中国银行（塞尔维亚）有限公司
BANK OF CHINA SRBIJA A.D. BEOGRAD

ANNUAL FINANCIAL STATEMENTS FOR 2025

BANK OF CHINA SRBIJA A.D. BEOGRAD

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

BALANCE SHEET as at 31 December 2025

INCOME STATEMENT in the period from 1 January to 31 December 2025

STATEMENT OF OTHER COMPREHENSIVE INCOME in the period from 1 January to 31 December 2025

STATEMENT OF CHANGES IN EQUITY in the period from 1 January to 31 December 2025

CASH FLOW STATEMENT in the period from 1 January to 31 December 2025

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2025

ANNUAL REPORT FOR 2025

Shape the future
with confidence

Ernst & Young d.o.o.
Vladimira Popovića 8a
11070 Beograd – Novi Beograd
Srbija

Matični broj: 17155270
PIB: 101824091
Tekući račun: 265111031000860680
Tel: +381 11 2095 800
ey.com/rs

This is English translation of the Report originally issued in Serbian language (For management purposes only)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BANK OF CHINA SRBIJA A.D. BEOGRAD

Opinion

We have audited the financial statements of **Bank of China Srbija a.d. Beograd** (the Bank), which comprise the balance sheet as at **31 December 2025**, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of material accounting policies and other explanatory notes.

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

Basis for opinion

We conducted our audit in accordance with Standards on Auditing applicable in the Republic of Serbia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the 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 financial statements in the Republic of Serbia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Bank's Annual Business Report

Other information consists of the information included in the Annual business report other than the financial statements and our auditor's report thereon. Management is responsible for the preparation of other information in accordance with the legal requirements of the Republic of Serbia.

Our opinion on the financial statements does not cover the Other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with Law on Accounting of Republic of Serbia, in particular, whether the other information complies with the Law on Accounting of Republic of Serbia in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Shape the future
with confidence

Other information included in the Bank's Annual Business Report (continued)

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
2. the other information is prepared in accordance with requirements of the Law on Accounting of Republic of Serbia.

In addition, our responsibility is to report, based on the knowledge and understanding of the Bank obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management and Audit Committee for the financial statements

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

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

Audit Committee is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Shape the future
with confidence

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with Auditing Standards applicable in Republic of Serbia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Belgrade, 27 March 2026

Nikola Ribar
Authorized auditor
for Ernst & Young d.o.o. Beograd

BALANCE SHEET
as of 31 December 2025

(in RSD thousand)	Note	2025	2024
ASSETS			
Cash and assets held with the central bank	13	19,428,155	16,113,408
Receivables under derivatives		-	-
Loans and receivables from banks and other financial organisations	14	24,532,240	40,786,132
Loans and receivables from clients		11,909	753,625
Intangible investments	16	28,464	11,279
Property, plant and equipment	17	142,498	168,762
Investment property		-	-
Current tax assets	18	255,543	141,210
Deferred tax assets	12.2	4,535	4,535
Non-current assets held for sale and discontinued operations		-	-
Other assets	19	12,900	33,640
TOTAL ASSETS		**44,416,244**	**58,012,591**
LIABILITIES			
Liabilities under derivatives		-	-
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	20	11,596	-
Deposits and other liabilities due to customers	21	35,794,440	41,928,057
Provisions	22	826	35,765
Current tax liabilities	12.2	379,291	205,082
Deferred tax liabilities	12.2	-	-
Other liabilities	23; 24	688,292	10,503,250
TOTAL LIABILITIES		**36,874,445**	**52,672,154**
			-
EQUITY			-
Share capital	25	1,843,887	1,843,887
Gain (Loss) from current year	25	2,201,362	1,529,796
Gain (Loss) from previous year	25	3,496,550	1,966,754
Reserves		-	-
TOTAL EQUITY		**7,541,799**	**5,340,437**
			-
TOTAL LIABILITIES AND EQUITY		**44,416,244**	**58,012,591**

Belgrade, 27 March 2026

Chairman of the Executive Board

Li Lianhong

Member of the Executive Board

Slaviša Aleksić

INCOME STATEMENT

for the period from 01 January to 31 December 2025

(in RSD thousand)	Note	2025	2024
Interest income	4	1,439,356	1,466,447
Interest expenses	4	(63,651)	(17,749)
Net interest income		**1,375,705**	**1,448,698**
Income from fees and commissions	5	1,550,806	1,174,509
Expenses on fees and commissions	5	(16,058)	(16,534)
Net fee and commission income		**1,534,748**	**1,157,975**
Net losses from change in fair value of financial instruments		21,716	-
Net profit/(loss) on foreign exchange differences and foreign currency clause		-	(43,407)
Impairment losses from financial assets and credit risk off-balance sheet items	7	221,755	(171,335)
NET OPERATING INCOME		**3,153,924**	**2,391,931**
Salaries, wages and other personal expenses	8	(351,171)	(335,923)
Depreciation costs	9	(59,384)	(58,971)
Other income		-	-
Other expenses	10	(153,490)	(177,621)
PROFIT BEFORE INCOME TAX		**2,589,879**	**1,819,416**
Income tax	11	(388,517)	(289,508)
Deferred tax gain	11.1	-	-
Deferred tax loss	11.2	-	(112)
PROFIT (LOSS) AFTER TAX		**2,201,362**	**1,529,796**
EARNINGS PER SHARE		-	-
Basic earnings per share (in RSD)	12	22,014	15,298

Belgrade, 27 March 2026

Chairman of the Executive Board

Li Lianhong

Member of the Executive Board

Slaviša Aleksić

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the period from 01 January to 31 December 2025

(in RSD thousand)	Note	2025	2024
Profit/(Loss) for the period		2,201,362	1,529,796
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		2,201,362	1,529,796

Belgrade, 27 March 2026

Chairman of the Executive Board

Li Lianhong

Member of the Executive Board

Slaviša Aleksić

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

(in RSD thousand)

	Share capital and other capital	Profit	Loss	Total
Balance as at 01 January of the previous year	**1,843,887**	**1,966,754**	**-**	**3,810,641**
Current year profit	-	1,529,796	-	1,529,796
Covering loss from prior years	-	-	-	-
Balance as at 31 December of the previous year	**1,843,887**	**3,496,550**	**-**	**5,340,437**
Balance as at 01 January of the current year	**1,843,887**	**3,496,550**	**-**	**5,340,437**
Current year profit	-	2,201,362	-	2,201,362
Covering loss from prior years	-	-	-	-
Balance as of 31 December of the current year	**1,843,887**	**5,697,912**	**-**	**7,541,799**

Belgrade, 27 March 2026

Chairman of the Executive Board

Li Lianhong

Member of the Executive Board

Slaviša Aleksić

This is a translation of the original Independent Auditors' 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 suggestion arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

CASH FLOW STATEMENT

for the period from 01 January to 31 December 2025

(in RSD thousand)	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows	**3,038,429**	**2,690,105**
Interest receipts	1,463,778	1,467,238
Fee receipts	1,574,651	1,222,867
Outflows	**(701,397)**	**(622,534)**
Interest payments	(62,893)	(67,344)
Fee payments	(21,014)	(31,914)
Payments to and on behalf of employees	(221,872)	(239,006)
Cash for other taxes and contributions	(252,902)	(115,179)
Outflow to other operating expenses	(142,716)	(169,091)
Net operating cash inflows before changes in placements and deposits	2,337,032	2,067,571
	-	-
Decrease in placements and increase in deposits and other liabilities	**19,657,342**	**29,570,419**
Decrease in loans and receivables due from banks, other financial institutions, central bank and customers	18,311,302	3,390,573
Increase in deposits to banks, other financial institutions, central bank and customers	1,251,160	26,099,339
Increase in other financial liabilities	94,880	80,507
Increase in loans and decrease in deposits and other liabilities	**(18,349,305)**	**(32,019,795)**
Increase in loans and receivables due from banks, other financial institutions, the central bank and customers	(1,138,246)	(29,193,398)
Decrease in deposits to banks, other financial institutions, central bank and customers	(17,113,100)	(2,749,005)
Decrease in other financial liabilities	(97,959)	(77,392)
Net cash inflows from operating activities before income tax	3,645,069	(381,805)
Income tax paid	(214,307)	(374,717)
Net cash generated from operating activities	**3,430,762**	**(756,522)**
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
Outflows	(96,194)	(60,156)
Purchase of intangible and property, plant and equipment	(96,194)	(60,156)
Net cash outflow from investing activities	**(96,194)**	**(60,156)**
	-	-
Total net received cash	22,695,771	32,260,524
Total net cash payments	(19,361,203)	(33,077,202)
NET INCREASE IN CASH	**3,334,568**	**(816,678)**
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	16,113,408	16,929,653
GAINS ON EXCHANGE	17,762	25,659
LOSS ON EXCHANGE	(37,583)	(25,226)
CASH AND CASH EQUIVALENTS, END OF YEAR	**19,428,155**	**16,113,408**

Belgrade, 27 March 2026

Chairman of the Executive Board

Li Lianhong

Member of the Executive Board

Slaviša Aleksić

NOTES TO THE FINANCIAL STATEMENTS

FOR 2025

BANK OF CHINA SRBIJA AD BEOGRAD

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

1. GENERAL INFORMATION ON THE BANK

Bank of China Serbia a.d. Belgrade (hereinafter referred to as: "the Bank") was established on 22.12.2016, when the registration of was made within the Company Registry in the Serbian Business Registers Agency.

In accordance with the decision of the National Bank of Serbia dated as of 20 December 2016 and the Memorandum of Association, the Bank was registered to perform the following activities:

- Deposit operations
- Loan (credit) operations
- Foreign exchange, foreign exchange – currency and exchange operations
- Payment transaction operations
- Issuance of payment cards
- Securities operations
- Issuance of bonds, guarantees, bill of exchange securities and other forms of securities
- Purchase, sale and collection of receivables (factoring, forfaiting, etc.)
- Operations as authorized by the Law
- Provision of other financial services.

The Bank was founded by Bank of China (Central and Eastern Europe) Limited. In accordance with the share sale and purchase agreement signed on March 24, 2022, between Bank of China (Central and Eastern Europe) Limited and Bank of China (Europe) S.A ., the transfer of 100% shares owned by Bank of China (Central and Eastern Europe) Limited to the new owner Bank of China (Europe) S.A. Luxembourg was concluded. Bank of China (Europe) S.A. Luxembourg became the sole shareholder of the Bank, and Bank of China (Central and Eastern Europe) Limited ceased to be the shareholder of the Bank.

The Bank's registered office is located at the address 2a Bulevar Zorana Đinđića St., 11070 Novi Beograd. The Bank's registration number is 21251640, and the tax identification number is 109837136.

As at 31 December 2025, the Bank had no subsidiaries or branch offices within its composition.

As of 31 December 2025, the Bank had 31 employees (2024: 33 employees).

2. BASIS FOR PREPARATION AND DISCLOSURES IN FINANCIAL STATEMENTS

2.1 Basis for compilation and disclosure of financial statements

The financial statements of the Bank for the year 2025 were prepared in accordance with the International Financial Reporting Standards (IFRS) and the regulations of the National Bank of Serbia governing financial reporting of banks.

The enclosed financial statements have been prepared in the form prescribed by the Decision on the Forms and Contents of Items in the Financial Statement Forms for Banks ("Official Gazette of the Republic of Serbia", No. 93/2020).

The enclosed financial statements have been prepared in accordance with the concept of historical cost.

In compiling these financial statements, the Bank has applied the Accounting Policies outlined in Note 3. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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

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

2. BASIS FOR PREPARATION AND DISCLOSURES IN FINANCIAL STATEMENTS (continued)

2.1 Basis for compilation and disclosure of financial statements (continued)

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

Operating environment of the Bank

Since early 2025, global growth has been overshadowed by heightened uncertainty spurred by escalating trade tensions among leading world economies. Global growth is still expected to slow until the end of the year, reflecting higher tariffs, and to recover gradually from 2026.
Net exports are expected to provide a negative contribution in 2026 as imports are projected to rise faster than exports due to the still subdued external demand and the rise in investment and consumption. Growth acceleration in 2027 will, on the other hand, also be supported by the positive contribution of net exports as services exports go up due to the hosting of "Leap into the Future – Serbia Expo 2027" program.
Global inflationary pressures are very important for inflation movements in Serbia, as a large part of domestic inflation is "imported" through the prices of energy, food and industrial products.
According to NBS February projection the inflation is expected to continue to move within the target range of 3 ± 1.5% this year, as well as in the medium term, with it being around the central value of the target by September this year, and then, due to the low base effect, primarily in food prices, it will amount to around 4% by the end of 2026. It is expected inflation to move at a similar level, i.e. slightly below 4%, in the coming year.
The NBS expects imported inflation to recede further, primarily reflecting the lowering of euro area inflation, from an average of 2.4% last year to 2.0% in 2025 and 1.8% in 2026.
Real GDP growth in Q4 2025 amounted to 2.2% y/y, which is in line with the previously published estimate of 2.0% real growth for the whole of 2025.New GDP growth projection for 2026 stands at 3.5%, while a further acceleration to 5.0% is projected for 2027, the year in which the specialized international exhibition "Leap into the Future – Serbia Expo 2027" program will be held.
The IMF and World Bank estimates, Serbian economy will rise by 2.8% in 2026, and continue with rate of 2.1% in following years. The NBS projects the Serbian economy will rise 3.5% and continue to accelerate with further projection of 5% in 2027 in the year of specialised international exhibition "Expo".
According to the results of the Labor Force Survey, in the fourth quarter of 2025, the employment rate was 50.5%, while the unemployment rate was 8.9%.
The reference interest rate has been at the level of 5.75% since September 2025, with the National Bank of Serbia emphasizing that caution is still necessary given the current geopolitical tensions, the rise in protectionism and uncertain trade.
Management takes the necessary measures to ensure the sustainability of the Bank's operations and to support its customers and employees, such as:

- Remote work for for employees in the Bank's Head Office
- intensification of online trainings and trainings for employees on-line business communication between employees and employees and clients
- raising employee awareness of Cyber risks
- Strict monitoring of system performance
- responsible cost management
- keeping the bank fully operational, while preserving the safety and health of employees and clients.

2. BASIS FOR PREPARATION AND DISCLOSURES IN FINANCIAL STATEMENTS (continued)

2.1 Basis for compilation and disclosure of financial statements (continued)

Operating environment of the Bank (continued)

For the purpose of measuring expected credit losses ("ECL"), the Bank uses forward-looking information, including forecasts of macroeconomic variables. However, as with any economic forecast, projections and probabilities of their occurrence are subject to a high degree of uncertainty and therefore actual outcomes may differ significantly from those projected. Note 3.19 provides more information on how the Bank incorporated forward-looking information into the ECL model.

Climate change – The Bank is not exposed to significant risks of climate change. Bearing this in mind, as well as the limited volume of placements, the Bank did not incorporate the risks associated with climate change into its ECL model.

The long-term effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from the actual results.

2.2 Adoption of new or revised standards and interpretations

2.2.1 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS and amendments to IFRS which have been adopted by the Bank as of 1 January 2024:

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and are applied retrospectively. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied within twelve months after the reporting period. The newly adopted IFRS and amendments to IFRS did not have a material impact on the Bank's accounting policies.

2. BASIS FOR PREPARATION AND DISCLOSURES IN FINANCIAL STATEMENTS (continued)

2.2 Adoption of new or revised standards and interpretations (continued)

2.2.1 Changes in accounting policy and disclosures (continued)

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. Under the amendments, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. The amendments apply retrospectively to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The newly adopted IFRS and amendments to IFRS did not have a material impact on the Bank's accounting policies.

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures - Supplier Finance Arrangements (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The newly adopted IFRS and amendments to IFRS did not have a material impact on the Bank's accounting policies.

2. BASIS FOR PREPARATION AND DISCLOSURES IN FINANCIAL STATEMENTS (continued)

2.2 Adoption of new or revised standards and interpretations (continued)

2.2.2 Standards issued but not yet effective and not early adopted

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. Management has assessed that the effects of this standard will not have a significant impact on the Bank's financial statements.

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption of amendments related to the classification of financial assets and the related disclosures is permitted, with the option to apply the other amendments at a later date. The amendments clarify that a financial liability is derecognised on the 'settlement date', when the obligation is discharged, cancelled, expired, or otherwise qualifies for derecognition. They introduce an accounting policy option to derecognise liabilities settled via electronic payment systems before the settlement date, subject to specific conditions. They also provide guidance on assessing the contractual cash flow characteristics of financial assets with environmental, social, and governance (ESG)-linked features or other similar contingent features. Additionally, they clarify the treatment of non-recourse assets and contractually linked instruments and require additional disclosures under IFRS 7 for financial assets and liabilities with contingent event references (including ESG-linked) and equity instruments classified at fair value through other comprehensive income. The amendments have not yet been endorsed by the EU. Management has assessed that the effects of this standard will not have a significant impact on the Bank's financial statements.

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

2. BASIS FOR PREPARATION AND DISCLOSURES IN FINANCIAL STATEMENTS (continued)

2.2 Adoption of new or revised standards and interpretations (continued)

2.2.2 Standards issued but not yet effective and not early adopted (continued)

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. The amendments include clarifying the application of the 'own-use' requirements, permitting hedge accounting if contracts in scope of the amendments are used as hedging instruments, and introduce new disclosure requirements to enable investors to understand the impact of these contracts on a company's financial performance and cash flows. The clarifications regarding the 'own-use' requirements must be applied retrospectively, but the guidance permitting hedge accounting have to be applied prospectively to new hedging relationships designated on or after the date of initial application. The amendments have not yet been endorsed by the EU. Management has assessed that the effects of this standard will not have a significant impact on the Bank's financial statements.

- **IFRS 18 Presentation and Disclosure in Financial Statements**
  IFRS 18 introduces new requirements on presentation within the statement of profit or loss. It requires an entity to classify all income and expenses within its statement of profit or loss into one of the five categories: operating; investing; financing; income taxes; and discontinued operations. These categories are complemented by the requirements to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards. IFRS 18 is effective for reporting periods beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements. The standard has not yet been endorsed by the EU. In the following reporting periods, Management will analyse the requirements of this newly issued standard and assess its impact.

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures**
  IFRS 19 permits subsidiaries without public accountability to use reduced disclosure requirements if their parent company (either ultimate or intermediate) prepares publicly available consolidated financial statements in compliance with IFRS accounting standards. These subsidiaries must still apply the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards. IFRS 19 is effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The standard has not yet been endorsed by the EU. Management has assessed the effects of this standard are not expected to have a significant impact on the Bank's financial statements.

2. BASIS FOR PREPARATION AND DISCLOSURES IN FINANCIAL STATEMENTS (continued)

2.2 Adoption of new or revised standards and interpretations (continued)

2.2.2 Standards issued but not yet effective and not early adopted (continued)

- **Annual Improvements to IFRS Accounting Standards – Volume 11**
  The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards — Volume 11. An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. The Annual Improvements to IFRS Accounting Standards - Volume 11, includes amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. These amendments aim to clarify wording, correct minor unintended consequences, oversights, or conflicts between requirements in the standards. The standard has not been endorsed by the EU. Management has assessed that the effects of this standard will not have a significant impact on the Bank's financial statements.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that the effects of this standard will not have a significant impact on the Bank's financial statements.

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

3. ACCOUNTING POLICIES

Material accounting policies applied for the preparation of the financial statements for 2025 are presented below.

3.1 Interest Income and Expenses

Interest income and expenses for all interest-bearing financial instruments are shown under "interest income" and "interest expense" in the income statement. Interest income and expenses are recognized in the income statement using the effective interest rate method.

The effective interest rate method is a method that calculates the amortized value of financial assets or financial liabilities, as well as the costs of allocating interest income or expenses in a certain period. The effective interest rate includes all fees and amounts paid or received between two contracting parties that are an integral part of the effective interest rate, transaction costs and any other premiums or discounts.

The effective interest rate is the rate that accurately discounts the estimated future payments or receipts of cash assets during the expected life of the financial instrument or, where appropriate, during a shorter period to the net carrying amount of financial assets or financial liabilities. When calculating the effective interest rate, the Bank estimates cash flows taking into account all contractual terms of a financial instrument (for example, the possibility of early repayment), but does not take into account future credit losses.

When a financial asset or a group of similar financial assets is written off as a result of impairment loss, interest income is recognized using the interest rate discounted for the future cash flow to assess the impairment loss.

Interest income is calculated as follows:

- Applying the effective interest rate to the gross carrying amount of a financial asset (Stage 1 and Stage 2).
- Applying the effective interest rate on the amortised value of a financial asset in subsequent reporting periods, net of ECL as long as the asset has become credit impaired (Stage 3).
  The Bank does not have such financial assets in its portfolio as at 31.12.2025. nor as at 31.12.2024.
- Applying a credit-adjusted effective interest rate on purchased or created financial assets reduced for credit losses (POCI).
  The Bank does not have such financial assets in its portfolio as at 31.12.2025. nor as at 31.12.2024.

Interest expenses are calculated using the effective interest rate on the amortized value of a financial liability.

3. ACCOUNTING POLICIES (continued)

3.2 Income and Expenses on Fees and Commissions

Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. Such income includes fees for issued guarantees and loan administration fees on behalf of third parties. These fees are deferred according to life period of a guarantee or a loan.

Other fee and commission income is recognised at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for payment services and other banking services, as well as, commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party (arrangement fee).These fees are not deferred during a period since they are one time fees.

Loan syndication fees are recognised as income when the syndication has been completed and the Bank retains no part of the loan package for itself.

3.3 Sales and purchases of foreign currencies and currency conversion

The Bank sells and purchases foreign currencies through its bank accounts, as well as exchanges foreign currencies. The transactions are performed at the exchange rates established by the Bank, which are different from the official spot exchange rates at the particular dates. The differences between the official rates and Bank rates are recognised under "Income from fees and commissions" at a point in time when a particular performance obligation is satisfied.

3.4 Conversion of foreign means of payment

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the Bank operates (functional currency). The financial statements are presented in thousands of dinars (RSD), which is the functional and reporting currency of the Bank.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into dinars at the middle exchange rate of the National Bank of Serbia in force at the balance sheet date. Transactions in foreign currency are translated into dinars at the middle exchange rate established on the interbank foreign exchange market, applicable on the day of the transaction. Currency gains and losses arising on the adjustment of balance sheet items denominated in foreign currency and in foreign currency transactions are recorded by crediting or debiting the income statement as income and expenses on the basis of currency gains and losses.

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

3. ACCOUNTING POLICIES (continued)

3.5 Current Income Tax

Income tax represents the amount that is calculated and paid in accordance with the provisions of the Law on Corporate Income Tax of the Republic of Serbia. During the year, the Bank paid income tax in the form of monthly advance payments, the amount of which is determined based on the tax return for the previous year. The final tax base, to which the prescribed corporate tax rate of 15% is applied, is determined under the Bank's tax balance. The tax base includes income from the income statement adjusted for certain expenditures and income, in accordance with tax regulations.

Tax regulations in the Republic of Serbia do not allow tax losses from the current period to be used as a basis for tax refunds paid during a certain previous. However, current-year losses can be used to reduce the tax base for future accounting periods, but not longer than 5 years.

3.6 Deferred Income Tax

Deferred income tax is calculated for all temporary differences between the tax base of assets and liabilities and their carrying amount. Current tax rates at the balance sheet date are used to calculate the amount of deferred tax. Deferred tax liabilities are recognized for all taxable temporary differences between the tax base of assets and liabilities at the balance sheet date and amounts reported for reporting purposes, which will result in taxable amounts of future periods. Deferred tax assets are recognized for deductible temporary differences and for the effects of the transferred loss and unused tax credits from previous periods to the extent that it is likely that there will be future taxable income at the expense of which deferred tax assets can be utilized.

3. ACCOUNTING POLICIES (continued)

3.7 Taxes, Contributions and Other Duties Not Related to Operating Result

Taxes, contributions and other duties that are not related to the Bank's operating result include property taxes, value added tax, payroll contributions charged to the employer and various other taxes, contributions and duties payable under the republic and municipal tax regulations. These are included under operating and other expenses within the income statement.

3.8 Employee Compensation

a) Employee Benefits

Short-term employee benefits include salaries and social security contributions and are recognized as an expense in the period in which they have been incurred.

The Bank and its employees are legally obliged to make payments in accordance with defined contribution plans to the pension fund of the Republic of Serbia. The Bank is not under the legal or enforceable obligation to pay compensation to its employees if the Fund does not have sufficient funds to pay compensation to all employees for employment during the current and previous periods. Contributions are recorded as the expense of remuneration to employees for the period to which such remunerations relate.

b) Other Employee Benefits

The Bank provides benefits to employees after retirement. The entitlement to these benefits is usually conditional on the employee's years of service up to the age limit for retirement and achievement of minimum length of service. Expected costs for these benefits are accumulated during the period of employment. The defined pension obligation is assessed annually by independent, qualified actuaries, using the method of a projected credit unit. The present value of a defined benefit liability is determined by discounting the expected future cash payments using the interest rates of high-quality bonds expressed in the currency in which the payment liabilities will be effected and which have a maturity that roughly corresponds to the maturity periods of the pension obligation.

(c) Short-Term Compensated Absences

Accumulating compensated absences (annual vacation leaves) may be carried forward and used in future periods if the current period's entitlement is not used in full. Expenses for compensated absences are recognized at the amount the Bank expects to pay as a result of the unused entitlement that has accumulated at the reporting date. In the case of non-accumulating compensated absences, an obligation or expense is recognized when the absences occur.

3. ACCOUNTING POLICIES (continued)

3.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset

A financial asset is any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right to receive cash or another financial asset from another entity; or
- a contractual right to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is
- a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments.

Financial liability

A financial liability is any liability that is:

- a contractual obligation to deliver cash or another financial asset to another entity; or
- a contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
- a contract that will or may be settled in the entity's own equity instruments and is a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the average of actual trading prices.

The fair value of financial instruments that are not traded in an active market is determined by the use of valuation techniques, appropriate in the circumstances, and for which sufficient data to measure fair value are available, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. ACCOUNTING POLICIES (continued)

3.9 Financial Instruments (continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). More detailed disclosure on valuation models and hierarchy of instruments that are valued at fair value are given in Note 30. Transfers between levels of the fair value hierarchy are deemed not to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount by which the financial asset or financial liability is measured at initial recognition minus repayment of principal and plus or minus cumulative depreciation by using the effective interest rate method of any difference between that initial amount and the amount of maturity. For financial assets, the amount is adjusted for the impairment allowance. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The *effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected duration of a financial instrument or, if appropriate, a shorter period than the gross carrying amount of the financial asset or the net carrying amount of a financial liability.

When the effective interest rate is calculated, the Bank estimates cash flows taking into account all contractual terms of a financial instrument (for example, early repayment, purchase and similar options) but does not take into account future credit losses. The calculation includes all fees and points paid or received between the contracting parties, which are an integral part of the effective interest rate.

3. ACCOUNTING POLICIES (continued)

3.9 Financial Instruments (continued)

Initial recognition and initial measurement

(i) Initial recognition

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

(ii) Initial measurement

All financial instruments are initially recognized at fair value adjusted for transaction costs that are directly attributable to acquisition or issue of financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit and loss which are initially recognized at fair value). Fair value at initial recognition is best evidenced by the transaction price. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

Principles of subsequent measurement of financial instruments

Regarding classification and measurement, the Bank classifies financial assets, except for equity instruments and derivatives, based on the assessment of the business model for managing specific financial assets and contractual characteristics of cash flows of financial instruments.

(i*) Classification and measurement*

IFRS 9 requires that all financial assets, except derivatives and equity instruments, be analysed through the composition of the financial asset management business model on the one hand, and the characteristics of contracted cash flows on the other.

Bank assesses the objectives of the business model for managing financial assets at the portfolio level, since such an assessment reflects, in the best way, the way in which business operations are managed and the manner in which management reports. The classification of financial assets is based on the application of an appropriate business model for the management of financial assets and the fulfilment of the test of characteristics of contracted cash flows.

The business model determines whether the Bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL. A business model for the classification of financial assets is determined at the appropriate level of aggregation. Fulfilment of the test of characteristics of contracted cash flows means that cash flows consist exclusively of principal and interest payments on the remaining principal (SPPI criterion). Refer to Note 3.22 for critical judgements applied by the Bank in determining the business models for its financial assets.

3. ACCOUNTING POLICIES (continued)

3.9 Financial Instruments (continued)

Principles of subsequent measurement of financial instruments (continued)

(i) ***Classification and measurement (continued)***

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Bank assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 3.19 for critical judgements applied by the Bank in performing the SPPI test for its financial assets.

Financial assets can be classified into the following categories:

- financial assets valued at amortized cost (AC)
- financial assets valued at fair value through profit and loss account (FVTPL)
- financial assets valued at fair value through other comprehensive income through the income statement - "recycling" (FVOCI)
- financial assets valued at fair value through other comprehensive income without reclassification of amounts recognised and accumulated in OCI to profit or loss.

Subsequent measurement of financial assets depends on their classification.

The Bank measures financial investments at amortized cost if both of the following conditions are met:

a) The financial entity is maintained within the business model with the aim of holding the financial asset for the purpose of collecting contracted cash flows,
b) The contractual terms of a financial asset give cash flows that are exclusively principal and interest payments (SPPI) on specified dates to the amount of outstanding principal.

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the lines 'Loans and receivables from banks and other financial organisations', 'Loans and receivables from clients' and 'Cash and assets held with the central bank'.
Financial assets at amortized cost are the largest category of measurement, as the entire credit portfolio of the Bank's is measured at amortized cost.

Cash balances include only claims (deposits) against central banks that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

Loans and receivables from banks and other financial organisations. Amounts due from other banks are recorded when the Bank advances money to counterparty banks.

3. ACCOUNTING POLICIES (continued)

3.9 Financial Instruments (continued)

Principles of subsequent measurement of financial instruments (continued)

(i) ***Classification and measurement (continued)***

Loans and receivables from clients are recorded when the Bank advances money to purchase or originate a loan due from a customer. If they are measured at amortized cost, loans and receivables are presented net of allowances for impairment in the balance sheet. Impairment allowances are determined based on the ECL models. Note 3.22 provides information about inputs, assumptions and estimation techniques used in measuring ECL

Interest income on these assets is calculated by effective interest method and is included under the position 'Interest income' in the statement of income. Impairment gains or losses are included in the position 'Impairment losses from financial assets and credit risk off-balance sheet items'. Gains and losses from derecognition (such as sales) of the assets are reported under the line item 'Net gains/losses from derecognition of financial instruments recognized at amortised cost'.

(iii) Expected credit loss

IFRS 9 requires a move from a loss model to an expected loss model. This means that the Bank recognizes not only credit losses that have already been incurred, but also losses that are expected in the future. The calculation of expected credit loss (ECL) is mandatory for all loans and other debt financial assets that are not in the FVPL, together with loan commitments and financial guarantee agreements.

Debt instruments measured at AC are presented in the balance sheet net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the balance sheet.

The allowance is based on the expected credit losses associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since initial recognition, in which case, the allowance is based on the probability of default over the life of the financial asset (LECL – lifetime expected credit loss). When determining whether the risk of default increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the historical data and experience.

Based on the applied impairment methodology, the Bank, classifies financial instruments into Stage 1, Stage 2, and Stage 3, as described below:

- Stage 1 – performing portfolio: no significant increase of credit risk since initial recognition, the Bank recognises an allowance based on 12-month period,
- Stage 2 – underperforming portfolio: significant increase in credit risk since initial recognition, the Bank recognises an allowance for lifetime period, and
- Stage 3 – impaired portfolio, significant increase in credit risk after initial recognition, the Bank recognises lifetime allowances for these financial assets.

3. ACCOUNTING POLICIES (continued)

3.9 Financial Instruments (continued)

Principles of subsequent measurement of financial instruments (continued)

(iii) Expected credit loss (continued)

The definition of default and delay is in the line with Decision of NBS about capital adequacy and with Instructions of NBS for determining the status of default.

ECL for Stage 1 financial assets is calculated based on 12-month PDs (probability of default) or shorter period PDs, if the maturity of the financial asset is shorter than 1 year, The 12-month PD already includes macroeconomic impact effect, Impairment losses in stage 1 are designed to reflect impairment losses that had been incurred in the performing portfolio, but have not been identified.

LECL for Stage 2 financial assets is calculated on the basis of lifetime PDs (LPD) because their credit risk has increased significantly since their initial recognition, This calculation is also based on forward-looking assessment that takes into account number of economic scenarios in order to recognise the probability of losses associated with the predicted macro-economic forecasts.

Note 3.19 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

Financial liabilities

(i) Measurement categories

Financial liabilities are classified as subsequently measured at AC,
except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

All financial liabilities of the Bank are classified as subsequently measured at AC as at 31.12.2025. and 31.12.2024.

3.10 Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual, commercial or legal obligation. Where the performance guarantee provides the Bank with contractual indemnification rights to recover any payments made to the guarantee holder from the applicant and such rights are covered by collateral, they are treated as a loan commitment provided to the applicant, if the bank concludes that there is no event with commercial substance that could cause the bank to incur an overall loss on the guarantee arrangement. Such performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the amount of the loss allowance determined based on the expected credit loss model. Note 3.22 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

3. ACCOUNTING POLICIES (continued)

3.11 Loan commitments

The Bank issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Bank cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

3.12 Intangible Assets

Expenditures directly linked to identified and unique software products controlled by the Bank and likely to generate an economic benefit greater than the expense of more than one year shall be recognized as an intangible asset.

Licenses have a limited life and are stated at purchase value reduced by accumulated value adjustment. Amortization is calculated by using a proportional method in order to distribute the license costs during their estimated useful lives.

The acquired software licenses are capitalized in the amount of expenses incurred in acquiring and putting into use and development of the software. Amortization is calculated using a proportional method in order to distribute expenditures during their estimated useful lives.

Amortization costs are calculated according to the following rates:

Intangible assets	
Software	33.00%
Other intangible assets and intellectual property (with the exception of logo)	16.60%
Bank's logo	14.50%

Expenditures related to the maintenance of software programs are recognized as the expense of the period in which they have been incurred.

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

3. ACCOUNTING POLICIES (continued)

3.13 Property, plant and equipment

Items of property, plant and equipment are stated at purchase value reduced by the value adjustment and impairment. The purchase value includes expenses directly attributable to the purchase of assets.

Subsequent expenditures are included in the cost of the asset or recognized as a separate asset only when it is probable that the Bank will have economic benefits from that asset in the future and if its value can be reliably measured.

Expenditures related to the on-going maintenance of fixed assets are recognized as the expenditure of the period in which they have been incurred.

Depreciation is calculated by using the proportional (straight-line method) method in order to distribute the cost to the residual value over their estimated life, as follows:

Buildings	2%
Right-of-use assets	Shorter of useful life and the term of the underlying lease
Electronic network, air conditioners, pipes and heating	4%
Computer equipment	33%
Other equipment	14.50%
Vehicles	20%

Land and construction in progress are not depreciated.

The residual value of the asset is the estimated amount that the Bank could earn by selling the asset at the present time, reduced by the estimated cost of sales, if the asset is already old and in the condition in which it is expected to be at the end of its useful life. The residual value of the asset is zero if the Bank expects to use the said asset until the end of its physical life. The residual value and useful life of the asset are reviewed and, if necessary, adjusted at the balance sheet date.

Gains and losses arising from the disposal of an asset are determined by the difference between the cash inflow and the carrying amount and are recognized in the income statement within the item of "Other income/Other expenses".

3.14 Leases

Accounting for leases by the Bank as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3. ACCOUNTING POLICIES (continued)

3.14 Leases (continued)

Lease payments include fixed rents, variable rent payments that depend on the index or rate, amounts expected to be paid under the residual value guarantee, and lease payments over an optional extension period if the lessee estimates that they will exercise option, as well as penalties for early termination of the contract if the lease term reflects a lessees intention of using the termination option. Thereafter, the carrying amount of the lease liability is increased by interest calculated using the discount rate, less any lease payments made, and possibly revalued in accordance with the change in lease agreement.

Lease liabilities are discounted using an interest rate that represents the implicit lease rate. If this rate cannot be determined, the Bank uses an incremental borrowing rate - the rate at which the Bank can borrow from Bank of China Group.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs, and restoration costs.

The Bank adopts the same depreciation policy for leased assets (right of use of asset) as those for which it has title rights (i.e. measures them in the amount of amortized cost adjusted for changes in lease liabilities). The cost of the right of use on the recognition date is equal to the amount of the lease liabilities increased by the initial direct dependent costs and payments of lease liabilities made before or on the recognition date and reduced by discounts. Lease liabilities are equal to the present value of the lease payment during the lease term.

The Bank, as the lessee, decides not to separate the lease into a part that is a lease and a non-lease, and instead calculates as if it were a single component of the lease.

Bank, as a lessee, on the day of lease establishing (i.e. on the day when the assets are available for use): (a) recognized assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value (less than USD 5 000); and (b) show depreciation of lease assets separately from interest on lease liabilities in the income statement. Expense relating to short-term leases are presented in Note 24.

3.15 Impairment of Non-Financial Assets

Assets that have an unlimited useful life are not subject to depreciation. Checking whether there has been a decrease in their value is performed annually and when events or altered circumstances indicate that the carrying amount may not be recoverable.

For assets subject to depreciation, the verification of whether there has been a decrease in their value is made when events or changed circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the amount for which the carrying amount of the asset is greater than its recoverable amount.

The recoverable amount is the value greater than the fair value of the asset reduced by the cost of sales and the values in use. For the purpose of assessing impairment, assets are grouped at the lowest levels where separate recognizable cash flows (cash-generating units) can be determined.

Non-financial assets that have been impaired are reviewed for each reporting period due to possible reversal of impairment.

3. ACCOUNTING POLICIES (continued)

3.16 Deposits of banks and clients

Bank and clients' deposits, as well as other interest-bearing financial liabilities are initially recognized at fair value reduced by the transaction costs incurred, except for the financial liabilities that are measured at fair value in the income statement. After initial recognition, interest bearing deposits and loans are stated at amortised cost using the contracted interest rate.

3.17 Provisions, contingent liabilities and assets

Provisions are recognized and made when the Bank has a legal or contractual obligation as a result of past events and when it is likely that an outflow of resources will arise in order to settle the obligation and when the amount of the obligation can be reliably estimated. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount.

The provision is measured at the present value of the expected expenditures to settle the obligation, by using a discount rate that reflects the current market estimate of the time value of money.

Provisions can be created if the following conditions are met:

- A current liability (legal or derived) exists as a result of some past event
- There is a probability that the settlement of the liability requires an outflow of funds which generates economic benefit and
- A reliable estimate of the amount of the liability can be made.

Provisions for liabilities and expenses in the financial statements are stated under the heading of Provisions.

Contingent liabilities are not recognized in the financial statements. Contingent assets and liabilities are disclosed in notes to the financial statements.

Provisions are reviewed at every balance sheet date and adjusted so as to reflect the best current estimate, If it is no longer probable that an outflow of funds which generates economic benefit is required for the settlement of the liability, the provision is derecognized through Profit and loss.

3.18 Equity

Equity consists of share capital (ordinary shares), issuance premiums, reserves and accumulated loss. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

3. ACCOUNTING POLICIES (continued)

3.19 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

These estimates and assumptions are based on the information available as at the date of the financial statements. The actual results may differ from these estimates. Estimates and related assumptions are reviewed on an ongoing basis, and where adjustments are required, they are recognized in the income statement for the periods in which they have become known.

Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

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

(a) Preparation of financial statements on a going concern basis

The Bank's management is not aware of any material uncertainties that may cause doubts about the possibility of discontinuity of the Bank's operations. In making this judgement management considered the Bank's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of recent macro-economic developments on future operations of the Bank. Given the above, the financial statements are prepared under the going concern basis.

(b) Income tax

The Bank is subject to income tax in the Republic of Serbia. Determining tax liabilities requires the use of certain estimates. In a situation where the final tax liability is different from the initially recognized tax liabilities, this difference affects the tax liability of the period in which the difference was found.

(c) Deferred income tax asset recognition

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

3. ACCOUNTING POLICIES (continued)

3.19 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

(d) Business model assessment and assessment whether cash flows are solely payments of principal and interest ("SPPI")

Fulfilment analysis of whether the contracted cash flow of a financial asset leads to an increase in cash flow that is solely the payment of principal and interest (SPPI), which is the subject of significant assessment when classifying a financial asset. These estimates are crucial in the IFRS 9 classification and measurement process because they determine whether an asset will be measured at fair value through profit or loss (FVPL), or depending on the business model estimate, amortized cost (AC) or fair value through other comprehensive assets. result (FVOCI).

The Bank conducted an analysis of business models at the level of the portfolio of financial assets. Existing portfolio policies and strategies were analysed, as well as their implementation in practice. Information and how to evaluate and report on portfolio performance, information on risks affecting portfolio performance and how they are managed are also taken into account. In addition, the frequency, volume and timing of the sale of financial assets in previous periods, the reasons for the sale and plans for the sale of financial assets in the next period are considered.

Business models of the Bank:

- **Corporate banking - Loans and receivables: Hold to Collect (AC valuation method)**
  All loans and receivables are held in order to collect the contracted cash flows (principal and interest) during the total duration of the placement, i.e. until maturity. There is no trading in placements, that is, there is no placement of loans with the aim of selling them and making a profit based on the difference in price.
- **Treasury - Debt securities: Hold to Collect (AC valuation method)**
  Financial instruments, i.e. debt securities, in the "hold for collection" ("HtC") business model, are managed to generate cash flows by collecting contractual cash flows. Achieving a price difference is not the goal, nor the nature of this business model.

Review of instruments' contractual cash flow characteristics (the SPPI test – solely payment of principal and interest on the principal amount outstanding)

In assessing whether contractual cash flows are only a payment of principal and interest, the Bank reviewed the contractual terms of the financial instruments and whether they contain provisions that may change the timing or amount of the contractual cash flows, which would result in a fair valuation of the instruments. The principal reflects the fair value at initial recognition less any subsequent changes, e.g. repayments. Interest must only represent consideration for the time value of money, credit risk, other underlying credit risks and profit margins consistent with the underlying credit functions. If cash flows introduce more than de minimis risk exposures or volatility that is inconsistent with underlying credit functions, the financial asset must be recognized in the FVPL.

The analysis concluded that there are no Bank's credit products whose contractual terms do not result in cash flows that represent only payment of principal and interest on the principal balance at specific dates, which would require a fair value measurement.

3. ACCOUNTING POLICIES (continued)

3.19 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

(e) *Credit Loss Allowance*

The expected credit loss model is based on judgment because it requires an estimate of a significant increase in credit risk and the measurement of expected losses without some more detailed guidance. Details of ECL measurement methodology are disclosed in Note 29.

Measurement of expected credit loss involves complex models that rely on historical default and loss rates, their extrapolation in case of insufficient data, individual estimations of credit loss-adjusted cash flows, and probability of scenario realization including forward-looking information.

The Bank regularly reviews the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

(f) Significant increase in credit risk ("SICR")

In terms of a significant increase in credit risk, the Bank has set out specific valuation rules that include quantitative and qualitative criteria. In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios.

(g) Performance guarantees treated as loan commitments

The Bank has concluded that its performance guarantee contracts expose the Bank solely to credit risk of the applicant because (i) all the contracts require the customers who apply for a guarantee to fully collateralise their obligations to indemnify the Bank as the issuer and (ii) there are no scenarios with commercial substance where the Bank would have to pay significant additional amounts to the holders of such guarantees. Accordingly, the Bank accounts for these contracts as loan commitments in accordance with IFRS 9. The gross amount of the performance guarantees issued and accounted for as loan commitments is RSD 9,491,916 thousand (31 December 2021: RSD 6,511,416 thousand). The fee income recognised for these performance guarantees was RSD 156,116thousand for the year ended 31 December 2025 (2024: RSD 90,766 thousand).

3. ACCOUNTING POLICIES (continued)

3.19 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

(h) Determining the Fair Value of Financial Instruments

The fair value of financial instruments traded on an active market at the reporting date are based on the quoted market bid and ask prices, before the decrease by transaction costs. The fair value of financial instruments which are not listed on an active market are determined using adequate measurement techniques including techniques of net present value, comparison with similar instruments for which there are market prices and other relevant models.

When market inputs are unavailable, these are determined through assessments that include a certain degree of judgments in the fair value assessment. Models of estimates reflect the current market situation at the date of assessment and do not have to correspond to the market terms before or after the date of measuring. Hence, measurement techniques are revised periodically so they would bestreflect current market terms.

(i) Valuation of right of use assets and leasing liabilities in accordance with IFRS 16

The estimates used by the Bank to measure financial leasing liabilities and right of use assets relate primarily to:

- Classification of contracts as subject to IFRS 16
- Determination of the lease term - the length of contracts that are subject to IFRS 16 (including contracts of indefinite duration and contracts that can be extended)
- Determination of depreciation rates
- Determining the interest rates that will be applied to discount future cash flows

At the moment of initial recognition of leases, the Bank uses a model which in accordance with IFRS 16 requirements. The lessee recognizes the right of use asset, which represents it's right to use the underlying property, and the lease liability, which, represents its lease payment obligation.

For each lease agreement, it is assessed whether it contains a lease i.e. whether the contract bears the right to control the use of the identified property in the contracted period in exchange for compensation.

In assessing the lease period, the Bank included a non-cancellation period, an optional lease extension period, if the lessee is relatively certain to exercise that option, a period covered by the option to terminate the lease, if the lessee is relatively certain that the option will not be used, while in case of a leasing without a defined (fixed) term, the Bank applied term determined in accordance with the best possible estimate of the lease term

The lease liability is initially measured at the present value of the lease payments not paid at the leasing contract inception date, discounted using the interest rate implied in the lease or, if the rate cannot be easily determined, the incremental borrowing rate.

The Bank uses an incremental borrowing rate - the rate at which the Bank can borrow from the Bank of China Group.

(j) Initial recognition of transactions with related parties

When performing ordinary business activities, the Bank does transactions with it's related parties. IFRS 9 requires the initial recognition of financial instruments based on their fair value. An estimate is required when determining whether transaction prices are market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and an effective interest rate analysis. More information on transactions with related parties is provided in Note 29.

4. INTEREST INCOME AND EXPENSE

In RSD thousand	2025	2024
Interest income	-	-
Interest income from deposits – domestic banks	515,046	617,912
Interest income from deposits – foreign banks	879,632	847,887
Interest income from deposits – customers	44,678	648
Total interest income	**1,439,356**	**1,466,447**
Interest expense	**-**	**-**
Interest expense from deposits – corporate clients	-	-
Interest expense from deposits – foreign banks	(7,999)	(2,536)
Interest expense from deposits in foreign currency – foreign banks	(54,187)	(13,179)
Lease interest expense	(1,465)	(2,034)
Total interest expense	**(63,651)**	**(17,749)**
Total net income	**1,375,705**	**1,448,698**

Interest income from foreign banks amounts to RSD 515,046 thousand (2024: RSD 617,912 thousand)

Interest income from foreign banks in the amount of RSD 879,632 thousand relates to interest income earned from placements with other member of the Bank of China Group (2024: RSD 847,887 thousand).

Interest expense in the amount of RSD 63,651 thousand (2024: RSD 17,749 thousand) incurred as a result of increased activity of raising deposit funds from customers as well as from the foreign bank sector (other members of the Group to which the Bank belongs).

5. FEE AND COMMISSION INCOME AND EXPENSE

In RSD thousand	2025	2024
Income from bank charges	**-**	**-**
Fee and commission income from payment transactions	95,018	45,124
Fee and commission income from guarantees	156,116	90,766
Fee and commission income intra group charges	122,822	314,517
Fee and commission income from other clients	74,026	45,957
Fee and commission income from foreign exchange business	1,100,799	676,108
Other fee income	2,025	2,037
Total income	**1,550,806**	**1,174,509**
Expense from bank charges	-	-
Payment operations in foreign currency	(14,530)	(14,937)
Payment operations in RSD	(1,529)	(1,597)
Total expense:	**(16,059)**	**(16,534)**
Net fee and commission income	**1,534,747**	**1,157,975**

Major fee income was generated on the basis of foreign exchange transactions (2025: RSD 1,100,799 thousand, 2024: RSD 676,108 thousand), which increased due to the Bank's greater activity in providing foreign exchange services to its clients.

The second most important fee income comes from loan to clients arrangements where loans are approved by other members of the BOC group and where Bank of China Srbija a.d. acted as a contractor. This income, together with other income within the group, amounted to RSD 122,822 thousand (2024: RSD 314,517 thousand).

Income from fees and commissions from other clients in the amount of RSD 74,026 thousand (2024: RSD 45,957 thousand) refers to the fee for loan processing for new projects with legal entities from the non-financial sector for loans approved by other members of the BOC Group, where Bank of China Serbia a.d. acted as a contractor.

6. NET PROFIT FROM FOREIGHN EXCHANGE DIFFERENCES AND FOREIGHN CURRENCY CLAUSE

In RSD thousand	2025	2024
Other foreign exchange result from exchange operations	(37,380)	25,554
Net result from exchange of balance sheet items	17,561	(25,123)
Net result from the valuation of irrevocable off-balance sheet liabilities	41,535	(43,838)
Net income from foreign exchange	**21,716**	**(43,407)**

Other income and expenses from exchange rate differences are insignificant because the Bank strives to have a uniform foreign exchange position during the year, i.e. a minimum exposure based on foreign exchange risk.

7. IMPAIREMENT LOSSES FROM FINANCIAL ASSETS AND CREDIT RISK OFF-BALANCE SHEET ITEMS

In RSD thousand	2025	2024
Net expense (income) from increase (decrease) in ECL on financial assets at AC	(186,726)	187,467
Net expense (income) from increase (decrease) in ECL on off-balance sheet items	(35,029)	(16,132)
Total	**(221,755)**	**171,335**

Durring a year there was an increase in financial sector placements' impairment mostly due to increase of total aount of assets that bank keeps on it's nostro accounts and placed deposits in financial sector.

8. SALARIES, WAGES AND OTHER PERSONAL EXPENSES

In RSD thousand	2025	2024
Cost of net salaries	148,724	172,682
Allowance costs	387	722
Taxes	45,476	45,587
Contributions	70,134	63,837
Other personal expenses	86,450	53,095
Total	**351,171**	**335,923**

The average number of employees at the end of 2025 was 32 (2024: average no. of employees was 31). Even though average salaries increased, salary expense decreased due to less employees.

Other personal expenses in the amount of RSD 86,450 thousand (2024: RSD 53,095 thousand) mainly relate to the provision for transportation costs and the expenses for business trips for 2025 in gross amount.

9. DEPRECIATION COSTS

In RSD thousand	2025	2024
Amortization of intangible assets (note 16)	6,035	6,881
Depreciation of fixed assets (note 17)	11,947	10,689
Depreciation expense – lease (note 17)	41,402	41,401
Total	**59,384**	**58,971**

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

10. OTHER EXPENSES

In RSD thousand	2025	2024
Office supplies costs	1,163	706
Expenses related to the lease of business premises	4,824	5,437
Fuel costs	429	882
Promotion and advertising costs	1,768	11,413
Costs of assignment of activities to other persons	2,188	2,581
Maintenance and repair costs of safety equipment	18,711	14,580
Costs of mobile and landline phones	4,303	4,162
Costs of renting office space from legal entities	5,908	6,265
Costs of renting office space from natural persons	9,848	39,120
Maintenance costs of leased facilities	4,990	4,252
Car rental costs	1,663	2,811
Rental costs of other equipment	0	0
Costs of a special internet line	8,080	8,055
Costs of using BOC software	27,742	22,120
Expenses incurred in connection with business trips	10,022	7,696
Representation expenses	1,791	6,408
Costs of advisory and other intellectual services	9,393	8,285
Other production costs	6,707	3,428
Costs of membership fees	3,103	2,820
Deposit insurance costs with a deposit insurance agency	2,214	1,729
Intangible costs	4,950	9,254
Costs of taxes, fees and charges according to regulatory bodies	23,459	15,503
Tax and contributions emplyee burden	0	0
Other taxes from operations	234	114
Total	**153,490**	**177,621**

Costs of renting business premises with individuals in the amount of RSD 9,848 thousand (2024: RSD 39,120 thousand) relate to short-term leases of apartments for employees from abroad that have the character of earnings.

The costs of BOC software amount to RSD 10,022 thousand (2024: RSD 7,696 thousand) and relate to investments in the bank's information system and improvement of the payment system.

11. INCOME TAX

In RSD thousand	2025	2024
Current tax	388,517	289,508
Deferred tax income	-	-
Deferred tax expense	-	112
Total	**388,517**	**289,620**

Income tax expense differs from the theoretical amount that would arise using the nominal tax rate applicable to profit before tax. The ratio of the tax expense / income to the accounting expense / income is presented below:

In RSD thousand	2025	2024
	-	-
Gain / (Loss) before tax	1,819,416	1,819,416
Tax rate	15%	15%
Calculated income tax	272,912	272,912
Tax effect of non-deductible expenses	16,596	16,596
Tax effect of final tax billing	-	-
Tax expense for the period	**289,508**	**289,508**

11.1 Calculation of deferred tax income / expense

In RSD thousand	2025	2024
Tax effect of temporary differences concerning PPE and intangible assets	-	(112)
Net deferred tax income / (expense)	**-**	**(112)**

11.2 Deferred tax assets /liabilities

At year-end, deferred tax liabilities amount to RSD 4,535 thousand (2024: RSD 4,535 thousand). This temporary tax difference arises due to the difference in the methods of calculating the depreciation of fixed assets according to accounting policies and according to the tax prescribed depreciation rates.

12. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

In RSD thousand	2025	2024
Gain attributable to equity holders of the Company	2,201,362	1,529,796
Weighted average number of ordinary shares in issue	100	100
Basic earnings per share (expressed in RSD per share)	**22,014**	**15,298**

13. CASH AND ASSETS HELD WITH THE CENTRAL BANK

In RSD thousand	2025	2024
Current account at National Bank of Serbia	16,306,866	12,484,921
Regulatory reserve in RSD at NBS	3,119,701	3,627,462
Accrued receivables based on cash and deposits at the National Bank of Serbia	1,588	1,025
Total cash and deposits held with NBS:	**19,428,155**	**16,113,408**

The regulatory reserve increased compared to the previous year, RSD 3,119,701 thousand (2024: RSD 3,627,462 thousand), as a result of the increase in transaction deposits of the bank's clients.

Regulatory reserve in RSD at NBS represents the minimum amount of RSD reserves allocated in accordance with the Decision on Mandatory Reserves Held with the NBS. During 2024 NBS paid interest on the balance of the Bank's mandatory RSD reserve at the annual interest rate of 0.75%.

For the purpose of ECL measurement cash and deposits held with NBS are included in Stage 1. The Bank did not recognise any credit loss allowance.

For the purposes of the cash flow statement, cash and cash equivalents include balances with a maturity of less than three months from the date of acquisition, including cash and cash equivalents that are not subject to Central Bank restrictions, treasury bills and other appropriate securities, loans and advances made banks, due receivables from other banks and short-term government securities.

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

14. LOANS AND RECEIVABLES FROM BANKS AND OTHER FINANCIAL ORGANISATIONS

In RSD thousand	2025	2024
Foreign currency		
FX current accounts with foreign banks		
Bank of China Ltd (Head Office)	20,870	33
Bank of China Limited, Hungary Branch	70,981	98,341
Bank of China Frankfurt Branch	6,686,760	8,197,655
Bank of China Luxemburg Branch	6,035,423	11,274,072
Shanghai RMB Trading unit	2,694,636	2,236,833
Royal bank of Canada, Montreal, H.O.	-	-
Loans and deposits to other banks	-	-
Bank of China Macau Branch	8,992,485	19,114,562
Bank of China Frankfurt Branch	-	-
Receivables for interest income on loans and deposits	26,977	50,760
Accrued receivables from guarantees fee	4,370	-
Impairment alowance	(263)	(186,124)
Total:	**24,532,239**	**40,786,132**

The Bank foreign currency current accounts relates to the nostro account held with foreign banks. These accounts are within BOC Group.
At present, all balances are classified in Stage 1 and there has been no movement to other levels during the year. Since deposit funds have been placed for a term of up to 90 days and all funds have been placed within the Group no material impairment has been determined (Expected Credit Loss).

15. LOANS AND RECEIVABLES FROM CUSTOMERS

The Bank does not hold a portfolio of loans and advances to customers that do not meet the SPPI requirement for AC classification under IFRS 9. As a result, all loans and advances were classified as at AC from the date of initial recognition. The carrying amount presented in the balance sheet best represents the Bank's maximum exposure to credit risk arising from loans and advances to customers:

In RSD thousand	2025	2024
Foreign curency	-	-
Loans and deposits to the customers	-	-
Corporate clients	-	740,648
Allowance	-	(3,167)
Accrued fees receivable from customers	11,909	16,144
Total:	**11,909**	**753,625**

The balance of loan receivables to customers net of ECL amounts to RSD 0 thousand (2024: RSD 753,625 thousand). The decrease of receivables refers to the repaid loans. Remaining amount on this balance sheet position as of 31.12.2025. refers to deffered claims from clients based on fees for performance guarantees.

At present, all loans and receivables are classified in Stage 1 and there has been no movement to other levels during the year.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

16. INTANGIBLE INVESTMENTS

Movements within intangible assets are presented below. Intangible assets are relative to the software and the licenses used by the Bank in its business operations.

In RSD thousand	License and software	Other intangible assets	Intengible assets under development	Total
Cost				
As at 01.01.2024.	86,931	2,407	-	89,338
Additions	4,408	60	-	4,468
Other	-	-	-	-
As at 31.12.2024.	**91,339**	**2,467**	**-**	**93,806**
Additions	58	2,328	20,834	23,220
Other	-	-	-	-
As at 31.12.2025.	**91,397**	**4,795**	**20,834**	**117,026**
Amortisation	-	-	-	-
As at 01.01.2024.	(74,379)	(1,267)	-	(75,646)
Amortisation	(5,949)	(932)	-	(6,881)
As at 31.12.2024.	**(80,328)**	**(2,199)**	**-**	**(82,527)**
Amortisation	(4,904)	(1,131)	-	(6,035)
As at 31.12.2025.	**(85,232)**	**(3,330)**	**-**	**(88,562)**
	-	-	-	-
Net book value as at	-	-	-	-
31. December 2025.	**6,165**	**1,465**	**20,834**	**28,464**
31. December 2025.	**11,011**	**268**	**-**	**11,279**

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

17. PROPERTY, PLANT AND EQUIPMENT

In RSD thousand	Property – rights-of-use	Vehicles – rights-of-use	Equipment and other assets	Investments in other fixed assets	Total
Cost					
As at 01.01.2024.	293,754	37,620	81,107	60,464	472,945
Additions	17,235	14,242	25,639	-	57,116
Lease agreement expiration	-	(4,575)	-	-	(4,575)
Other	-	-	-	(1,840)	(1,840)
As at 31.12.2024.	**310,989**	**47,287**	**106,746**	**58,624**	**523,646**
Additions	3,681	-	23,787	-	27,468
Lease agreement expiration	(3,681)	(7,980)	-	-	(11,661)
Other	-	-	-	-	-
As at 31.12.2025.	**310,989**	**39,307**	**130,533**	**58,624**	**539,453**
Impairment provisions					
As at 01.01.2024.	(120,657)	(26,000)	(70,284)	(58,624)	(275,565)
Depreciation	(31,699)	(10,520)	(7,369)	-	(49,588)
Lease agreement expiration	-	4,575	-	-	4,575
Other	-	-	(2)	-	(2)
As at 31.12.2024.	**(152,356)**	**(31,945)**	**(77,655)**	**(58,624)**	**(320,580)**
Depreciation	(40,788)	(8,950)	(10,449)	-	(60,187)
Lease agreement expiration	3,681	7,980	-	-	11,661
Other	-	-	1	-	1
As at 31.12.2025.	**(189,463)**	**(32,915)**	**(88,103)**	**(58,624)**	**(369,105)**
Net book value as at					
31. December 2025.	**158,633**	**15,342**	**29,091**	**-**	**203,066**
31. December 2024.	**121,526**	**6,392**	**42,430**	**-**	**170,348**

17. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year, there was an increase in property, plant and equipment of RSD 27,468 thousand (2024: RSD 17,785 thousand). Additions mainly relate to renewing the lease of vehicles as well as the lease of additional electronic equipment. Also bank had big investments in new software solutions due to imporovements in payments systems which are mandatory to be activated in 2026. During 2025, the lease agreement for business vehicles expired (RSD 11,661 thousand).

Most of the fixed assets are new and therefore there were no events that would indicate the impairment triggers for this part of assets.

18. CURRENT TAX ASSETS AND LIABILITIES

In RSD thousand	2025	2024
Current tax assets	255,543	141,210
Total:	**255,543**	**141,210**

In RSD thousand	2025	2024
Current tax liabilities	379,291	205,082
Total:	**379,291**	**205,082**

Current tax assets represent advance payments for corporate income tax during 2025. At the beginning of 2026 closing of total tax receivables and liabilities made during 2025, takes place.

19. OTHER ASSETS

In RSD thousand	2025	2024
Other receivables for deposits to lessors	12,588	12,844
Receivables accrued - valuation of assets from spot arbitrage	43	18,275
Deferred rental fee and other differed expenses	269	2,521
Total:	**12,900**	**33,640**

Receivables from lessors relate to receivables from corporate clients and individuals in the amount of RSD 12,588 thousand (2024: RSD 12,844 thousand).

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

Liabilities to banks as at 31 December 2025 amounted to RSD 0 thousand (2024: RSD 0 thousand).

In RSD thousand	2025	2024
Current accounts of other financial institutions	11,596	-
Term deposits of other financial institutions	-	-
Total:	**11,596**	**-**

21. DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS

As of 31 December 2025 the Bank had liabilities for deposit in the total amount of RSD 35,794,440 thousand (2024: RSD 41,928,057 thousand). The sectorial structure of these deposits relates mostly entirely to the corporate sector, mostly engaging in the mining and manufacturing sector.

In RSD thousand	2025	2024
RSD	-	-
Demand deposits	9,310,095	12,694,017
Time deposits	-	-
Accrued interest liabilities	-	-
Total in RSD	**9,310,095**	**12,694,017**
Foreign currency	-	-
Demand deposits	24,084,524	26,162,569
Time deposits	2,399,738	3,070,675
Accrued interest liabilities	83	796
Total in foreign currency	**26,484,345**	**29,234,040**
Total:	**35,794,440**	**41,928,057**
Structure by sector	-	-
In RSD thousand	**2025**	**2024**
Corporate	34,108,010	39,494,105
Public enterprises	1,686,430	2,433,952
Total	**35,794,440**	**41,928,057**

22. PROVISIONS

At the end of the year provisions amounted to RSD 826 thousand (2024: RSD 35,765 thousand). This rise in provisions is due to issued guarantees to clients which are secured with contra guarantees issued by members of the BOC Group. This rise in provisions directly influenced impairment losses from financial assets and credit risk off-balance sheet items.

23. OTHER LIABILITIES

In RSD thousand	2025	2024
RSD	-	-
Liabilities towards employees	18,998	16,843
Other taxes	6,006	5,223
Liabilities accrued	22,493	61,427
Payables for other tax and contributions	59,450	55,858
Suspense accounts	-	(122)
Accrued other expenditures in dinars	10,926	16,064
Total in RSD	**117,873**	**155,293**
Foreign currency	-	-
Lease liabilities in foreign currency	122,121	165,096
Liabilities accrued in foreign currency	-	-
Liabilities for calculated fee and commission - guarantees	-	-
Liabilities on transitory and temporary accounts - Unallocated inflow of funds	18,749	3,320
Accrued other expenditures in foreign currency	429,549	10,179,541
Total in foreign currency	**570,419**	**10,347,957**
Total	**688,292**	**10,503,250**

23. OTHER LIABILITIES (continued)

Increase in Liabilities on transitory and temporary accounts - unallocated inflow of funds is due to a late inflow of a client which is allocated to the relevant account next working day.

24. LEASE

The Bank has lease agreements for business premises, lease of private apartments to employed foreigners, lease of additional servers at the reserve location (DR location) and lease agreements for business vehicles. The lease agreement is concluded for the following period: business premises for up to 10 years, private apartments for employees from abroad for a period of up to one year, server lease agreement and lease agreements for business vehicles for up to 3 years.

Contracts contain options for extension and termination in exceptional cases and do not include variable payment obligations. Extension options have been taken into account for calculating lease liabilities in accordance with IFRS 16.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

In RSD thousand	Property – rights of use	Vehicles – rights of use	Electronic equipment – rights of use	Total
As at 1st Jan 2024	**158,633**	**15,342**	**-**	**173,975**
Additions	3,596	-	-	3,596
Lease agreement expired	-	-	-	-
Depreciation expense	(36,226)	(5,174)	-	(41,400)
As at 1st Jan 2025	**126,003**	**10,168**	**-**	**136,171**
Additions	-	-	-	-
Lease agreement expiration	-	(4,656)	-	(4,656)
Depreciation expense	(37,106)	(4,295)	-	(41,401)
As at 31st Dec 2025	**88,897**	**1,217**	**-**	**90,114**

Set out below are the carrying amounts of lease and the movements during the period

In RSD thousand	2025	2024
As at 1st Jan	136,171	173,975
Additions	1,631	5,047
Interest expense	1,713	2,034
Expiring lease contract	(4,656)	-
Foreign exchange	2,110	2,110
Payments	(50,915)	(46,995)
As at 31st Dec	**86,054**	**136,171**

The maturity analysis of lease liabilities are disclosed in and liquidity gap analysis is given in Note 27.

The following are the amounts recognized in profit or loss

In RSD thousand	2025	2024
Depreciation expense of right-of-use assets	41,401	41,400
Lease interest expense	1,465	2,034
Expense relating to short-term leases	15,756	45,385
Total expenses designated in P&L	58,622	88,819

25. EQUITY

The bank's share capital consists of 100 ordinary shares with nominal value of RSD 18,438,870 per share (2024: RSD 18,438,870). The capital was registered on the basis of the incorporation act and registered with the Central Securities Depository and clearing house as of 22 December 2016.

The first payment of the capital was made on 8 December 2016 in the amount of RSD 1,843,887 thousand (EUR 15,000,000). Total sum of registered capital is paid in full amount. The owner of 100% of the Bank's shares as of 31 December 2025 is Bank of China (Europe) S.A. Luxembourg.

Profit from previous years amounted to RSD 3,496,550 thousand while the amount of RSD 2,201,362 thousand represents result (gain) from the current period.

26. OFF-BALANCE SHEET ITEMS AND POTENTIAL LIABILITIES

26.1 Off-balance sheet items

As in the prior years, the Bank continues to issue performance guarantees and takes also other documentary business activies. The guarantees are secured by counter-guarantee from the members of the BOC group, while others are covered in cash deposits.

In RSD thousand	2025	2024
Issued guarantees and other sureties	18,038,649	14,319,456
Issued letters of credit	23,808	620,167
Other irrevocable commitments in foreign currency	1,539,858	25,409,390
Total	**19,602,315**	**40,349,013**

Off balance sheet items in the amount of RSD 18,038,649 thousand (2024: RSD 14,319,456 thousand) increased compared to the previous year as a result of increase in the Bank's activity in issuing performance guarantees. Other irrevocable commitments in foreign currency represent spot exchange temporary exposures due to foreign exchange activity which were completed first working day in 2025.

26.2 Contingencies and commitments

Legal proceedings. As of 31 December 2025, no court proceedings have been held against the Bank.

Tax contingencies. The Management of the Bank is of the opinion that there is no risk of any tax implications on the financial position of the Bank and therefore has made no provisions related to this matter in these financial statements. The Management has implemented internal controls to be in compliance with this transfer pricing legislation and has no reason to estimate any potential tax expenses related to this area

Future cash outflows related to leases. Where the Bank is a lessee, the future cash outflows, to which the Bank is potentially exposed and that are not reflected in the lease liabilities at 31 December 2025 relate mainly to short-term leases with monthly payments. Rent expense recorded for such leases for 2025 is disclosed in Note 24.

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

27. RISK MANAGEMENT POLICIES

27.1 Competences

The Board of Directors is responsible for establishing the system of internal controls and monitoring their effectiveness. The Board of Directors adopts Strategies and Risk Management Policies, as well as the Bank's Capital Management Strategy, proposed by the Executive Board.

The Executive Board implements the mentioned strategies and policies by adopting procedures for risk management and ensuring their implementation. The Executive Board analyses the risk management system and at least on quarterly reports the Board of Directors on the level of risk exposure and management.

It is also the responsibility of the Board of Directors to determine the amounts to which the Bank's Executive Board may decide on the investments and borrowings of the Bank, as well as deciding on the investments and borrowings of the Bank through such amounts, and gives prior consent for the Bank's exposure to each individual person or group of related parties exceeding 10% of the Bank's capital, and/or to increase this exposure to more than 20% of the Bank's equity.

The Board of Directors ensures the implementation of the internal capital adequacy assessment process of the Bank.

27.2. Internal Regulations

The highest level document for risk management in the Bank is the Risk Management Strategy. With this document, the following risks are identified as the major risks faced by the Bank:

- **Credit risk** is the possibility of occurrence of adverse effects on financial result and capital of the Bank caused by the borrower's failure to fulfil its obligations to the Bank.

- **Residual risk** is the likelihood of occurrence of adverse effects on financial result and Bank's capital due to the fact that credit risk mitigation techniques are less efficient than anticipated or their implementation does not have sufficient influence on the reduction of risk to which the Bank is exposed.

- **Dilution risk** is the possibility of occurrence of adverse effects on the Bank's financial result and capital due to the reduced value of purchased receivables as a result of cash or non-cash liabilities of the former creditor to the borrower.

- **Settlement/delivery risk** is the possibility of adverse effects on the Bank's financial result and capital arising from unsettled transactions or counterparty's failure to deliver in free transactions on the due delivery date.

- **Counterparty credit risk** is the possibility of adverse effects on the Bank's financial result and capital arising from counterparty's failure to fulfil his part of the deal in a transaction before final settlement of cash flows of the transaction or settlement of monetary liabilities under that transaction.

- **Concentration risk** is a risk which arises, directly or indirectly, from the Bank's exposure to the same or similar source of risk or the same or similar type of risk.

- **Market risk** implies the possibility of occurrence of adverse effects on the Bank's financial result and capital due to changes in the value of balance-sheet positions and off-balance sheet items arising from changes in prices in the market. Market risks includes foreign exchange risk, price risk on debt securities, and commodity risk.

27. RISK MANAGEMENT POLICIES (continued)

27.2 Internal Regulations (continued)

- **Interest rate risk** is a risk of possible adverse effects on the financial result and capital of the Bank arising from positions in the banking book due to changes in interest rates.

- **Liquidity risk** is the possibility of occurrence of adverse effects on the financial result and capital of the Bank caused by the Bank's inability to fulfil its due obligations as a result of (i) withdrawal of existing sources of financing and/or impossibility of securing new sources of financing (funding liquidity risk), or (ii) difficulties in converting assets into liquid funds due to market disturbances (market liquidity risk).

- **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 including in particular legal risk.

- **Legal risk** is the risk of adverse effects on the bank's financial result and capital arising from court or out-of-court proceedings relating to the bank's operation (contracts and torts, labour relations, etc.).

- **Strategic risk** is the possibility of adverse effects on the bank's financial result or capital due to absence of adequate policies and strategies, or due to their inadequate implementation, and due to changes in the environment in which the bank operates or failure of the bank to adequately respond to these changes.

- **The Bank's investment risk** includes the risks of its investments in other legal entities and in fixed assets and investment property.

- **Country risk** is a risk relating to the country of origin of the person to which the Bank is exposed, i.e. risks of possible adverse effects on the financial result and capital of the Bank due to the Bank's inability to collect receivables from such person for reasons arising from political, economic or social circumstances in such person's country of origin.

- **The term "compliance risk"** referred to the risk that the Bank may suffer legal sanctions, regulatory penalties, financial losses or reputational losses resulting from failure to abide by compliance requirements.

- **The risk of money laundering and terrorist financing** implies the risk of possible occurrence of negative effects on the financial result, capital or reputation of a Bank if the Bank is used (direct or indirect use of the business relationship with the Bank, transactions, service or product of the Bank) for money laundering and/or terrorist financing

The basic principles of the risk management in the Bank are:

1) Compliance: The Bank aims to be fully compliant with all applicable local laws and regulations, as well as BoC Group guidelines.
2) Appropriate balance between risk and return: The Bank aims to achieve appropriate balance of risk and return through active control。Each kind of business shall at least gain benefits that match the risk it bears, and optimize capital allocation.
3) Segregation of duties, avoiding conflict of interest: Risk management units and personnel is independent from business units, and should provide independent views and professional opinions for related risks arising from business development.

27. RISK MANAGEMENT POLICIES (continued)

27.2 Internal Regulations (continued)

4) Clarify rights and responsibilities. Accountability shall be carried out through a strict internal control mechanism, specific division of responsibilities and clearly defined rights and responsibilities.
5) Forward-looking and proactive approach: All employees shall cooperate with each other, study and manage risks in a forward-looking manner, actively identify, improve management and control measures, and ensure risks are under control.
6) Fully know your customers and businesses: "know your customers", "know your businesses", especially new products and new businesses to ensure risk margin is measurable and risks are acceptable.
7) Consistence and coherence: BOCS shall implement a coherent risk appetite and risk management strategy and carry out consolidated risk management of all members of the Group in order to ensure consistency between the objectives of risk management and business development.
8) Differentiated and controllable: Under the risk appetite and risk management strategy, the Bank shall implement differentiated and controllable risk management in line with the external market environment and its own risk management capability in order to make risk management more flexible and pragmatic.
9) Substance over the form should prevail. In all cases where risk strategy and/or any other relevant risk internal rules are not fully clear, substance over the form should prevail, meaning all available information should be considered in final interpretation of a certain internal guideline.

Risk-taking capacity refers to the level of risk that the Bank is willing to accept or maintain, with the aim of maximizing benefits for shareholders, while satisfying relevant stakeholders, and thus defining the most significant set of indicators in the field of risk management. The Bank seeks to maintain a moderate risk-taking capacity and achieve a balance between risk and return, in accordance with the principles of "rationality, stability and prudence".

Risk-taking capacity indicators are defined for all risks to which the Bank is exposed. Indicators of risk-taking capacity are monitored through the levels of exposure to that risk and have defined target values or limit values (limits). Target values are determined on the basis of the bank's business strategy and risk strategy, while internal limits are determined taking into account the regulatory and requirements of the banking group.

The key risk indicators for previously listed risks that the Bank has identified as key ones are:

Risk	Key risk indicators
1. Capital adequacy	CET 1ratio, Tier 1 ratio, Capital adequacy ratio, Regulatory capital
2. Credit risk	
2.1. Credit assets	Non-performing loans in total loan
2.2. Concentration risk	Single client limit, Sum of large exposures, Total exposure within the Group, Sector exposure
3. Market risk	Total currency exposure, FX risk indicator
4. Interest rate risk in the banking book	Change in economic value of capital, change in net interest income
5. Operational risk	The number of operational events with a loss, IT Number of significant fault lasting more than 1h
6. Liquidity risk	Daily liquidity ratio, liquidity ratio for three consecutive days, average monthly liquidity ratio, Narrow daily liquidity ratio, narrow liquidity ratio for three consecutive days, narrower average monthly liquidity ratio, liquidity coverage ratio
7. Country risk	Maximum amount of exposure in a country with a non-investment rating
8. Business compliance risk	Penalties by regulators and other material risks, Losses from lawsuits and litigation
9. Risk of money laundering	Number of reports of suspicious transactions from the aspect of money laundering
10. Strategic risk	Minimum percentage of completed tasks in accordance with the business plan.

27. RISK MANAGEMENT POLICIES (continued)

27.3 Liquidity risk

Liquidity risk is the possibility of occurrence of adverse effects on the financial result and capital of the bank caused by the bank's inability to meet its due obligations as a result of:

- Withdrawal of existing sources of funding and/or impossibility to secure new sources of funding (funding liquidity risk), or
- Difficulties in converting assets into liquid funds due to market disturbances (market liquidity risk).

Liquidity risk (risk of not being liquid) is the danger that the Bank will no longer be able to meet its current and future payment obligations in full, or in a timely manner. The bank must therefore maintain at all times sufficient liquid funds available to meet its obligations, even in times of stress. It has a shorter-term perspective.

Funding risk is the danger that additional funding can no longer be obtained, or can only be obtained at significantly increased market interest rates. It has a longer-term perspective.

Liquidity management in the Bank is a continuous process, based on the following **general principles**:

- The Bank does not engage in speculative affairs – Money Market deals, deals in the purchase or sale of securities or currencies whose main goal is to make a profit based on the expected trends in their prices.
- The bank concludes the aforementioned contracts only to maintain suitable level of liquidity (its liquidity position), i.e. to reduce its exposure to financial and market risks.
- In order to reduce the liquidity risk, the Bank strives for its policy of independence and seeks finance through the deposit of its clients.
- All operations must be carried out on the basis of appropriate processes and internal controls and must be adequately documented;
- Unnecessary risks are avoided, i.e. bank does not enter into jobs that are outside the defined mission of the Bank.
- Liquidity management is performed in all relevant currencies
- The Bank strive for stability and diversification of the sources of funding where such structure limit the possible concentration of liquidity risk and guarantee a relatively simple and direct liquidity risk management system.

The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the National Bank of Serbia. The Bank's daily liquidity ratio during 2025, was always within prescribed regulatory limit (min 1 – maximum 4.36 and minimum 1.49). Narrow liquidity ration was also within prescribed limits (min 0.9) with maximum indicator was 4.04. and mimimum 1.49. As at 31.12.2025 final liquidity indicator amounts to 4.69 (2024: amounts to 4.48).

Monthly liquidity ratio – LCR –liquidity coverage ratio, during 2024, was always above prescribed regulatory limit of 100%. At the 31.12.2025 amounts to 327 (2024: amounts to 133).

27. RISK MANAGEMENT POLICIES (continued)

27.3 Liquidity risk (continued)

Liquidity gap – Remaining maturity gap analysis of financial assets and liabilities

Beside regulatory prescribed liquidity indicators, the Bank monitors its liquidity by measuring total cash flow of its balance sheet liabilities and receivables and off-balance sheet items.

Analysis of the gap presents a comparison of the total available funds / inflows to meet the total commitments over a given period of time. Liquidity gap is present when in the reporting period, total amount of liabilities exceeds the total amount of assets. Liquidity that can potentially be generated to cover the liquidity gap is called liquid potential.
Periodical reports about cash flow are used in order to identify significant mismatch and for estimation of future liquidity needs, as well as liquidity surplus. Decision related to liquidity management are based on cash flow mismatch - GAP analysis. Projection of future cash flows of balance sheet items is based on the principle of remaining maturity of these items.

The following tables represent analysis of assets and liabilities by remaining maturity taking into account analysis of expected time of realization of assets and liability payments as of 31 December 2025 and 31 December 2024.

27. RISK MANAGEMENT POLICIES (continued)

27.3 Liquidity risk (continued)

Liquidity risk as of 31 December 2024 – **Maturity gap analysis of financial assets and liabilities**

In thousand of RSD	until 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	over 5 years	Total
Cash and assets held with the central bank	19,428,155	-	-	-	-	-	19,428,155
Receivables under derivatives	-	-	-	-	-	-	-
Loans and receivables from banks and other financial organisations	24,528,134	-	-	-	-	-	24,528,134
Loans and receivables from customers	16,279	-	-	-	-	-	16,279
Other assets	1,379	-	-	1,021	10,499	-	12,899
	-	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	**43,973,947**	**-**	**-**	**1,021**	**10,499**	**-**	**43,985,467**
	-	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities under derivatives	-	-	-	-	-	-	-
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	11,596	-	-	-	-	-	11,596
Deposits and other liabilities due to customers	34,109,592	1,684,848	-	-	-	-	35,794,440
	379,291	-	-	-	-	-	379,291
Other liabilities	688,292	-	-	-	-	-	688,292
	-	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**35,188,771**	**1,684,848**	**-**	**-**	**-**	**-**	**36,873,619**
	-	-	-	-	-	-	-
FX derivatives - on the assets side	-	-	-	-	-	-	-
Irrevocable commitments - on the assets side	291,378	3,735,778	321,259	523,320	13,122,129	44,784	18,038,648
FX derivatives - on the liabilities side	-	-	-	-	-	-	-
Contingent liabilities from guaranties- liability side	291,378	3,735,778	321,259	523,320	13,122,129	44,784	18,038,648
	-	-	-	-	-	-	-
OFF-BALANCE SHEET FINANCIAL ITEMS	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	-	-	-	-	-	-	-
Liquidity maturity gap as of 31st Dec 2025	**8,785,176**	**(1,684,848)**	**-**	**1,021**	**10,499**	**-**	**7,111,848**

27. RISK MANAGEMENT POLICIES (continued)

27.3 Liquidity risk (continued)

Liquidity risk as of 31 December 2025 – **Maturity gap analysis of financial assets and liabilities**

In thousand of RSD	until 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	over 5 years	Total
Cash and assets held with the central bank	16,113,408	-	-	-	-	-	16,113,408
Receivables under derivatives	-	-	-	-	-	-	-
Loans and receivables from banks and other financial organisations	40,972,257	-	-	-	-	-	40,972,257
Loans and receivables from customers	16,144	-	-	740,648	-	-	756,792
Other assets	21,126	-	-	3,067	9,446	-	33,639
	-	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	**57,122,935**	**-**	**-**	**743,715**	**9,446**	**-**	**57,876,096**
	-	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities under derivatives	-	-	-	-	-	-	-
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	39,535,289	1,838,116	554,652	-	-	-	41,928,057
Deposits and other liabilities due to customers	-	-	-	-	-	-	-
Current tax liabilities	205,082	-	-	-	-	-	205,082
Other liabilities	10,503,250	-	-	-	-	-	10,503,250
	-	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**50,243,621**	**1,838,116**	**554,652**	**-**	**-**	**-**	**52,636,389**
	-	-	-	-	-	-	-
FX derivatives - on the assets side	8,048,173	-	-	-	-	-	8,048,173
Irrevocable commitments - on the assets side	455,004	396,249	401,892	398,569	12,667,742	-	14,319,456
FX derivatives - on the liabilities side	8,048,173	-	-	-	-	-	8,048,173
Contingent liabilities from guaranties- liability side	455,004	396,249	401,892	398,569	12,667,742	-	14,319,456
	-	-	-	-	-	-	-
OFF-BALANCE SHEET FINANCIAL ITEMS	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	-	-	-	-	-	-	-
Liquidity maturity gap as of 31st Dec 2024	**6,879,314**	**(1,838,116)**	**(554,652)**	**743,715**	**9,446**	**-**	**5,239,707**

27. RISK MANAGEMENT POLICIES (continued)

27.4 Credit risk

Credit risk is the risk that certain claims of the Bank will not be fully paid under the conditions under which they were initially approved, or the inability and / or unwillingness of the debtor to settle its obligations in accordance with the terms of the contract. The debtor is any legal entity or private individual having on balance and / or off-balance liability towards the Bank. All related persons in terms of Article 2 of the Banking Law are considered as one debtor.

Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.
The process of credit risk management is based on general business principles:

1) consistent approach and uniform standards in the process of decision making on the Bank's placements that are defined by internal documents;
2) The Bank determines the total exposure to one debtor, where under one client it is also considered a group of related parties in accordance with the provisions of the Banking Law;
3) The Bank monitors and manages the level of total exposure of the borrower in accordance with the adopted credit policy of the Bank;
4) All individual decisions on placement, as well as all material changes to the concluded contracts, are authorized by the competent authority;
5) The competence of the individual in the process of deciding on the Bank's placements is determined in accordance with their qualification, expertise and experience, subject to periodic review.

When deciding on the exposures, the Bank is required to comply with limits on counterparty and to endeavour to avoid excessive concentration of exposure, taking into account the requirements in terms of the structure of financing of the Bank, as well as the requirements of prudent lending.

The process of credit risk management refers to activities such as identifying and assessing risks, monitoring and reporting, as well as risk control of the Bank. The process of credit risk taking involves the following activities carried out by the Bank:

- receipt and recording of the risk-taking transaction requirement;
- client rating and preparation of credit application;
- due diligence and collateral evaluation;
- setting limits and approval;
- conclusion of the contract and payment;
- monitoring of exposure, classification of assets, provisions;
- collection of receivables, closing, write-off of receivables.

Credit risk grading system

The Bank manages the credit risk by establishing adequate processes for determining the borrower's creditworthiness when approving placement, regular monitoring of execution of contractual obligations, setting limits and defining the level of risk that the Bank is willing to accept.

The credit rating is determined when assessing the financial position and future solvency of the client, partner or guarantor. The result of the credit rating is the basis for the acceptance of clients or the termination of cooperation with the same, and it is one of the basic factors that are taken into account when deciding on the quality of the loan, approving, determining the loan price, classifying the risk of credit assets and managing the authorization in credit business process. Credit rating of clients is determined according to a single standard, with periodic assessments and dynamic adjustment. In the process of determining the credit rating, the Bank estimates the data that can be quantified, which are obtained from the client's financial statements; objective aspects, as well as data that cannot be quantified and considered as subjective, as well as other circumstances and factors determined by the internal documents of the bank.

27. RISK MANAGEMENT POLICIES (continued)

27.4 Credit risk (continued)

Credit risk grading system (continued)

Corporate customer credit rating is categorized into four main types: A, B, C and D:

- *rating A* - the customers have a good credit status, low probability of default within the next year, strong repayment capability and limited credit risks;
- *rating B* - the customers have a good credit status, relatively low probability of default within the next year, guaranteed repayment capability and uncertainties in their risk profile;
- *rating C* - the customers have a poor credit status, high probability of default within the next year, poor operating condition and financial status and significant credit risks.
- *rating D* - the customers have defaulted by the time of rating. Customers that have defaulted are directly rated D

These main categories include further subcategories.

Upon approval, placements are regularly monitored and evaluated, as well as the creditworthiness of the borrower throughout the entire repayment period. The monitoring process is carried out on a quarterly basis, and in case of need and more often by the relevant departments of the Bank. In a timely manner, the Bank takes measures to reduce the credit risk in case of deterioration of the financial condition or creditworthiness of the borrower.

In order to strengthen credit asset management and objectively reflect credit asset quality, the Bank also adopted Rules of asset classification in line with the relating legal rules of Serbia and according to the requirements of the Serbian supervisory authorities and the BOC Head Office. The term "five-grade classification" mentioned in the Rules refers to the approach by which the Bank's credit assets are classified into five categories, i.e. performing, special mention, substandard, doubtful and loss, based on the risk levels. The last three categories are collectively referred to as non-performing credits.

Impairment assessment and measurement

Management Measure for Impairment of financial assets follows below principles:

1) Compliance: In accordance with the accounting standards and regulations, the bank should make sure the provision for impairment of financial assets can meet external compliance requirements.
2) Be objective and prudential: The bank should fully consider internal and external factors affecting the value of financial assets in order to avoid overestimation or underestimation, and accurately reflect the risk of financial assets.
3) Be practical: Based on the bank's business and management demand, the bank should determine alternative standards and measurement principles to make sure the impairment provision work is economically efficient and operable.
4) Strengthen internal control: By strengthening internal control, the bank should clarify work scope and obligation for all involved parties, and to ensure the objectivity and fairness of the provision for impairment.

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Bank: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

27. RISK MANAGEMENT POLICIES (continued)

27.4 Credit risk (continued)

Impairment assessment and measurement (continued)

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. PD is an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income. The Bank has two approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis. The Bank an assessment on an individual basis for corporate loans with loan balance above 2 million USD. There are no such loans in Bank's portfolio as at 31.12.2025. nor as at 31.12.2024.

The Bank performs an assessment on a portfolio basis for all other loans. When assessment is performed on a portfolio basis, the Bank determines the staging of the exposures and measures the loss allowance on a collective basis. The Bank analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD and discounted to present value using the instrument's effective interest rate.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower.

27. RISK MANAGEMENT POLICIES (continued)

27.4 Credit risk (continued)

Impairment assessment and measurement (continued)

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the developed statistical internal credit rating model and the latest available historic default data. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument.

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. Due to the limitation of data, LGD 45% is used for most loans. However, a lower LGD will be used for loans with credit risk mitigation (such as guaranteed loans or collateralized loans).

ECL measurement for financial guarantees and loan commitments. The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment. CCF for undrawn credit lines of corporate customers and for financial guarantees is defined based on expert judgement and regulatory guidelines. .

Forward-looking information incorporated in the ECL models. The Z-factor is determined based on a scorecard method, which considers GDP growth rate, unemployment rate, inflation – Consumer Price Index (CPI) and stability of monetary policy, as well as average NPL ratio of banking industry. Merton model is used to adjust the PD parameter (which captures the relationship between systematic risk factor and potential macro-economic variables).

There are four scenarios in the ECL model, including baseline, optimistic, pessimistic and severely pessimistic scenarios.

Baseline scenarios: forecasts of GDP growth rate, unemployment rate and CPI are from IMF. Volatility of monetary policy interest rate and NPL ratio of banking industry are calculated based on observable historical value.

Optimistic, pessimistic and severely pessimistic scenarios: GDP forecasts for optimistic scenario are calculated by + 0.5 historical standard deviation to baseline forecasts while GDP forecasts for pessimistic and severely pessimistic scenarios are calculated by - 0.5 and - 1 historical standard deviation to baseline forecasts, respectively. Unemployment rate and CPI forecasts moved in the opposite direction and same magnitude as GDP.

Weightings of each scenarios are calculated based on global GDP growth rate forecasts (from IMF) and then adjusted based on management's assessment of risk level of each category.

The Bank and the Group the Bank belongs to regularly review ECL methodology and assumptions to reduce any difference between the estimates and the actual loss of credit.

For purposes of measuring PD, the Bank defines default as a situation when the exposure meets one or more of the following criteria:

- Overdue 90 days or more;
- The debtor's credit rating is D on reporting date;
- Five-category Asset Classification is non-performing;
- Current debtors in blacklist

27. RISK MANAGEMENT POLICIES (continued)

27.4 Credit risk (continued)

Impairment assessment and measurement (continued)

For purposes of disclosure, the Bank fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Bank.

The Bank considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

- Overdue 31 to 90 days;
- The debtor's credit rating is lower than BBB, and the PD value corresponding to the current debtor's credit rating is greater than or equals to 100% of the PD value corresponding to the debtor's initial credit rating, i.e. ΔPD = $PDreport – PDinitial\ PD$initial ≥ 100%;
- Five-category Asset Classification is Special-mention;
- Current debtors in special mention list that the borrower's financial and management situation has changed greatly, but has not yet satisfied the definition of default criteria

The Bank decided not to use the low credit risk assessment exemption.

In accordance with above, during 2025, Bank categorize its exposure based on financial institution counterguarntees with first class rating, into Stage 1.

The following table shows the change in loans and receivables from customers by level of risk during 2025:

	Stage 1	Stage 2	Stage 3	POCI	TOTAL
Gross balance as of 1st January 2025	**767,591**	**-**	**-**	**-**	**767,591**
New assets originated or purchased	-	-	-	-	-
Payments and assets derecognized (excluding write offs)	(740,647)	-	-	-	(740,647)
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Amounts written off	-	-	-	-	-
Other changes – accrued receivables	16,279	-	-	-	16,279
Gross balance as of 31st December 2025	**43,223**	**-**	**-**	**-**	**43,223**

The following table shows the change in loans and receivables from customers by level of risk during 2024:

	Stage 1	Stage 2	Stage 3	POCI	TOTAL
Gross balance as of 1st January 2024	**10,799**	**-**	**-**	**-**	**10,799**
New assets originated or purchased	741,943	-	-	-	741,943
Payments and assets derecognized (excluding write offs)	(1,295)	-	-	-	(1,295)
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Amounts written off	-	-	-	-	-
Other changes – accrued receivables	16,144	-	-	-	16,144
Gross balance as of 31st December 2024	**767,591**	**-**	**-**	**-**	**767,591**

29. RISK MANAGEMENT POLICIES (continued)

29.4 Credit risk (continued)

Impairment assessment and measurement (continued)

As of 31st December 2025 the Bank balance sheet exposure to customers amounted to:

The following table shows the changes in gross exposure during 2025 on the basis of off-balance sheet items, i.e. performance guarantees:

	Stage 1	Stage 2	Stage 3	POCI	TOTAL
Gross balance as of 1st January 2025	**14,319,456**	**-**	**-**	**-**	**14,319,456**
New assets originated or purchased	5,233,960	-	-	-	5,233,960
Payments and assets derecognized (excluding write offs)	(1,514,767)	-	-	-	(1,514,767)
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Amounts written off	-	-	-	-	-
Other changes (Change of exposure, fx differences etc,)	-	-	-	-	-
Gross balance as of 31st December 2025	**18,038,649**	**-**	**-**	**-**	**18,038,649**

The following table shows the changes in gross exposure during 2024 on the basis of off-balance sheet items, i.e. performance guarantees:

	Stage 1	Stage 2	Stage 3	POCI	TOTAL
Gross balance as of 1st January 2024	**9,491,916**	**-**	**-**	**-**	**9,491,916**
New assets originated or purchased	7,510,169	-	-	-	7,510,169
Payments and assets derecognized (excluding write offs)	(2,682,628)	-	-	-	(2,682,628)
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Amounts written off	-	-	-	-	-
Other changes (Change of exposure, fx differences etc,)	-	-	-	-	-
Gross balance as of 31st December 2024	**14,319,456**	**-**	**-**	**-**	**14,319,456**

29. RISK MANAGEMENT POLICIES (continued)

29.4 Credit risk (continued)

Impairment assessment and measurement (continued)

The following table shows the changes in value adjustments of loans and receivables from customers by levels of impairment during 2025:

	Stage 1	Stage 2	Stage 3	POCI	TOTAL
ECL allowance as of 1st January 2025	**(189,291)**	**-**	**-**	**-**	**(189,291)**
New assets originated or purchased	(5,498,545)	-	-	-	(5,498,545)
Payments and assets derecognized (excluding write offs)	5,687,572	-	-	-	5,687,572
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Amounts written off	-	-	-	-	-
Other changes (Change of exposure, fx differences, etc.)	-	-	-	-	-
ECL allowance as of 31st December 2025	**(264)**	**-**	**-**	**-**	**(264)**

As of 31st December 2024 The Bank had following allowances for customers:

	Stage 1	Stage 2	Stage 3	POCI	TOTAL
ECL allowance as of 1st January 2024	**-**	**-**	**-**	**-**	**-**
New assets originated or purchased	(2,146,480)	-	-	-	(2,146,480)
Payments and assets derecognized (excluding write offs)	1,957,189	-	-	-	1,957,189
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Amounts written off	-	-	-	-	-
Other changes (Change of exposure, fx differences, etc.)	-	-	-	-	-
ECL allowance as of 31st December 2024	**(189,291)**	**-**	**-**	**-**	**(189,291)**

27. RISK MANAGEMENT POLICIES (continued)

27.4 Credit risk (continued)

The following table shows the changes in the value adjustment of exposures based on off-balance sheet records, i.e. performance guarantees: by levels of impairment during 2025:

	Stage 1	Stage 2	Stage 3	POCI	TOTAL
ECL allowance as of 1st January 2025	**(35,767)**	**-**	**-**	**-**	**(35,767)**
New assets originated or purchased	(18,742)	-	-	-	(18,742)
Payments and assets derecognized (excluding write offs)	53,683	-	-	-	53,683
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Amounts written off	-	-	-	-	-
Other changes (Change of exposure, fx differences, etc.)	-	-	-	-	-
ECL allowance as of 31st December 2025	**(826)**	**-**	**-**	**-**	**(826)**

The following table shows the changes in the value adjustment of exposures based on off-balance sheet records, i.e. performance guarantees: by levels of impairment in 2024:

	Stage 1	Stage 2	Stage 3	POCI	TOTAL
ECL allowance as of 1st January 2024	**(51,950)**	**-**	**-**	**-**	**(51,950)**
New assets originated or purchased	(42,180)	-	-	-	(42,180)
Payments and assets derecognized (excluding write offs)	58,363	-	-	-	58,363
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Amounts written off	-	-	-	-	-
Other changes (Change of exposure, fx differences, etc.)	-	-	-	-	-
ECL allowance as of 31st December 2024	**(35,767)**	**-**	**-**	**-**	**(35,767)**

During 2025, the Bank had payable guarantees from the Bank of China Group for loans issued to customers, while it had deposits with 100% coverage for issued performance guarantees as collaterals.

27. RISK MANAGEMENT POLICIES (continued)

27.4 Credit risk (continued)

Write-off policy

Financial assets are derecognised, in whole or in part, when the Bank has exhausted all practical recovery efforts. and concluded that there were no reasonable expectations of recovery.

In addition, the Bank in accordance with the Decision of the National Bank of Serbia on the accounting write-off of balance sheet assets of the bank "Official Gazette of RS", no. 77/2017 of 10 August 2017, performs accounting write-off of problematic receivables in the case when the amount of impairment of that receivable is calculated, which the bank recorded in favour of the value allowance of 100% of its gross book value.

During 2025 and 2024, the Bank did not perform any write off financial assets.

Potential liablities related credit risk

The Bank issues guarantees and letters of credit to its clients, on the basis of which the Bank has a potential obligation to make payments in favor of third parties. In this way, the Bank is exposed to risks related to credit risk, which can be overcome by the same control processes and procedures.

27. RISK MANAGEMENT POLICIES (continued)

27.4 Credit risk (continued)

Maximum credit exposure

Maximum credit exposure of the Bank is expressed through the gross value of financial assets in the balance sheet. For guarantees and loan extension obligations, the maximum amount of exposure is the amount of the obligation.

31st Dec 2025							
Classes of exposures	**Maximum exposure to credit risk**	**Out of which: Stage 1**	**Exposure without stage**	**Impairment allowance**	**Out of which: Impairment allowance Stage 1**	**Out of which: Impairment allowance Exposure without stage**	**Net amount**
Cash and balances with Central Bank	19,428,155	-	19,428,155	-	-	-	19,428,155
Receivables under derivatives	-	-	-	-	-	-	-
Loans and receivables from banks and other financial institutions	24,532,504	24,532,504	-	(263)	(263)	-	24,532,241
Loans and advances to customers	11,909	16,279	(4,370)	-	-	-	11,909
Other receivables	12,900	-	12,900	-	-	-	12,900
Balance as of 31st December	**43,985,468**	**24,548,783**	**19,436,685**	**(263)**	**(263)**	**-**	**43,985,205**
Payment and performance guarantees	18,038,648	18,038,648	-	(826)	(826)	-	18,037,822
Letters of credit	-	-	-	-	-	-	-
Other off-balance sheet asset-spot purchase and sale	1,539,856	-	1,539,856	-	-	-	1,539,856
Other contingent liabilities	23,810	-	23,808	-	-	-	23,808
Balance as of 31st December	**19,602,314**	**18,038,648**	**1,563,664**	**(826)**	**(826)**	**-**	**19,601,486**
TOTAL	**63,587,782**	**42,587,431**	**21,000,349**	**(1,089)**	**(1,089)**	**-**	**63,586,691**

27. RISK MANAGEMENT POLICIES (continued)

27.4 Credit risk (continued)

Maximum credit risk exposure (continued)

31st Dec 2024							
Classes of exposures	**Maximum exposure to credit risk**	**Out of which: Stage 1**	**Exposure without stage**	**Impairment allowance**	**Out of which: Impairment allowance Stage 1**	**Out of which: Impairment allowance Exposure without stage**	**Net amount**
Cash and balances with Central Bank	16,113,408	-	16,113,408	-	-	-	16,113,408
Receivables under derivatives	-	-	-	-	-	-	-
Loans and receivables from banks and other financial institutions	40,972,256	40,972,256	-	(186,124)	(186,124)	-	40,786,132
Loans and advances to customers	756,792	756,792	-	(3,167)	(3,167)	-	753,625
Other receivables	33,640	-	33,640	-	-	-	33,640
Balance as of 31st December	**57,876,096**	**41,729,048**	**16,147,048**	**(189,291)**	**(189,291)**	**-**	**57,686,805**
Payment and performance guarantees	14,319,456	14,319,456	-	(35,767)	(35,767)	-	14,283,689
Letters of credit	-	-	-	-	-	-	-
Other off-balance sheet asset-spot purchase and sale	25,409,389	-	25,409,389	-	-	-	25,409,389
Other contingent liabilities	620,170	-	620,168	-	-	-	620,168
Balance as of 31st December	**40,349,015**	**14,319,456**	**26,029,557**	**(35,767)**	**(35,767)**	**-**	**40,313,246**
TOTAL	**98,225,111**	**56,048,504**	**42,176,605**	**(225,058)**	**(225,058)**	**-**	**98,000,051**

27. RISK MANAGEMENT POLICIES (continued)

27.4 Credit risk (continued)

Collateral and other credit risk mitigation techniques

The Bank shall not take any risk (commitment) without legal securities. The Bank shall pursue to maximize the security base, if possible combine the different type of collaterals to optimize the collateral structure, keeping in primer consideration that the collateral structure shall fit to the credit transaction's main features, such as credit rating of the customer, type of risk-taking and term of the commitment

The Bank shall pursue that the collaterals shall cover the principal, interest due and additional expenses. Collateral value is estimated during the credit approval process, and monitored through all repayment periods. The basic approach is that the repayment of the credit should be covered from the primer source of cash of the customer, the project or the asset. The collaterals serve only as additional security. For the purpose of clear definition of acceptable collaterals and their treatment, Bank adopt Collateral valuation rule.

The following table shows data on the type and value of collateral and guarantee providers by credit sector and categories of receivables as at 31 December 2025:

Collateral value as of 31 December 2025										
							Guarantees ** issued by			
Financial assets	**Deposits**	**Securities**	**Real estate**	**Other real estate**	**Pledges on commodity bills and animals**	**Other assets**	**State**	**Banks**	**Related parties**	**Other**
Loans and receivables from customers	-	-	-	-	-	-	-	-	-	-
-of which: Public sector	-	-	-	-	-	-	-	-	-	-
-from that: Corporate	-	-	-	-	-	-	-	-	-	-
-of which: Retail	-	-	-	-	-	-	-	-	-	-
-from that: Other clients	-	-	-	-	-	-	-	-	-	-
Other funds	-	-	-	-	-	-	-	-	-	-
Balance sheet assets	-	-	-	-	-	-	-	-	-	-
Payable and performance guarantees	917,272	-	-	-	-	-	-	17,120,550	-	-
Uncovered letters of credit	-	-	-	-	-	-	-	-	-	-
Unused commitments	-	-	-	-	-	-	-	-	-	-
Contingent liabilities and commitments	**917,272**	**-**	**-**	**-**	**-**	**-**	**-**	**17,120,550**	**-**	**-**
Balance as of December 31, 2024	**917,272**	**-**	**-**	**-**	**-**	**-**	**-**	**17,120,550**	**-**	**-**

27. RISK MANAGEMENT POLICIES (continued)

27.4 Credit risk (continued)

Collateral and other credit risk mitigation techniques (continued)

The following table shows data on the type and value of collateral and guarantee providers by credit sector and categories of receivables as at 31 December 2024:

Collateral value as of 31 December 2024										
							Guarantees ** issued by			
Financial assets	**Deposits**	**Securities**	**Real estate**	**Other real estate**	**Pledges on commodity bills and animals**	**Other assets**	**State**	**Banks**	**Related parties**	**Other**
Loans and receivables from customers	-	-	-	-	-	-	-	-	-	-
-of which: Public sector	-	-	-	-	-	-	-	-	-	-
-from that: Corporate	-	-	-	-	-	-	-	737,480	-	-
-of which: Retail	-	-	-	-	-	-	-	-	-	-
-from that: Other clients	-	-	-	-	-	-	-	-	-	-
Other funds	-	-	-	-	-	-	-	-	-	-
Balance sheet assets	-	-	-	-	-	-	-	737,480	-	-
Payable and performance guarantees	1,029,581	-	-	-	-	-	-	13,254,108	-	-
Uncovered letters of credit	-	-	-	-	-	-	-	-	-	-
Unused commitments	-	-	-	-	-	-	-	-	-	-
Contingent liabilities and commitments	**1,029,581**	**-**	**-**	**-**	**-**	**-**	**-**	**13,254,108**	**-**	**-**
Balance as of December 31, 2024	**1,029,581**	**-**	**-**	**-**	**-**	**-**	**-**	**13,991,588**	**-**	**-**

29. RISK MANAGEMENT POLICIES (continued)

29.4 Credit risk (continued)

The following table shows credit risk exposure analysis by individually and collectivly impaired exposures as of 31 December, 2025:

Individually and collectivly impaired exposures as of 31 December 2025							
Classes of exposures	Total	Collective				Individual	Without Stage
		Stage 1	Stage 2	Stage 3	Subtotal collective	Stage 3	Balance without Stage
Cash and balances with Central Bank	19,428,155	-	-	-	-	-	19,428,155
Receivables under derivatives	-	-	-	-	-	-	-
Loans and receivables from banks and other financial institutions	24,527,871	24,527,871	-	-	24,527,871	-	-
Loans and receivables from customers	16,279	16,279	-	-	16,279	-	-
- Public sector	-	-	-	-	-	-	-
- Corporate	-	-	-	-	-	-	-
- Retail	-	-	-	-	-	-	-
- Other	16,279	16,279	-	-	16,279	-	-
Other assets	12,900	-	-	-	-	-	12,900
TOTAL FINANCIAL ASSETS	**43,985,205**	**24,544,150**	**-**	**-**	**24,544,150**	**-**	**19,441,055**
Payment and performance guarantees	18,037,822	18,037,822	-	-	18,037,822	-	-
Non-covered letters of credit	-	-	-	-	-	-	-
Other off-balance sheet asset-spot purchase and sale	1,539,856	-	-	-	-	-	1,539,856
Other	23,808	-	-	-	-	-	23,808
TOTAL OFF-BALANCE SHEET FINANCIAL ITEMS	**19,601,486**	**18,037,822**	**-**	**-**	**18,037,822**	**-**	**1,563,664**
Total exposure as of 31st December	**63,586,691**	**42,581,972**	**-**	**-**	**42,581,972**	**-**	**21,004,719**

29. RISK MANAGEMENT POLICIES (continued)

29.4 Credit risk (continued)

The following table shows credit risk exposure analysis by individually and collectivly impaired exposures as of 31 December, 2024:

Individually and collectivly impaired exposures as of 31 December 2024							
Classes of exposures	**Total**	**Collective**				**Individual**	**Without Stage**
		Stage 1	**Stage 2**	**Stage 3**	**Subtotal collective**	**Stage 3**	**Balance without Stage**
Cash and balances with Central Bank	16,113,408	-	-	-	-	-	16,113,408
Receivables under derivatives	-	-	-	-	-	-	-
Loans and receivables from banks and other financial institutions	40,786,133	40,786,133	-	-	40,786,133	-	-
Loans and receivables from customers	753,625	753,625	-	-	753,625	-	-
- Public sector	-	-	-	-	-	-	-
- Corporate	737,480	737,480	-	-	737,480	-	-
- Retail	-	-	-	-	-	-	-
- Other	16,144	16,144	-	-	16,144	-	-
Other assets	33,640	-	-	-	-	-	33,640
TOTAL FINANCIAL ASSETS	**57,686,805**	**41,539,757**	**-**	**-**	**41,539,757**	**-**	**16,147,048**
Payment and performance guarantees	14,283,689	14,283,689	-	-	14,283,689	-	-
Non-covered letters of credit	-	-	-	-	-	-	-
Other off-balance sheet asset-spot purchase and sale	25,409,389	-	-	-	-	-	25,409,389
Other	620,168	-	-	-	-	-	620,168
TOTAL OFF-BALANCE SHEET FINANCIAL ITEMS	**40,313,246**	**14,283,689**	**-**	**-**	**14,283,689**	**-**	**26,029,557**
Total exposure as of 31stDecember	**98,000,051**	**55,823,446**	**-**	**-**	**55,823,446**	**-**	**42,176,605**

27. RISK MANAGEMENT POLICIES (continued)

27.5 Concentration risk

Concentration risk is a risk which arises, directly or indirectly, from the Bank's exposure to the same or similar source of risk or the same or similar type of risk. Concentration risk refers to large exposures, small exposures to the same or similar risk factors, such as economic sectors, geographic areas, types of products, etc. and credit hedging instruments, including maturity and currency mismatch between large exposures and instruments of credit hedging against these exposures. To keep and sustain credit portfolio, as well as minimize concentration risk, as a security measures Bank define level of exposure , set up credit limits, and perform regular monitoring of determined regulatory and internal limits, which are defined in Concentration risk policy.

In line with NBS Decision on risk management, large exposure toward singe client or group of connected clients, is exposure which represent minimum 10% of capital.

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2025 is set out below:

	Serbia	Europe	The rest of the world	Total
Financial assets				
Cash and assets held with the central bank	19,428,155	-	-	19,428,155
Receivables under derivatives	-	-	-	-
Loans and receivables from banks and other financial organisations	-	21,812,390	2,719,850	24,532,240
Loans and receivables from clients	11,909	-	-	11,909
Other financial assets	12,857	-	43	12,900
Total financial assets	**19,452,921**	**21,812,390**	**2,719,893**	**43,985,204**
Financial liabilities	**-**	**-**	**-**	**-**
Liabilities under derivatives	-	-	-	**-**
Deposits and other liabilities to banks, other financial organisations and central bank	-	-	11,596	**11,596**
Deposits and other financial liabilities to clients	35,793,541	899	-	**35,794,440**
Current tax liabilities	379,291	-	-	**379,291**
Other financial liabilities	688,292	-	-	**688,292**
Total financial liabilities	**36,861,124**	**899**	**11,596**	**36,873,619**
Net position in on-balance sheet financial instruments	**(17,408,203)**	**21,811,491**	**2,708,297**	**7,111,585**

27. RISK MANAGEMENT POLICIES (continued)

27. 5 Concentration risk (continued)

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2024 is set out below:

	Serbia	Europe	The rest of the world	Total
Financial assets				
Cash and assets held with the central bank	16,113,408	-	-	16,113,408
Receivables under derivatives	-	-	-	-
Loans and receivables from banks and other financial organisations	-	38,563,741	2,222,391	40,786,132
Loans and receivables from clients	753,625	-	-	753,625
Other financial assets	15,365	-	18,275	33,640
Total financial assets	**16,882,398**	**38,563,741**	**2,240,666**	**57,686,805**
Financial liabilities	**-**	**-**	**-**	**-**
Liabilities under derivatives	-	-	-	**-**
Deposits and other liabilities to banks, other financial organisations and central bank	-	-	-	**-**
Deposits and other financial liabilities to clients	41,881,658	918	45,481	**41,928,057**
Current tax liabilities	205,082	-	-	**205,082**
Other financial liabilities	10,503,250	-	-	**10,503,250**
Total financial liabilities	**52,589,990**	**918**	**45,481**	**52,636,389**
Net position in on-balance sheet financial instruments	**(35,707,592)**	**38,562,823**	**2,195,185**	**5,050,416**

27. RISK MANAGEMENT POLICIES (continued)

27.6 Foreign exchange risk

Foreign exchange risk is the risk of potential adverse effects on the Bank's financial result and capital due to changes in foreign exchange rates.

As of December 31, 2025, the Bank's net foreign exchange position is as follows:

in RSD thousand	EUR	USD	Other currency	RSD	Total
Cash and balances with Central Bank	3,119,701	-	-	16,308,454	19,428,155
Receivables under derivatives	-	-	-	-	-
Loans and receivables from banks and other financial institutions	6,777,711	15,056,721	2,697,810	-	24,532,242
Loans and receivables from customers	-	-	-	11,909	11,909
Other assets	9,093	-	-	3,807	12,900
TOTAL FINANCIAL ASSETS	**9,906,505**	**15,056,721**	**2,697,810**	**16,324,170**	**43,985,206**
Liabilities under derivatives	-	-	-	-	-
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	-	-	-	11,596	11,596
Deposits and other liabilities due to customers	9,324,887	14,508,203	2,651,255	9,310,095	35,794,440
Current tax liabilities	-	-	-	379,291	379,291
Other liabilities	454,756	49,052	66,611	117,873	688,292
TOTAL FINANCIAL LIABILITIES	**9,779,643**	**14,557,255**	**2,717,866**	**9,818,855**	**36,873,619**
Off-balance financial instrument – long position	11,728	135,063	20,417	601,886	769,094
Off-balance financial instrument – short position	135,069	635,695	-	-	770,764
Net open foreign position as of 31st Dec 2025	**3,521**	**(1,166)**	**361**	**7,107,201**	**7,109,917**

As of December 31, 2024, foreign exchange risk amounts to 0.07% (regulatory prescribed maximum limit is 20% of regulatory capital, 2024: 1.45%). In case of increase of the exchange rate by 10%, there will be a negative effect in the form of net gain from exchange rate differences in the amount of RSD 388 thousand.

27. RISK MANAGEMENT POLICIES (continued)

27.6 Foreign exchange risk (continued)

As of December 31, 2024, the Bank's net foreign exchange position is as follows:

in RSD thousand	EUR	USD	Other currency	RSD	Total
Cash and balances with Central Bank	3,627,462	-	-	12,485,946	16,113,408
Receivables under derivatives	-	-	-	-	-
Loans and receivables from banks and other financial institutions	8,158,465	30,402,208	2,225,459	-	40,786,132
Loans and receivables from customers	-	-	-	753,625	753,625
Other assets	9,072	-	-	24,568	33,640
TOTAL FINANCIAL ASSETS	**11,794,999**	**30,402,208**	**2,225,459**	**13,264,139**	**57,686,805**
Liabilities under derivatives	-	-	-	-	-
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	-	-	-	-	-
Deposits and other liabilities due to customers	8,639,487	17,794,425	2,800,128	12,694,017	41,928,057
Current tax liabilities	-	-	-	205,082	205,082
Other liabilities	909,761	4,610,841	4,827,355	155,293	10,503,250
TOTAL FINANCIAL LIABILITIES	**9,549,248**	**22,405,266**	**7,627,483**	**13,054,392**	**52,636,389**
Off-balance financial instrument – long position	65,853	2,347,354	5,395,325	4,896,490	12,705,022
Off-balance financial instrument – short position	2,340,878	10,363,488	1	-	12,704,367
Net open foreign position as of 31st Dec 2024	**(29,274)**	**(19,192)**	**(6,700)**	**5,106,237**	**5,051,071**

27. RISK MANAGEMENT POLICIES (continued)

27.7 Exposure to other financial risks

Interest rate risk

Interest rate risk is the risk of negative effects on the Bank's financial result and capital due to changes in the level of interest rates. Changes in interest rates directly affect interest income due to the mismatch of total interest-bearing assets and liabilities or the period of fixing the price of interest-bearing instruments. The Bank monitors and controls the exposure to interest rate risk on interest rate sensitive instruments.

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

in RSD thousand	until 1 month	from 1 to months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	over 5 years	Not rate sensitive assets	Total
Cash and balances with Central Bank	16,308,454	-	-	-	-	-	3,119,701	19,428,155
Receivables under derivatives	-	-	-	-	-	-	-	-
Loans and receivables from banks and other financial institutions	24,528,134	-	-	-	-	-	-	24,528,134
Loans and receivables from customers	16,279	-	-	-	-	-	-	16,279
Other assets	12,899	-	-	-	-	-	-	12,899
TOTAL FINANCIAL ASSETS	**40,865,766**	**-**	**-**	**-**	**-**	**-**	**3,119,701**	**43,985,467**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities under derivatives	-	-	-	-	-	-	-	-
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	11,596	-	-	-	-	-	-	11,596
Deposits and other liabilities due to customers	34,109,592	1,684,848	-	-	-	-	-	35,794,440
Current tax liabilities	-	-	-	-	-	-	379,291	379,291
Other liabilities	-	-	-	-	-	-	688,292	688,292
TOTAL FINANCIAL LIABILITIES	**34,121,188**	**1,684,848**	**-**	**-**	**-**	**-**	**1.067.583**	**36,873,619**
Net exposure to interest risk as of 31 December 2025	**6,744,578**	**(1,684,848)**	**-**	**-**	**-**	**-**	**2.052.118**	**7,111,848**

29. RISK MANAGEMENT POLICIES (continued)

29.7 Exposure to other financial risks

Interest rate risk (continued)

in RSD thousand	until 1 month	from 1 to months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	over 5 years	Not rate sensitive assets	Total
Cash and balances with Central Bank	12,485,946	-	-	-	-	-	3,627,462	16,113,408
Receivables under derivatives	-	-	-	-	-	-	-	-
Loans and receivables from banks and other financial institutions	40,972,257	-	-	-	-	-	-	40,972,257
Loans and receivables from customers	16,144	-	-	740,648	-	-	-	756,792
Other assets	33,639	-	-	-	-	-	-	33,639
TOTAL FINANCIAL ASSETS	**53,507,986**	**-**	**-**	**740,648**	**-**	**-**	**3,627,462**	**57,876,096**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities under derivatives	-	-	-	-	-	-	-	-
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	-	-	-	-	-	-	-	-
Deposits and other liabilities due to customers	39,535,289	1,838,116	554,652	-	-	-	-	41,928,057
Current tax liabilities	-	-	-	-	-	-	205,082	205,082
Other liabilities	-	-	-	-	-	-	10,503,250	10,503,250
TOTAL FINANCIAL LIABILITIES	**39,535,289**	**1,838,116**	**554,652**	**-**	**-**	**-**	**10,708,332**	**52,636,389**
Net exposure to interest risk as of 31 December 2024	**13,972,697**	**(1,838,116)**	**(554,652)**	**740,648**	**-**	**-**	**(7,080,870)**	**5,239,707**

29. RISK MANAGEMENT POLICIES (continued)

29.7 Exposure to other financial risks

Interest rate risk (continued)

The risk of changes in interest rates is also monitored by sensitivity analysis - scenario analysis, i.e. by observing the impact of changes in interest rates on the Bank's income and expenses.

The following table shows the sensitivity of the Bank's income statement to reasonably possible changes in interest rates (1%) while constantly maintaining other variables. The sensitivity of the income statement represents the effect of assumed changes in interest rates on net interest income in one year on financial assets and liabilities based on interest rates as at 31 December 2024 and 31 December 2025.

Currency	Change in percentage point	Sensitivity on the income statement for the period ended 31 December 2025	Change in percentage point	Sensitivity on the income statement for the period ended 31 December 2024
Increase of percentage points:				
RSD	1%	1.494,84	1%	8.871,18
EUR	1%	-3.043,07	1%	-2.367,35
USD	1%	221,07	1%	5.076,32
Other	1%	18,57	1%	269,37
Decrease of percentage points:		0,00		0,00
RSD	1%	-1.494,84	1%	-8.871,18
EUR	1%	3.043,07	1%	2.367,35
USD	1%	-221,07	1%	-5.076,32
Other	1%	-18,57	1%	-269,37

29. RISK MANAGEMENT POLICIES (continued)

29.8 Equity Management

The objectives of the Bank in terms of equity management, which is a wider concept than the amount of equity shown in the balance sheet, are:

- Ensuring compliance with the requirements of the National Bank of Serbia;
- Ensuring the possibility of long-term business continuity while providing returns to shareholders and benefiting other stakeholders; and
- Providing a strong equity base in support of the further development of the Bank's operations.

The Bank manages the equity structure and performs adjustments in accordance with changes in economic conditions and risk characteristic of the Bank's activities. The Bank's management regularly monitors the indicators of the Bank's adequacy and other performance indicators prescribed by the National Bank of Serbia and submits quarterly reports to the National Bank of Serbia on the realized values of the indicators.

The Law on Banks and the relevant decisions of the National Bank of Serbia stipulate that banks must maintain a minimum amount of equity of RSD 10 million in dinar equivalent according to the official middle exchange rate, an indicator of capital adequacy of at least 8%, the Tier 1 capital ratio at least 6%, the Common Equity Tier 1 capital ratio at least 4.5% and to adjust the volume and structure of their operations with the indicators of business prescribed by the Decision on risk management Official Gazette of RS, no. 45/2011, 94/2011, 119/2012, 123/2012, 23/2013 - other decision, 43/2013, 92/2013, 33/2015, 51/60, 103/2016, 119/2017, 76 / 2018, 57/2019, 88/2019, 27/2021 and 67/2021 - other decision) and the Decision on Capital Adequacy Official Gazette of RS, no. 103/2016, 103/2018, 88/2019, 67/2021, 98/2021, 137/2021 and 59/2022).

The above-mentioned Decision of the National Bank of Serbia on the adequacy of the bank's capital determines the method of calculating the capital of the Bank and the indicators of the adequacy of that capital. The Bank's total capital consists of share equity and supplementary capital and defined deductible items, while risky balance and off-balance sheet assets are determined in accordance with the prescribed risk weight for all types of assets.

The Bank's capital adequacy ratio is equal to the ratio of the bank's capital to the pool of credit risk weighted assets, the foreign exchange risk capital requirement multiplied by the reciprocal value of the capital adequacy ratio (prescribed 8%) and capital requirements in relation to other market risks multiplied by the reciprocal value indicators of capital adequacy.

The table below shows the state of equity and total risk assets as at December 31st 2024 and 2025:

In RSD thousand	2025	2024
Share equity	1,843,887	1,843,887
Share premium	-	-
Profit from previous years eligible for inclusion in share capital	3,496,550	1,966,753
Retained earnings from the previous period	-	-
Other intangible assets before related deduction of deferred tax liabilities	(28,464)	(11,279)
Tier 1 Capital	**5,311,973**	**3,799,361**
Tier 2 Capital	**-**	**-**
Regulatory capital (1)	**5,311,973**	**3,799,361**
Total risk weighted assets (2):	**10,485,624**	**12,956,113**
Capital adequacy (1/2 x 100)	**50.50%**	**29.32%**

30. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value stated in the financial statements is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an independent transaction.

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

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

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

As of 31st December 2025 and 31st December 2024 the Bank does not have in its portfolio financial instruments that are recognized at fair value in the financial statements.

The Bank's management believes that due to the nature of its operations and its general policies, the fair value of its financial instruments not measured at fair value, which is based on market interest rates from December 2025, does not deviate significantly from their carrying amount. Market volatility described in Note 31 may lead to deviations in subsequent accounting periods.

28. BANK PERFORMANCE INDICATORS

The Bank is obliged to harmonize the scope and structure of its operations and risky investments with the indicators of operations prescribed by the Law on Banks and the relevant decisions of the National Bank of Serbia adopted on the basis of the relevant Law.

As at 31 December 2024, the Bank has complied with all indicators of operations with the prescribed values.

The realized indicators of the Bank's operations as at 31 December 2024 were as follows:

Business indicators	Prescribed	Realized
1. Capital	EUR 10 million	RSD 7,541,799 thousand
2.1 Capital adequacy ratio	4.5%	50.50%
2.2 The Tier 1 capital ratio	6%	50.50%
2.3 The Common Equity Tier 1 capital ratio	8%	50.50%
3. Bank investments	Max 60%	2.68%
4. Exposure to one person or a group of related parties	25%	14.32%
5 Exposure to persons affiliated with the Bank	25%	14.32%
6. Sum of big exposures of the Bank	400%	14.32%
7. Foreign exchange risk indicator	20%	0.77%

32. TRANSACTIONS WITH RELATED PARTIES

In its regular business operations, the Bank realizes business transactions with its shareholders and other related parties. Adjustments of transfer prices with market prices in the items of the tax balance sheet were made for transactions with related parties.

The balances of receivables and liabilities as at 31 December 2025 and 2024 resulting from the transactions with shareholders and other persons affiliated with the Bank and with the management of the Bank, as well as all income and expenses on this basis are presented in the following table:

In RSD thousand	2025	2024
Income and expences		
Interest income	754,978	767,824
Interest expenses	53,689	58,960
Revenues from fees for issued guarantees	122,961	78,152
Revenues from agency fees	122,822	314,517
Compensation costs to related parties	(36,232)	(33,433)
Income from exchange rate differences-Realized negative exchange rate differences	(28,898)	(2,070)
Receivables and liabilities		
Nostro accounts	18,197,154	24,040,905
Deposits with banks	8,992,485	19,114,562
Deposits received from group members	-	-
Accrued interest receivables from group members	27,020	69,035
Accrued interest liabilities from group members	(109)	(18,326)

30 TRANSACTIONS WITH RELATED PARTIES (continued)

This income represents the arranger fee that Bank of China Srbija a.d. earned from a member of BOC Group, for the business of connecting and arranging issuance of the loans to the local corporate clients. Other incomes in 2025 represent result of increased money market activities within the banking group.

Salaries and other proceeds to the members of the Board of Directors, Executive Board and other key management staff of the Bank during 2025 and 2024 are shown in the following table:

In RSD thousand	2025	2024
Gross salaries of key management	59,990	57,092
Fees to members of the Board of Directors and the Auditing Committee	10,200	10,191
Total	**70,190**	**67,282**

33. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the end of the reporting period that would require corrections or disclosures of the Bank's financial statements for 2025.

Chairman of the Executive Board	Member of the Executive Board
Li Lianhong	Slaviša Aleksić

Belgrade, 27 March 2026

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

ABBREVIATIONS

The list of the abbreviations used in these financial statements is provided below:

Abbreviation	Full name
AC	Amortised Cost
CCF	Credit Conversion Factor
CRR	Capital Requirements Regulation
EAD	Exposure at Default
ECL	Expected Credit Loss
EIR	Effective interest rate
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX, Forex	Foreign Currency Exchange
IFRS	International Financial Reporting Standard
LGD	Loss Given Default
NBS	National Bank of Serbia
PD	Probability of Default
POCI financial assets	Purchased or Originated Credit-Impaired financial assets
ROU asset	Right of use asset
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest
SPPI test	Assessment whether the financial instruments' cash flows represent SPPI

ANNUAL BUSINESS REPORT
BANK OF CHINA SRBIJA AD FOR 2025

March 2026

Contents

DESCRIPTION OF BUSINESS ACTIVITIES AND ORGANIZATIONAL STRUCTURE OF THE BANK 3
General information about Bank of China Srbija a.d. Beograd 3
Organizational structure 3
Financial position and business results 3
Environmental protection investment 6
Significant event after the end of the business year 6
Planned future development 6
Research and development activities 6
Purchase of own shares information 7
Branches 7
Financial instruments applied during the period 7
Risk management 7

DESCRIPTION OF BUSINESS ACTIVITIES AND ORGANIZATIONAL STRUCTURE OF THE BANK

General information about Bank of China Srbija a.d. Beograd

Bank of China Serbia a.d. Belgrade (hereinafter: "the Bank") was established on December 22, 2016.

In accordance with the decision of the National Bank of Serbia from December 20,2016 and Memorandum of association the Bank is registered to perform the following tasks:

- Deposit activities
- Credit activities
- Foreign exchange operations, foreign currency operations and exchange transactions
- Payment transactions
- Issuing payment card
- Activities regarding securities
- Issuing guaranties, sureties on promissory notes and other types of warranties
- Purchase, sale and collection of receivables (factoring, forfeiting and etc.)
- Activities for which it is authorized by law
- Providing other financial services.

Founder and owner of 100% shares is Bank of China (CEE) Ltd. (previous name: Bank of China (Hungary), Close Ltd.). As of 8th June 2022, the Bank changed the owner to Bank of China (EUROPE) S.A., Luxemburg.

Bank is located at Bulevar Zorana Đinđića 2a, 11070 Novi Beograd. ID number 21251640, and Tax ID number is 109837136.

Organizational structure

Managing bodies: General assembly, Board of directors and Executive board.

Bank formed following committee: Audit committee, Credit committee, Asset and liability management committee, Risk and control committee. Per need, Bank can form additional committees.

The Bank has the following organizational units, listed per hierarchical level: sectors, departments and sections. The Bank will maintain the organizational structure in a way to clearly and consistently separate the risk-taking activities, risk management activities and support activities.

Financial position and business results

Business policy of the Bank defines the indicative target values of the key positions of the balance sheet and the income statement for the period of the three full business years. For the period of operation in 2025 (from the moment of establishment until the end of the calendar year), the target values are not specially determined, except the acquisition of fixed assets and the establishment of the reporting process.

During the year, the Bank realized significant interest income in the amount of RSD 1,439,356 thousand (2024: RSD 1,466,447 thousand) deriving mainly from financial institiutions and incomes based on charges for foreign exchange transactions and providing agent services and services in documentary business in the amount of RSD 1,550,806 thousand (2024: RSD 1,174,509 thousand).

Financial position and business results (continued)

The total balance sheet amount as at December 31, 2025 is RSD 44,416,244 thousand (2024: RSD 58,012,591 thousand). During the year, there was a significant increase in accounts held with financial institutions. Nostro accounts and deposits placed with foreign banks increased significantly during the year to the amount of RSD 24,532,240 (2024: RSD 40,786,132 thousand).

During the year, existing loans came to maturity and there were no new placements so currently the amount of funds placed through loans amounts to RSD 0 thousand (2024: RSD 740.648 thousand).

Total capital of the Bank as at December 31, 2025 is RSD 7,541,799 thousand (2024: RSD 5,340,437 thousand) and consists of the share capital in the amount paid by the shareholders on 28.12.2016, as well as the profit at the end of the current business year in the amount of RSD 2,201,362 and undistributed profit from previous years in the amount of RSD 3,496,550 thousand.

During the year 2025, the Bank issued performance guarantees in the amount of RSD 18,038,649 thousand (2024: RSD 14,319,456 thousand).The activity of issuing performance guarantees is increased. Collaterals for these guarantees are cash deposits of clients as well as counter-guarantees of members of the Bank of China Group.

The capital adequacy ratio as at December 31, 2025 was 50.50% (2024: 29.32%). The increase in the indicator is conditioned by the increase in regulatory capital according to the Decision of general assembly.

Financial position and business results (continued)

in RSD thousand

Income statement	2025	2024
Net interest income	**1,375,705**	**1,448,698**
Net fee and commission income	**1,534,748**	**1,157,975**
Net operating income	3,153,924	2,391,931
Operating expenses	(564,045)	(572,515)
PROFIT/(LOSS) BEFORE INCOME TAX	**2,589,879**	**1,819,416**
PROFIT/(LOSS) AFTER TAXES	**2,201,362**	**1,529,796**
Balance sheet	-	-
Cash and balances with Central Bank	19,428,155	16,113,408
Receivables under derivatives	-	-
Loans and receivables from banks and other financial institutions	24,532,240	40,786,132
Loans and receivables from clients	11,909	753,625
Intangible assets	28,464	11,279
Property, plant and equipment	142,498	168,762
Current tax assets	255,543	141,210
Deferred tax assets	4,535	4,535
Other assets	12,900	33,640
TOTAL ASSETS	**44,416,244**	**58,012,591**
Liabilities under derivatives	-	-
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	-	-
Deposits and other liabilities due to customers	11,596	-
Provisions	35,794,440	41,928,057
Current tax liabilities	826	35,765
Deferred tax liabilities	379,291	205,082
Other liabilities	688,292	10,503,250
TOTAL LIABILITIES	**36,874,445**	**52,672,154**
TOTAL EQUITY	**7,541,799**	**5,340,437**
TOTAL LIABILITIES AND EQUITY	**44,416,244**	**58,012,591**
Capital adequacy ratio (%)	**50.66**	**29.32**
Average number of employees	**32**	**31**
Number of organizational units	**1**	**1**

Environmental protection investment

In the period from January 1, 2025 until December 31, 2025, the Bank did not have any investments in the field of environmental protection.

Significant event after the end of the business year

There were no significant events after the end of the reporting period that would require corrections or disclosures to the financial statements of the Bank for 2025.

Planned future development

The bank remains part of the "One Belt, One Road" initiative, which was launched in 2013, and seeks to help increase China's economic cooperation with Serbia and other European countries.

In order to achieve the stable and profitable portfolio of clients, the Bank will strive to diversify its client base (clients from different industries and geographical areas). The Bank`s main focus will be on the following group of customers and projects:

1. Large Serbian companies
2. Chinese enterprises
3. Companies and projects from the following sectors:
    a) Construction, transport and infrastructure
    b) Telecommunications
    c) Manufacturing
    d) Renewable energy and mining
    e) Metalworking, Power Industry, Metal Mines and Metallurgy
4. Ongoing projects in other Balkan countries

The main business goals for 2025 will be:

1. Achieving profitable operations,
2. Increasing market influence on the Serbian market,
3. Maintaining a stable, liquid and economical business operation,
4. Active management of non-performing loans,
5. Providing development opportunities for employment and new jobs.

In order to achieve the stable and profitable portfolio of clients, the Bank will strive to diversify its client base (clients from different industries and geographical areas).

Research and development activities

Bank conducts research and development activities of its financial products offer in order to respond to clients' needs. That is done by:

- analysis and monitoring of events in the macroeconomic environment and industrial factors that affect the demand for banking products,
- market research of financial services and offers of competitive banks in order to adjust and optimize the offer,
- analyzes of the most important economic entities operating in the target markets of the Bank.

Purchase of own shares information

In the period from January 1, 2025 to December 31, 2025, the Bank did not buy out its own shares.

Branches

As of December 31, 2025, the Bank did not have branches.

Financial instruments applied during the period

In the period from January 1, 2025 until December 31, 2025, Bank did not use financial instruments.

Risk management

Competence

The Board of director is responsible for establishing internal controls system and monitoring their effectiveness. The Board of director adopts Strategies and Policies of Risk Management, as well as the Bank's Capital Management Strategy, proposed by the Executive Board.

The Executive Board implements the mentioned strategies and policies, by adopting procedures for risk management and ensuring their implementation. The Executive board analyzes the risk management system and at least on quarterly level reports to the Board of director about level of risk exposure and risk management.

It is also within the competence of the Board of Directors to determine the amounts to which the Bank's Executive Board may decide on the placements and borrowings of the Bank, as well as the decision on the placements and borrowing of the Bank over these amounts and gives prior consent for the Bank's exposure to each individual person or group of connected persons exceeding 10 % of the Bank's capital, or to increase this exposure over 20% of the Bank's capital.

The Board of directors ensures the implementation of the internal capital adequacy assessment process of the Bank.

Internal regulation

Highest level document for risk management is Risk management strategy. The Bank's primary risk management objective is to optimize its capital allocation and maximize the value for the founder within the acceptable risk profile and with satisfaction to the requirements of the regulatory authorities, its depositors and other interest groups for the Bank's prudent and stable development.
This process is implemented through developing and updating the procedures, making decisions, setting up limits and targeted values, control and reporting mechanism and constant monitoring.

Internal regulation (continued)

Basic set of principles are:

1. Compliance with regulatory requirement - fully compliant with all applicable local law regulations.
2. Appropriate balance between risk and return - the balance is achieved through active control. Every type of business shall at least gain benefits that match the risk it bears, and optimize capital allocation.
3. Independence and professionalism - risk management units and personnel is independent from business units, and should provide independent views and professional opinions for related risks arising from business development.
4. Clarify rights and responsibilities - accountability shall be carried out through a strict internal control mechanism, specific division of responsibilities and clearly defined rights and responsibilities.
5. Forward-looking and proactive approach – risk and business departments shall cooperate with each other, study and manage risks in a forward-looking manner, actively identify, improve management and control measures, and ensure risks are under control.
6. "Know your customers", "know your businesses"- emphasizing on new products and new businesses to ensure risk margin is measurable and risks are acceptable.
7. Consistence and coherence – Bank shall implement a coherent risk appetite and risk management strategy and carry out consolidated risk management of all members of the Group in order to ensure consistency between the objectives of risk management and business development.
8. Differentiated and controllable - the Bank shall manage risks on differentiated and controllable way, in line with the external market environment and its own risk management capability in order to make risk management more flexible and pragmatic.
9. Substance over the form should prevail – meaning all information should be considered as the final step.

Risk appetite refers to the risk level tolerable to the Bank in course of maximizing the interest on behalf of the founder according to the requirements and expectation of regulatory authorities, its depositors and other interested parties. The Bank seeks to maintain a moderate risk appetite and reach a balance between risk and return in the principle of "rational, stable and prudent".

Risk appetite indicators are measurable and verifiable, and the realization of risk appetite can be controlled or affected by management, and continuously optimized.

Risk appetite indicators are commonly known as Key Risk Indicators (KRI). The Bank's key risk indicators cover capital indicator, credit risk, market risk, operational risk, liquidity risk, strategic risk, country risk, AML risk and compliance risk

Financial risk exposure

Regarding credit risk, the Bank classified all credit placements and placements related to deposits placed with Bank of China Group members at level 1, judging by the level of credit quality of these banks and the classification of clients, as well as the fact that these deposits do not exceed maturity of 3 months. Exposure to credit risk, as one of the basic risks, is measured using a standardized approach, taking into account that all credit risk exposures have an adequate collateral measured as an applicable technique for credit risk mitigation. From off-balance sheet records, the bank issued performance guarantees based on counter-guarantees of members of the Bank of China Group or were covered by cash deposits of clients.

Financial risk exposure (continued)

Regarding foreign exchange risk, the Bank maintained the level of risk within the legal framework during the year. As at December 31, 2025, the foreign exchange risk level was 0.07% (2024: 1,45%).

Bank is low exposed to interest rate risk, as the Bank received funds from clients in the form of transaction deposits, placed within the Bank of China Group, with short maturities. The shift of the IRRBB from 200bpp to equity was -0.05% at the end of the year (2024: 0.62%), which represents a low exposure to this risk

Due to the aforementioned, the bank is exposed to financial risks as of December 31, 2025, but with the application of adequate control mechanisms and the use of risk mitigation techniques, the overall exposure is low.

Capital management

The capital management relays on the business strategy and plan, quality of the existing portfolio, available financial resources, business environment, regulation, risk appetite and internal capital adequacy assessment process (ICAAP).

Capital management process ensures the Bank manages capital in a manner to secure the ability to continue operating, to ensure that its capital supports current and planned business activities and at the same time to ensure safeness of creditors and depositors, both in normal and in difficult business periods.

In managing capital, the Bank strives to keep level and structure of capital proportionate to its current and prospective business model, expected growth and evolution of the structure and size of the balance sheet.

Capital management should ensure that the capital adequacy regulatory requirements and shareholders view of adequate ROE are simultaneously satisfied.

Factors that influence the capital management of the Bank are:

- Business strategy and business plan,
- Estimated evolution of risk weighted assets,
- Projection of available capital,
- Targeted capital adequacy of the Bank,
- Expected regulatory changes,
- Internal capital adequacy assessment process (ICAAP),
- Risk appetite and results of stress test.

The adequacy of the Bank's capital is actively managed using the regulatory framework, as well as the internally established models and methodologies. Both capital adequacy and the utilization of the Bank's capital are quarterly monitored by the Risk Management Sector of the Bank.

Chairman of the Executive Board

Li Lianhong

Member of the Executive board

Slaviša Aleksić