6.13% annually, depending on the currency. The Bank received long-term foreign currency deposits placed by banks for periods up to 15 years at interest rates ranging from 1.88% to 6.13% per annum.

32.2. Breakdown of long-term borrowings from banks is provided below:

	2025	2024
European Bank for Reconstruction and Development (EBRD)	15,328,058	16,168,004
Kreditanstalt für Wiederaufbau Frankfurt am Main (KfW)	3,762,571	5,495,454
European Investment Bank, Luxembourg	6,239,230	8,015,450
Casa depositi e prestiti Spa, Roma	4,692,936	4,696,208
European Fund for Southeast Europe SA, Luxembourg	3,426,259	5,051,175
Export Import Bank of China, Beijing	5,878,934	-
Green for Growth Fund, Southeast Europe, Luxembourg	10,233,406	10,993,263
Balance at December 31	49,561,394	50,419,554

The above-mentioned long-term borrowings were approved to the Bank for periods from 3 to 10 years at nominal interest rates up to 6.04% per annum.

33. DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS

33.1. Deposits and other liabilities due to customers comprise:

	2025	2024
Demand deposits:		
- in RSD	202,090,736	180,818,104
- in foreign currencies	146,993,371	146,061,624
Total demand deposits	349,084,107	326,879,728
Overnight deposits:		
- in RSD	2,495,452	1,567,398
- in foreign currencies	4,844,890	4,271,197
Total overnight deposits	7,340,342	5,838,595
Short-term deposits:		
- in RSD	36,773,674	48,639,129
- in foreign currencies	72,328,924	51,400,948
Total short-term deposits	109,102,598	100,040,077
Long-term deposits:		
- in RSD	3,170,796	8,133,255
- in foreign currencies	12,825,655	20,792,370
Total long-term deposits	15,996,451	28,925,625
Long-term borrowings:		
- in foreign currencies	30,039	81,443
Total long-term borrowings	30,039	81,443
Other financial liabilities:		
- in RSD	6,377	1,465
- in foreign currencies	276,053	2,015,862
Total other financial liabilities	282,430	2,017,327
Balance at December 31	481,835,967	463,782,795

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

33.2. Breakdown of deposits and other liabilities due to customers:

	2025	2024
Public sector	3,323,917	397,839
Corporate customers	320,094,773	313,663,814
Retail customers	158,387,238	149,639,699
Long-term borrowings (Note 33.3)	30,039	81,443
Balance at December 31	481,835,967	463,782,795

The Bank did not calculate interest rate for newly opened demand deposits in RSD and foreign currency, as well as for current accounts in foreign currency for retail customers during 2025.

Short-term foreign currency deposits of retail customers were placed at interest rates ranging up to 4.10% annually, depending on the currency and maturity. Short-term dinar deposits on the other hand were placed at interest rates up to 5.00% annually, depending on the maturity.

RSD deposits placed by small business clients and entrepreneurs were deposited at annual interest rates up to 4.20% depending on the period of placement, while foreign currency deposits for these customers were placed at rates up to 3.35% annually, depending on the period and currency.

RSD demand deposits of corporate customers accrued interest at the annual rate of 0,68% on average, while EUR-denominated demand deposits accrued interest at the annual rate of 0,18%. Corporate RSD term deposits accrued interest at the rates up to 3,83% annually on average, while EUR-denominated corporate deposits were placed at an interest rate of 2,21% per annum.

33.3. Breakdown of long-term foreign currency borrowings from customers is provided below:

	2025	2024
NBS - European Investment Bank, Luxembourg	30,039	81,443
Balance at December 31	30,039	81,443

Long-term borrowings obtained from customers were approved to the Bank for period up to 11 years at nominal interest rates to 4.47% per annum.

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34. FINANCIAL LIABILITIES MOVEMENT (FROM FINANCING ACTIVITIES)

Table below presents changes in liabilities from financing activities, including cash based as well as not cash based changes. Liabilities from financing activities are those which cash flows are classified as cash flows from financing activities in cash flow statement.

	Long-term borrowings from banks		Long-term borrowings from customers	
	2025	2024	2025	2024
Balance at January 1	50,419,554	46,345,252	81,443	167,621
Cash inflow (new borrowing)	11,194,048	14,581,775	-	-
Cash outflow (repayment)	(12,082,351)	(10,417,031)	(51,542)	(85,563)
Total change in cash flows from financing activities	(888,303)	4,164,744	(51,542)	(85,563)
Foreign exchange effects	105,790	(59,673)	192	(213)
Accrued and deferred interest	(75,647)	(30,769)	(54)	(402)
Balance at December 31	49,561,394	50,419,554	30,039	81,443

35. LIABILITIES UNDER SECURITIES

In mid-December 2025, the Bank issued long-term dinar-denominated bonds to diversify its sources of funding as well as to strengthen its minimum capital requirement and eligible liabilities (MREL ratio) indicators in accordance with the regulatory framework. The first issuance of long-term dinar-denominated bonds included 400 bonds with an individual nominal value of RSD 15,000 thousand. The total nominal value of the issuance is RSD 6,000,000 thousand, with a maturity date of December 12, 2029, and an annual interest rate of 3m Belibor + 2%, paid on a quarterly basis. The issuance was divided into two parts: one part for international financial organizations, where the number of bonds offered was fully subscribed and paid – 200 bonds, while in the part of the issuance intended for other professional investors, subscription and payment exceeded the offered and issued quantity by 2.4 times – 200 bonds. According to the Prospectus, the Bank has the option of early redemption ("call option") of the bonds at nominal value after approval of NBS.

As of December 31, 2025, liabilities under securities amount to RSD 6,012,951 thousand.

36. SUBORDINATED LIABILITIES

	2025.	2024.
Subordinated liabilities	3,556,844	-
Balance at December 31	3,556,844	-

For the diversification of funding sources, the Bank in 2025 withdrew a subordinated loan from UniCredit Spa, which as of December 31, 2025, amounts to RSD 3,556,844 thousand with maturity in 2035 and nominal interest rate of 6.13%

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37. PROVISIONS

37.1. Provisions relate to:

	2025	2024
Individual provisions for off-balance sheet items	-	174,780
Collective provisions for off-balance sheet items	1,390,899	1,080,287
Provisions for other long-term employee benefits	80,912	112,607
Provisions for potential litigation losses	2,674,369	3,312,565
Balance at December 31	4,146,180	4,680,239

37.2. Movements on the accounts of provisions during the year are provided below:

	Individual Provisions for Off - Balance Sheet Items (Notes 4(b) and 5(i))	Collective Provisions for Off - Balance Sheet Items (Notes 4(b) and 5(i))	Provisions for Long-Term Employee Benefits (Notes 3(y) and 5(viii))	Provisions for Potential Litigation Losses (Notes 3(w), 5(vii) and 43.1)	Total
Balance at January 1	174,780	1,080,287	112,607	3,312,565	4,680,239
Charge for the year:					
- in the income statement	-	1,092,251	9,707	651,398	1,753,356
- in the statement of other comprehensive income	-	-	(33,086)	-	(33,086)
	-	1,092,251	(23,379)	651,398	1,720,270
Use of provisions	-	-	(8,316)	(310,957)	(319,273)
Reversal of provisions (Notes 12 and 17)	(174,780)	(781,639)	-	(978,637)	(1,935,056)
Balance at December 31	-	1,390,899	80,912	2,674,369	4,146,180

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38. DEFERRED TAX ASSETS AND LIABILITIES

38.1. Deferred tax assets and liabilities relate to:

	2025			2024		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Difference in net carrying amount of tangible assets for tax and financial reporting purposes	17,066	-	17,066	34,673	-	34,673
Deferred tax assets in respect of unrecognized current year expenses	449,138	-	449,138	542,576	-	542,576
Deferred tax assets on gains/losses in respect of cash flow hedging instruments	66,834	-	66,834	63,015	-	63,015
Deferred tax liabilities as per change in the value of fixed assets	-	(35,261)	(35,261)	-	(34,648)	(34,648)
Deferred tax liabilities arising from revaluation of securities	-	(85,786)	(85,786)	-	(81,042)	(81,042)
Deferred tax liabilities in respect of actuarial gains on defined benefit plans	-	(8,605)	(8,605)	-	(3,642)	(3,642)
Total	533,038	(129,652)	403,386	640,264	(119,332)	520,932

38.2. Movements on temporary differences during 2025 are presented as follows:

	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Difference in net carrying amount of tangible assets for tax and financial reporting purposes	34,673	(17,607)	-	17,066
Deferred tax assets in respect of unrecognized current year expenses	542,576	(93,438)	-	449,138
Deferred tax assets on gains/losses in respect of cash flow hedging instruments	63,015	-	3,819	66,834
Deferred tax liabilities as per change in the value of fixed assets	(34,648)	-	(613)	(35,261)
Deferred tax liabilities arising from revaluation of securities	(81,042)	-	(4,744)	(85,786)
Deferred tax liabilities in respect of actuarial losses on defined benefit plans	(3,642)	-	(4,963)	(8,605)
Total	520,932	(111,045)	(6,501)	403,386

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39. OTHER LIABILITIES

39.1. Other liabilities include:

	2025	2024
Advances received, deposits and retainers:		
- in RSD	50,328	42,974
- in foreign currencies	1,251	1,345
Trade payables:		
- in RSD	337,735	343,539
- in foreign currencies	420,054	196,318
Lease liabilities (Note 39.2):		
- in RSD	640,509	472,181
- in foreign currencies	1,202,927	792,585
Other liabilities:		
- in RSD	1,638,902	1,695,674
- in foreign currencies	2,209,173	3,065,547
Fees and commissions payable per other liabilities:		
- in RSD	139	137
- in foreign currencies	549	204
Deferred other income:		
- in RSD	702,953	762,079
- in foreign currencies	109,463	143,339
Accrued other expenses:		
- in RSD	934,394	688,910
- in foreign currencies	73,711	55,887
Taxes and contributions payable	119,271	68,406
Balance at December 31	8,441,359	8,329,125

39.2. Breakdown of maturities of the lease liabilities is provided below:

	2025		2024	
	Present value	Undiscounted cash flows	Present value	Undiscounted cash flows
Maturity:				
- within a year	425,515	508,844	496,846	537,765
- within 2 years	388,441	450,716	303,953	330,702
- within 3 years	365,661	408,459	176,108	192,633
- within 4 years	299,301	325,013	134,658	143,617
- within 5 years	241,217	252,878	72,539	77,159
- after 5 years	123,301	137,886	80,662	89,232
Balance at December 31	1,843,436	2,083,796	1,264,766	1,371,108

39.3. Breakdown of the total payments, i.e., outflows per lease arrangements, is provided below:

	2025	2024
Fixed payments	272,913	271,273
Variable payments	244,944	311,034
Total outflows	517,857	582,307

Variable payments that are included in the measurement of the lease liabilities are payments dependent on an index. Out of the total outflows of RSD 517,857 thousand, RSD 427,205 thousand pertains to the repayment of principal, which is presents within cash flows from financing activities, while RSD 90,652 thousand refers to the payment of interest, which is presented within cash flows from operating activities in the Bank's statement of cash flows.

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39. OTHER LIABILITIES (Continued)

39.4. Breakdown of income and expenses per lease arrangements in 2025 is provided in the following table:

	2025	2024
Depreciation charge of the right-of-use assets (Note 28.5, 28.6)	(431,522)	(508,659)
Interest expenses per lease liabilities (Note 7)	(90,652)	(50,161)
Rental costs (Note 18.2)	(446,826)	(438,073)
Sublease income	9,358	9,298
Balance at December 31	(959,642)	(987,595)

40. RECONCILIATION OF OUTSTANDING BALANCES OF RECEIVABLES AND LIABILITIES WITH CREDITORS AND DEBTORS

In accordance with the Law on Accounting, the Bank reconciled its balances of payables and receivables with its debtors and creditors.

Unreconciled receivables totaled to RSD 41,565 thousand (90 open items) which represents 0.01% of total amount of receivables for balance reconciliation (RSD 491,544,202 thousand), i.e. 0.30% of total number of receivable items (30,059 open items).

Unreconciled liabilities totaled to RSD 664,332 thousand (221 open items) which represents 0.15% of total amount of liabilities for balance reconciliation (RSD 452,842,813 thousand), i.e. 0.39% of total number of items of liabilities (56,393 open items).

41. EQUITY

41.1. Equity is comprised of:

	2025	2024
Issued capital – share capital	23,607,620	23,607,620
Share premium	562,156	562,156
Retained earnings	23,229,200	23,492,517
Reserves	67,093,856	63,533,142
Balance at December 31	114,492,832	111,195,435

As of December 31, 2025, the Bank's share capital totaled RSD 23,607,620 thousand and comprised 2,360,762 common stock (ordinary) shares with the individual par value of RSD 10,000. All shares issued by the Bank are ordinary shares. The number of shares as of December 31, 2025, is the same as on December 31, 2024.

Ordinary shareholders are entitled to dividend payment pursuant to the relevant decision on profit distribution enacted by the Bank's Shareholder General Meeting and to one vote per share in the Bank's Shareholder General Meeting.

Reserves from fair value adjustments relate to the net cumulative changes in the fair values of securities measured at fair value through other comprehensive income, changes in fair value of property, plant and equipment and changes in fair value of derivatives used as cash flow hedge instruments.

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41. EQUITY (Continued)

41.2. Earnings per Share

The basic earnings per share amounted to RSD 9,837 in 2025 (2024: RSD 9,950).

Diluted earnings per share are equal to the basic earnings per share given that the Bank has no contingent shares, i.e., shares embedded in other financial instruments or contracts that may entitle their holders to the ordinary shares of the Bank.

41.3. Breakdown of other comprehensive income after taxes is provided in the table below:

	2025	2024
Actuarial gains per defined employee benefits	28,123	29,516
Net fair value adjustments of debt financial instruments measured at FVtOCI	77,588	1,476,079
Net fair value adjustments of debt financial instruments measured at FVtOCI due to impairment	(50,703)	(5,518)
Net fair value adjustments of fixed assets	3,467	92,671
Net change related to cash flow hedging instruments	(21,638)	98,165
Other comprehensive income after taxes	36,837	1,690,913

42. CASH AND CASH EQUIVALENTS

Breakdown of cash and cash equivalents as reported within the statement of cash flows and reconciliation with statement of financial position is provided below:

	2025	2024
In RSD:		
Gyro account (Note 20)	91,799,989	97,673,774
Cash on hand (Note 20)	9,141,439	6,501,775
	<u>100,941,428</u>	<u>104,175,549</u>
In foreign currencies:		
Foreign currency accounts (Note 23)	2,434,640	3,323,409
Cash on hand (Note 20)	1,989,510	1,824,488
Other cash funds (Note 20)	35,262	35,205
	<u>4,459,412</u>	<u>5,183,102</u>
Cash and cash equivalents in Statement of Cash Flow	<u>105,400,840</u>	<u>109,358,651</u>
Obligatory foreign currency reserve held with NBS (Note 20)	40,179,628	38,287,906
Liquid surplus funds deposited with NBS (Note 20)	13,001,625	47,005,875
Foreign currency accounts (Note 23)	(2,434,640)	(3,323,409)
Impairment allowance (Note 20)	(11)	(8)
Cash and cash equivalents in Statement of Financial Position	<u>156,147,442</u>	<u>191,329,015</u>

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43. CONTINGENT LIABILITIES AND COMMITMENTS

43.1. Litigation

As of December 31, 2025, there were 12,887 legal suits filed against the Bank (including 14 labor lawsuits) with claims totaling RSD 7,191,495 thousand. In 76 of these proceedings' plaintiffs are legal entities and in 12,811 proceedings private individuals appear as plaintiffs/claimants.

The Bank made provisions of RSD 2,674,369 thousand in respect of the legal suits filed against it (Note 37). The aforesaid amount of provisions include those for the labor lawsuits filed, lawyer's fees and administrative taxes from appeals and revisions. In the majority of lawsuits filed against the Bank, both individuals and legal entities in the capacity of plaintiffs, they mostly refer to lawsuits for loan processing fees (cash and housing), loan monitoring fees and fees to NKOSK, and to a lesser extent to lawsuits for exchange rate differences, interest rates, currency clauses and changed circumstances, as the basis of the dispute. The subject of the lawsuits is also the determination of the nullity of the mentioned provisions of the loan agreement and the acquisition without grounds.

The Bank uses the following parameters for defining provisions: value of the case, evidence of the plaintiffs, the trend of lawsuits both in terms of the frequency of court proceedings, as well as in terms of the type and outcome of court proceedings, based on existing court practice, real the jurisdiction of the court conducting the proceedings, the status of the court case (court taxes and costs of attorneys of plaintiffs in first-instance, second-instance proceedings under extraordinary legal remedies) and all other relevant facts that they may have a direct or indirect influence on the outcome of the court case.

Based on defined parameters, the Bank defines the level of risk for each court case:

- Group A: risk of outflow is less than 50%;
- Group B: risk of outflow is between 50% and 90%;
- Group C: risk of outflow is 90% and above.

Provisions are made for cases from group B and C in the amount of the lawsuit increased by the estimated amount of interest and costs of procedure. Provisions are made for cases group C in the amount of the law suit increased by the 100% of the amount of interest in mass disputes or the estimated amount of interest in certain disputes plus the assumed costs of the procedure, which are calculated in accordance with the Guidelines for provisioning, depending on which group it belongs to the amount of the claim, the status of the case and in accordance with the assessment of the certainty of the dispute, with the fact that there is a possibility to determine a different amount of the provision if it is assessed differently for a specific case.

For certain lawsuits, provisions were not made in the exact amount of the claim, primarily based on the estimate of the outcome of such suits as favorable for the Bank, i.e., the estimate that the Bank will incur no outflows in respect of those legal suits or that there are minor contingent liabilities at issue, which require no provisioning. The Bank estimates adequacy of provisions every 6 months and more often if necessary.

43.2. Off-balance sheet exposed to credit risk are presented in table below:

	2025	
	Off-Balance Sheet Items exposed to credit risk	Provisions for Off - Balance Sheet Items
Guarantees and other irrevocable commitments	181,031,571	(768,260)
Other Off-Balance Sheet Items	155,565,824	(622,639)
Balance at December 31	336,597,395	(1,390,899)

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43. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

	2024	
	Off-Balance Sheet Items exposed to credit risk	Provisions for Off - Balance Sheet Items
Guarantees and other irrevocable commitments	186,720,338	(931,001)
Other Off-Balance Sheet Items	142,600,591	(324,066)
Balance at December 31	329,320,929	(1,255,067)

43.3. The Bank's contingent liabilities are provided in the table below:

	2025	2024
Contingent liabilities		
Payment guarantees		
- in RSD	18,377,263	16,923,823
- in foreign currencies	18,136,666	20,197,533
Performance guarantees		
- in RSD	109,636,158	101,690,977
- in foreign currencies	11,647,242	7,726,918
Letters of credit		
- in foreign currencies	1,350,906	3,070,175
Foreign currency sureties issued	8,149,407	6,670,974
Foreign currency sureties received	12,614,331	12,585,603
		40,164,115
Irrevocable commitments for undrawn loans	23,234,493	
Other irrevocable commitments	10,915,930	39,083,434
Balance at December 31	214,062,396	248,113,552

In the ordinary course of business, the Bank enters into agreements for contingent liabilities held in off-balance sheet record, which include guarantees, letters of credit, unused credit lines and credit card limits. These financial liabilities are recognized in the balance sheet if and when they become payable.

43.4. Breakdown of the Bank's irrevocable commitments is provided below:

	2025	2024
Commitments		
Current account overdrafts approved	3,272,286	3,319,721
Unused portion of approved credit card loan facilities	2,634,466	2,216,838
Unused framework loans	17,190,504	33,797,323
Letters of intent	137,237	830,233
Other irrevocable commitments	10,915,930	39,083,434
Balance at December 31	34,150,423	79,247,549

43.5. The Bank's undrawn foreign line of credit funds amounted to RSD 4,691,984 thousand as of December 31, 2025 (2024: RSD 2,488,439 thousand).

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44. RELATED PARTY DISCLOSURES

The Bank is under control of UniCredit S.p.A., Milan, domiciled and registered in Italy, which is the sole owner of the Bank's common stock shares (100%). The Bank is the parent legal entity, considering that it has a 100% share in the capital of subsidiary UniCredit Leasing d.o.o., Belgrade, and 51% equity interest in the subsidiary UCITS Fund Management Company UniCredit Invest a.d. Belgrade.

Related parties of the Bank are: parent bank, subsidiaries of the Bank, entities that are members of the same group or are under joint control, members of the Board of Directors and the Audit Committee, the Management Board and managers who as members of the Bank's board (ALCO and credit committees) have the authority and responsibility to plan, direct and control the activities of the Bank ("key management"), close family members of key management as well as legal entities that are under the control or influence of key management and close members of their families, in accordance with IAS 24.

In the normal course of business, a number of banking transactions are performed with related parties. These include loans, deposits, investments in equity securities, commitments and derivative instruments.

44.1. Related party transactions

Exposures and liabilities as of December 31, 2025, arising from related party transactions are presented below:

	2025			
	Parent Bank	Subsidiaries	Key management	Other related parties *
Financial assets				
- Investment in subsidiaries	-	36,292	-	-
- Loans, receivables and other assets	15,694,901	9,487	113,578	3,443,674
Financial liabilities				
- Deposits, subordinated and other liabilities	50,571,453	2,336,428	150,818	911,285
Off balance sheet items				
- Contingent liabilities for given guarantees and sureties	3,514,076	9,480,265	-	6,051,071
- Commitments for undrawn loans	-	2,697,486	381	2,419,931
- Received guarantees and sureties	3,963,374	-	-	6,613,173
- Liabilities for guarantees issued in favor of creditors of the bank	12,614,331	-	-	-
- Nominal value of the derivatives	92,149,034	-	-	-

Exposures and liabilities as of December 31, 2024, arising from related party transactions are presented below:

	2024			
	Parent Bank	Subsidiaries	Key management	Other related parties*
Financial assets				
- Investment in subsidiaries	-	-	-	-
- Loans, receivables and other assets	30,113,700	1,229,453	90,104	4,377,015
Financial liabilities				
- Deposits and other liabilities	46,845,575	1,853,980	138,521	2,341,696
Off balance sheet items				
- Contingent liabilities for given guarantees and sureties	4,696,056	7,998,801	-	8,117,528
- Commitments for undrawn loans	-	2,293,492	411	1,489,009
- Received guarantees and sureties	5,358,829	-	-	7,231,182
- Liabilities for guarantees issued in favor of creditors of the bank	12,585,603	-	-	-
- Nominal value of the derivatives	74,593,227	-	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

All amounts expressed in thousands of RSD, unless otherwise stated.

44. RELATED PARTY DISCLOSURES (Continued)

44.1. Related party transactions (Continued)

	2025				2024			
	Parent Bank	Subsidiaries	Key management	Other related parties*	Parent Bank	Subsidiaries	Key management	Other related parties*
Impairment allowance for balance and off-balance exposures	509	15,185	37	13,265	2,387	18,209	42	30,475

Revenues and expenses generated in 2025 arising from transactions with related parties are presented in the following table:

	2025			
	Parent Bank	Subsidiaries	Key management	Other related parties*
Interest incomes	1,727,002	30,676	5,531	166,866
Interest expenses	(2,607,246)	(12,099)	(3,273)	(8,941)
Fee and commission incomes	210,964	36,186	292	288,264
Fee and commission expenses	(22,223)	-	-	(583,358)
Other incomes	19,826	48,554	-	13,799
Other expenses	(1,356,673)	-	-	(38,677)
Total	(2,028,350)	103,317	2,550	(162,047)

Revenues and expenses generated in 2024 arising from transactions with related parties are presented in the following table:

	2024			
	Parent Bank	Subsidiaries	Key management	Other related parties*
Interest incomes	2,513,574	94,064	5,774	749,825
Interest expenses	(2,992,070)	(3,499)	(3,706)	(61,844)
Fee and commission incomes	197,528	26,445	296	332,128
Fee and commission expenses	(23,306)	-	-	(574,529)
Other expenses	10,449	48,367	-	56,782
Other incomes	(221,223)	-	-	(836,882)
Total	(515,048)	165,377	2,364	(334,520)

Loan loss provision (ECL) for balance and off-balance exposures of related parties recognized in income statement are presented below:

	2025				2024			
	Parent Bank	Subsidiaries	Key management	Other related parties*	Parent Bank	Subsidiaries	Key management	Other related parties*
Net (decrease)/increase in impairment allowance	(1,878)	(3,024)	(5)	(17,210)	725	11,571	(162)	6,546

*Other related parties include entities that are member of the same UniCredit Group or under joint control, close family member of key management as well as legal entities that are under the control or influence of key management and close member of their families.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025**

All amounts expressed in thousands of RSD, unless otherwise stated.

44. RELATED PARTY DISCLOSURES (Continued)

44.2. Key management payments

Key management payments during 2025 and 2024 are presented below:

	2025	2024
Short-term employee benefits	244,396	236,515
Other long-term benefits	3,802	3,322
Share-based payments	18,491	43,883
Balance at December 31	266,689	283,720

Other long-term benefits include payments based on long-term reward schemes. Employees - members of key management involved in these remuneration schemes, were selected based on the criteria of contributing to the long-term and growing profitability of the Bank.

Share-based payments include payments during the year based on shares granted under appropriate reward schemes.

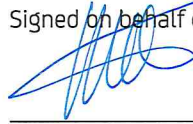
Compensations for members of the Management Board and the Audit Committee paid in 2025 amounts to RSD 5,325 thousand (in 2024: RSD 5,321 thousand).

45. EVENTS AFTER THE REPORTING PERIOD

At the date of issue of these financial statements, there were no significant events that would require adjustments to or disclosures in the accompanying unconsolidated financial statements of the Bank (adjusting events).

Belgrade, February 13, 2026

Signed on behalf of the management of UniCredit Bank Srbija A.D., Beograd by:



Nikola Vuletić
Management Board Chairperson




Miloš Belić
Member of the Management Board
Head of Finance



Mirjana Kovačević
Head of Financial and Regulatory Disclosure