

"CROWE MNE" d.o.o.
Broj 13-1/26
Podgorica, 03.01. 2026 god.

HIPOTEKARNA BANKA A.D. PODGORICA
Financial statements
Year ended December 31, 2025
and Independent Auditor's report

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 5
FINANCIAL STATEMENTS	
Income statement	6
Statement of other Comprehensive income	7
Balance sheet	8
Statement of Changes in Equity	9
Statements of Cash flow	10
Notes to the Financial statements	11 - 106

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Hipotekarna banka AD Podgorica

Opinion

We have audited the accompanying financial statements of Hipotekarna banka AD, Podgorica (hereinafter: "the Bank"), which comprise a statement of financial position as at December 31, 2025, a statement of comprehensive income, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes, including a summary of significant accounting policies and other disclosures (hereinafter 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the Bank's financial position as of December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) applicable in Montenegro. Our responsibilities under those standards are further described in the section of the report entitled Auditor's Responsibilities for the Audit of the Financial Statements. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including the International Standards on Independence (IESBA Code) of the International Ethics Standards Board for Accountants (IESBA) and the ethical requirements that are relevant to our audit of the financial statements in Montenegro, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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

<i>Key Audit Matters</i>	<i>Appropriate audit procedure</i>
<i>Impairment of given loans and receivables from clients and provisions for off-balance sheet items</i>	
As of 31 December 2025, the gross value of loans and advances to customers amounted to EUR 414,704 thousand (31 December 2024: EUR 287,059 thousand), while the total amount of impairment losses on loans and advances to customers amounted to EUR 19,428 thousand as of 31 December 2025 (31 December 2024: EUR 17,494 thousand).	Based on our risk assessment and industry knowledge, we examined the impairment charges for loans and receivables from customers and provisions for off-balance sheet items, and assessed the methodology applied, as well as the assumptions used, in accordance with the description of the key audit matter.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key Audit Matters	Appropriate audit procedure
<p><i>Impairment of given loans and receivables from clients and provisions for off-balance sheet items</i></p> <p>The measurement of impairment charges on loans and receivables and provisions for off-balance sheet items is considered a key audit matter, as determining the amount of impairment provisions requires significant management judgment in determining when to recognize an impairment and the amount of the impairment.</p> <p>The most significant consideration relates to:</p> <ul style="list-style-type: none"> • Assumption that are used in the model of expected credit loss for the assessment of credit risk related to exposure and expected credit losses for future cash flow of the client. • Timely identification of the exposure with significant increase of exposure to the credit risk and credit impairment. • Valuation of collateral and assumptions of the future cash flow on individually estimated credit exposures; <p>The management disclosed the additional information about the impairment cost of the given loans and receivables from clients for off-balance sheet items in Notes 3.3.8, 5.2, 7, 7.12 and 23 of the financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • The assessment of key controls over assumptions which are used in expected credit loss model for the assessment of the credit risk related to exposure and future expected cash flows of the client; • detailed testing of the calculation of risk parameters, based on the official methodology of the Bank, which is the subject of assessment of compliance with accounting requirements. This testing also includes the assessment of model assumptions; • Assessment of key controls over the timely identification of exposure with significant increase of the credit risk and exposure identification of the impairment; • gathering and testing in detail the evidence on a sample basis that supports the appropriate determination of assumptions for loan impairment charges and provisions for guarantees, including the valuation of collateral and assumptions of future cash flows on individually assessed impaired loan exposures.; • Assessment of key development of high-risk portfolio from the previous period with regard to industry standards and historical data; • Assessing the adequacy of various identified decisions of the Management regarding to assumptions related to the calculation of expected credit losses for individually assessed loans, as well as decisions on the approach to assessment of expected credit losses for collectively assessed loans, as well as evaluating applied methodologies using our industry knowledge; • Assessment of the accuracy and completeness of disclosure in financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Other information contained in the Bank's annual management report

Other information refers to the information contained in the annual management report, but does not include the financial statements and the auditor's report on them. The management of the Bank is responsible for the preparation of other information in accordance with the regulations of Montenegro. Our opinion on the financial statements does not include other information. In connection with the audit of the financial statements, it is our responsibility to read the other information and thereby consider whether the other information is consistent in all material respects with the financial statements, with our knowledge obtained during the audit, or otherwise appears to be materially incorrect. In addition, we assessed whether the other information was prepared, in all materially significant aspects, in accordance with the Accounting Law of Montenegro, especially whether the other information was formally in accordance with the requirements and procedures for the preparation of other information of the Accounting Law of Montenegro in the context of materiality, i.e. whether any non-compliance with these requirements could affect the judgments made on the basis of this other information.

Based on the implemented procedures, to the extent that we are able to evaluate them, we report that:

1. the other information describing the facts also presented in the financial statements is, in all material respects, consistent with the financial statements; and
2. the other information has been prepared in accordance with the requirements of the Accounting Law of Montenegro.
3. The Statement on the Application of the Corporate Governance Code has been prepared in accordance with the requirements of the Accounting Law of Montenegro.

In addition, our responsibility is to report, based on the Bank's knowledge and understanding obtained in the audit, whether the other information is materially misstated. Based on the procedures we performed on the other information obtained, we have not identified any material misstatements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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 the use of the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process established by the Bank.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Audit, Law on Accounting of Montenegro, and ISAs applicable in Montenegro will always detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law on Audit of Montenegro, Law on Accounting in Montenegro and ISAs applicable in Montenegro, we apply 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 avoiding 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 applied 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 cause significant doubt on the Banks'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 basic transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (continued)***Auditor's Responsibilities for the Audit of the Financial Statements (continued)***

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

The engagement partner on the audit resulting in this independent auditor's report is Đorđe Dimić.

Crowe MNE d.o.o. Podgorica

April 3, 2026. godine


Đorđe Dimić, Certified auditor
Pero Đuričković, Certified auditor
Marija Dašić, Certified auditor
Vladimir Kavarić, Authorized person

INCOME STATEMENT

For the period from January 1 to December 31 2025

(In thousands of EUR)

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Interest income and similar income	3.1, 6	35,873	32,150
Interest income on impaired loans		453	790
Interest expenses	3.1, 6	<u>(2,638)</u>	<u>(2,096)</u>
NET INTEREST INCOME		33,688	30,844
Fee and commission income	3.2, 9	35,138	32,226
Fee and commission expense	3.2, 9	<u>(20,312)</u>	<u>(18,670)</u>
NET FEE AND COMMISSION INCOME		14,826	13,556
Net profit/loss due to the derecognition of financial instruments not valued at fair value through profit and loss		(612)	(171)
Net profit/loss on account of financial instruments held for trading	3.3.	261	2,521
Net exchange rate gains	3.4.	1,282	1,271
Net profit/loss from the derecognition of other property		640	208
Other income	14	147	171
Employee expenses	10	(10,076)	(8,636)
Depreciation expenses	12	(3,334)	(2,979)
General and administrative expenses	11	(10,689)	(12,596)
Net income/expenses due to the depreciation of financial instruments not valued at fair value through profit and loss	3.8, 7	(911)	(1,993)
Provisioning costs	3.14, 8	37	64
Other expenses	13	(481)	(144)
		-	
OPERATING PROFIT		24,778	22,116
Income tax	3.6, 15	<u>(3,947)</u>	<u>(3,655)</u>
NET PROFIT		20,831	18,461
Earnings per share	31	2.03	1.80

These financial statements were approved by the Board of Directors of Hipotekarna banka A.D. Podgorica on January 30th, 2026 in Podgorica.

Approved by and signed on behalf of Hipotekarna banka A.D. Podgorica:

Nikola Špadijer
President of the Management Board

Ana Golubović
Board member

Tamara Braunović
Board member

Razvan Munteanu
Deputy member of the Management Board

Nataša Lakić
Board member

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

HIPOTEKARNA BANKA A.D., PODGORICA

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

(In thousand EUR)

	<u>2025</u>	<u>2024</u>
Net profit	<u>20,831</u>	<u>18,461</u>
Total other comprehensive income		
The effects of changes in the value of securities that valued at fair value through other total results		475
Actuarial gains and losses from long-term employee benefits	6	(17)
Income tax based on items of total other result	<u>140</u>	<u>(55)</u>
Total other result for current year	<u>(1,071)</u>	<u>403</u>
TOTAL OTHER COMPREHENSIVE INCOME	<u><u>19,760</u></u>	<u><u>18,864</u></u>

These financial statements were approved by the Board of Directors of Hipotekarna banka A.D. Podgorica on January 30th, 2026 in Podgorica.

Approved by and signed on behalf of Hipotekarna banka A.D. Podgorica:

Nikola Špadijer
President of the Management Board

Ana Golubović
Board member

Tamara Braunović
Board member

Razvan Munteanu
Deputy member of the Management Board

Nataša Lakić
Board member

HIPOTEKARNA BANKA A.D., PODGORICA

BALANCE SHEET

As at December 31, 2025

(In thousands of EUR)

	Notes	December 31, 2024	December 31, 2024
ASSETS			
Cash and cash balances and deposits accounts with central banks	3.7, 16	193,408	274,038
Financial assets at amortized cost		961,638	792,966
Loans and receivables from banks	3.8, 17.1	90,354	118,561
Loans and receivables from clients	3.8, 17.2	395,276	269,565
Securities	17.3	466,095	401,517
Other financial assets		9,913	3,323
Financial assets at fair value through other comprehensive income		323	6,817
Securities	18	323	6,817
Financial assets held for trading	3.5, 3.10, 19	11,328	10,403
Securities	3.10, 20	3,417	2,770
Property, plant and equipment	15c	71	22
Intangible assets	21	3,605	4,785
TOTAL ASSETS		1,173,790	1,091,801
LIABILITIES			
Financial liabilities at amortized cost		1,001,998	952,501
Deposits due to banks and central banks	22.1	9,350	36,195
Deposits due to customers	22.2	954,919	897,102
Borrowings from banks and central banks	22.4	20,008	4,500
Borrowings from clients other than banks	22.3	17,157	14,257
Other financial liabilities		564	447
Reserves	23	1,675	1,542
Current tax liabilities		3,629	3,507
Deferred tax liabilities	15c	2	72
Other liabilities	3.5, 24	28,028	26,917
Subordinated debt	26	23,381	13,271
TOTAL LIABILITIES		1,058,713	997,810
EQUITY			
Share equity	25	52,362	52,362
Retained earnings		42,401	22,614
Current year profit/loss		20,831	18,461
Other reserves		(517)	554
TOTAL CAPITAL	3.11	115,077	93,991
TOTAL CAPITAL AND LIABILITIES		1,173,790	1,091,801
OFF-BALANCE SHEET ITEMS	28	1,172,771	1,087,319

These financial statements were approved by the Board of Directors of Hipotekarna banka A.D. Podgorica on January 30th, 2026 in Podgorica.

Approved by and signed on behalf of Hipotekarna banka A.D. Podgorica:

Nikola Špadijer
President of the Management Board

Ana Golubović
Board member

Tamara Braunović
Board member

Razvan Munteanu
Deputy member of the Management Board

Nataša Lakić
Board member

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

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

(In thousand EUR)	Share capital	Share premium	Current year profit	Other reserves	Total
Balance as of 1 January 2024	52,362	-	22,640	151	75,153
Effect of reducing financial assets at fair value through other comprehensive income	-	-	-	418	418
Other impact of securities on equity	-	-	(26)	-	(26)
Profit for the year	-	-	18,461	-	18,461
Actuarial gains/losses, net	-	-	-	(15)	(15)
Balance as of December 31, 2024	<u>52,362</u>	<u>-</u>	<u>41,075</u>	<u>554</u>	<u>93,991</u>
Balance as of 1 January 2025	52,362	-	41,075	554	93,991
Effect of reducing financial assets at fair value through other comprehensive income	-	-	-	(1,077)	(1,077)
Other impact of securities on equity	-	-	1,326	-	1,326
Profit for the year	-	-	20,831	-	20,831
Actuarial gains/losses, net	-	-	-	6	6
Balance as of December 31, 2025	<u>52,362</u>	<u>-</u>	<u>63,232</u>	<u>(517)</u>	<u>115,077</u>

These financial statements were approved by the Board of Directors of Hipotekarna banka A.D. Podgorica on January 30th, 2026 in Podgorica.

Approved by and signed on behalf of Hipotekarna banka A.D. Podgorica:

Nikola Špadijer
President of the Management Board

Ana Golubović
Board member

Tamara Braunović
Board member

Razvan Munteanu
Deputy member of the Management Board

Nataša Lakić
Board member

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

STATEMENT OF CASH FLOWS
For the period from 1 January to December 31, 2025

(In thousand EUR)

	<u>2025</u>	<u>2024</u>
Cash flows from business activities		
Inflows from interest and similar income	35,784	32,681
Outflows from interest and similar income	(2,002)	(1,580)
Inflows from fees and commissions	35,138	32,226
Outflows from fees and commissions	(20,312)	(18,670)
Outflows from employee salaries and supplier costs	(41,480)	(39,659)
Increase/reduction of credits and other assets	(127,045)	(21,169)
Inflows from deposits and other liabilities	39,894	142,429
Paid taxes	(11,209)	(3,184)
Other outflows	(33,619)	(66,659)
Cash inflow/outflow from business activities	(124,851)	56,415
Cash flows from investing activities		
Purchase of property and equipment	(2,438)	(2,331)
Purchase of intangible assets	(1,229)	(1,036)
Treasury bills	-	30,000
Inflows from the sale of material and long-term assets	40	42
Cash inflow/outflow from investing activities	(3,627)	26,675
Cash flows from financial activities		
Cash flows from financial activities	-	-
Increase/reduction of borrowed assets	18,337	6,831
Net cash inflows/outflows from financial activities	18,377	6,831
Exchange rate effect on cash and cash equivalents	1,282	1,270
Net increase/reduction of cash and cash equivalents	(108,819)	91,191
Cash and cash equivalents at the beginning of the period	381,384	290,193
Cash and cash equivalents at the end of the period	272,565	381,384

These financial statements were approved by the Board of Directors of Hipotekarna banka A.D. Podgorica on January 30th, 2026 in Podgorica.

Approved by and signed on behalf of Hipotekarna banka A.D. Podgorica:

Nikola Špadijer
President of the Management Board

Ana Golubović
Board member

Tamara Braunović
Board member

Razvan Munteanu
Deputy member of the Management Board

Nataša Lakić
Board member

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

1. ESTABLISHMENT AND OPERATIONS OF THE BANK

Hipotekarna banka AD, Podgorica (hereinafter: Bank) was registered in 1991 as a joint stock company. It was registered in the Central Registry of the Commercial Court under registration number 4-0004632. The Bank was registered in the Registry of Securities Issuers of the Capital Market Authority under No 3 (Decision No 02/3-1/2-01). By Decision No 0101-75/1-2002 of 18 December 2002, the Bank obtained the operating licence from the Central Bank of Montenegro.

During 2025, there was a change in the ownership structure of Hipotekarna banka AD Podgorica, based on the acquisition of shares by the buyer AIKGROUP (CY) LIMITED, with registered office at Krinou 3, The Oval, Flat/Office 502, Agios Athanasios, Limassol, Cyprus. The takeover process was implemented through several transactions, as follows:

- on June 16th 2025, AIK Group acquired 74,93% of the shares of Hipotekarna banka, thus establishing control over the Bank,

- on July 17th 2025, an additional 2,15% of the shares were acquired and

- on August 15th 2025, another 2,92% of the shares were acquired.

After the implementation of the above transactions, AIKGROUP (CY) LIMITED acquired a total of 80.00% of the share capital of Hipotekarna banka.

In accordance with the Law on Credit Institutions, the Agreement on Establishment, the Statute and the Decision of the Central Bank of Montenegro, the Bank carries out the activities of receiving cash deposits and approving loans for its own account.

In addition to the activities referred to in the previous paragraph, the Bank provides basic and additional financial services..

Basic financial services are considered to be:

- receiving deposits or other repayable funds;
- granting credit, including consumer credit, mortgage credit and loans for financing commercial transactions, purchase of receivables with or without recourse (factoring), including export financing based on the purchase with discount and without recourse of long-term outstanding receivables secured by financial instruments (forfeiting);
- financial leasing;
- providing payment services in accordance with a special law;
- issuing guarantees or other sureties;
- trading for own account or for the account of a client::
- money market instruments (cheques, bills of exchange, certificates of deposit),
- negotiable securities,
- foreign means of payment, including exchange transactions,
- financial futures and options,
- currency and interest rate instruments;
- services directly related to lending operations, such as: collecting data, preparing analyses and providing information on the creditworthiness of legal entities and entrepreneurs;
- issuing other payment instruments and managing these instruments, if the provision of these services is not considered the provision of services, and in accordance with the law;
- rental of safes;
- mediation in concluding transactions on the money market;
- participation in the issuance of financial instruments and provision of services related to the issuance of financial instruments, in accordance with the regulations governing the capital market;
- management of client assets and advice regarding the management of such assets;
- custody services, in accordance with the regulations governing the capital market;
- advising legal entities regarding capital structure, business strategy and similar issues and provision of services related to status changes, acquisition of shares and stakes in other companies;

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

1. ESTABLISHMENT AND OPERATIONS OF THE BANK (Continued)

- □ issuance of electronic money;
- □ investment and ancillary services and activities in accordance with the law governing the capital market, which do not represent the services already defined in the previous paragraphs.

Additional financial services are considered to be::

- insurance representation and brokerage activities, in accordance with the law governing insurance;
- provision of payment system management services, in accordance with the law governing payment transactions;
- other services that a credit institution may provide in accordance with the provisions of the law;
- gold trading;
- data delivery services in accordance with the regulations governing the capital market;
- other services or activities that, considering the manner of provision and the risk to which the Bank is exposed, have similar characteristics to basic financial services.

The Bank may, with prior approval of the Central Bank of Montenegro, perform other activities, in accordance with the law.

Based on the approval of the Capital Market Commission and the Central Bank of Montenegro, the Bank performs the following tasks:

- Custody affairs;
- Transactions with securities:
 - o broker trading
 - o dealer trading
 - o investment advising

The bank also performs insurance representation operations, which are regulated by the Insurance Act and the relevant by-laws of the Insurance Supervision Agency.

Bank authorities are:

- 1) shareholders' Assembly
- 2) supervisory board and
- 3) management board

Shareholders' Assembly

The shareholders' assembly is the highest authority of the Bank.

The shareholders' assembly consists of the Bank's shareholders, whose interests can be represented by authorized proxies.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

2. ESTABLISHMENT AND OPERATIONS OF THE BANK (Continued)

Supervisory Board

The Supervisory Board is the Bank's management body that performs the function of supervising the Bank's operations and whose competences are determined by the Law on Credit Institutions, the Law on Business Companies and the Bank's Statute.

Members of the Bank's Supervisory Board are elected by the Shareholders' Assembly, with prior approval from the Central Bank of Montenegro. The mandate of the members of the Bank's Supervisory Board lasts 4 years and they can be re-elected. The members of the Supervisory Board must together have the professional knowledge, abilities, and experience necessary for independent and independent supervision of the Bank's affairs, and especially for understanding the Bank's affairs and significant risks.

The Supervisory Board has a minimum of 5 (five) and a maximum of 9 (nine) members, of which two fifths are independent members, in accordance with the provisions of the Law on Business Companies.

The Supervisory Board of the Bank formed the following permanent working bodies:

- Nomination Committee
- Risk Committee
- Remuneration Committee
- Audit Committee

Management board

The Management board is the Bank's management body that performs an executive function and is responsible for managing the Bank daily and its representation, and whose competences are determined by the Law on Credit Institutions, the Law on Business Companies, by-laws and the Bank's Statute. The Management board manages the Bank's affairs and supervises the work of the Bank's employees daily. The Management board of the Bank's ensures that the Bank complies with the regulations governing the Bank's operations, and that it establishes and implements a reliable Bank management system in accordance with the Law on Credit Institutions

The Management Board of the Bank has five members who are appointed by the Supervisory Board for a period of four years, with the fact that the member whose mandate expires can be reappointed. The members of the Management Board are elected and appointed by the Supervisory Board of the Bank.

The Bank's headquarters are in Podgorica, at street Josipa Broza Tita no. 67..

As of December 31st 2025, the total number of employees working in the Bank is 319, of which 2 are PhDs (0.72%), 15 have master's degrees (4.70%), 150 have a university degree (47.02%), 66 have a bachelor's degree (20.69%), 25 have a college degree (7.84%) and 61 have a secondary education (19.12%).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS****2.1. Basis of preparation and presentation of the financial statements**

The Bank's financial statements for 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the regulations of the Central Bank of Montenegro governing the financial reporting of banks.

The attached financial statements have been prepared in the form prescribed by the Decision on the content, deadlines and manner of preparation and submission of financial statements of banks ("Official Gazette of Montenegro" No. 034/22).

The accounting policies and estimates regarding the recognition and measurement of assets and liabilities used in the preparation of these financial statements are consistent with the accounting policies and estimates applied in the preparation of the Bank's annual financial statements for 2025.

The financial statements have been prepared in accordance with the historical cost convention, unless otherwise stated in the accounting policies.

In preparing these financial statements, the Bank has applied the accounting policies explained in the note Summary of significant accounting policies. The Bank's financial statements are presented in thousands of euros (EUR), which is the Bank's functional currency and the official reporting currency in Montenegro. Unless otherwise stated, all amounts are stated in thousands of EUR.

2.2. Rules of estimates

The financial statements are prepared under the historical cost basis, except for the following positions, which are valued at fair value:

- financial instruments at fair value through profit and loss,
- financial instruments at fair value through other comprehensive income,
- financial liabilities at fair value through the income statement.

2.3. Functional and reporting currency

The Bank's financial statements are expressed in euros (EUR), which is the functional currency of the Bank and the official currency in which financial statements are submitted in Montenegro. Unless specified otherwise, all amounts are presented in thousands of EUR.

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

The presentation of financial statements requires the Bank's management to use the best possible assessments and reasonable assumptions, which affect the presented values of assets and liabilities, and disclosure of contingent receivables and liabilities as at the date of preparation of the financial statements, along with the income and expenses during the reporting period. These assessments and assumptions are based on the information available on the day of compilation of the financial statements. Still, the actual results may deviate from these assessments.

The assessments and the assumptions on which the assessments were made are the result of regular verification. If the verification ascertains that there have been changes to the assessed value of assets and liabilities, the ascertained effects are recognised in the financial statements in the period when the change in the assessment occurred, if the change in the assessment affects only that accounting period, or in the period when the change in the assessment occurred and the following accounting periods, if the change in the assessment affects the current and future accounting periods.

Note 4 contains information about the areas where the degree of assessment is the greatest, and which may have the most significant effect on the amounts recognised in the Bank's financial statements

2.5. Going concern

The Bank's management continues to assess with reasonable certainty that the Bank will continue operating at a profit in the foreseeable future. Accordingly, the Bank's financial statements have been prepared in accordance with the going concern concept, which implies that the Bank will continue to operate in future.

2.6. Reconciliation of receivables and liabilities

In accordance with the applicable legal regulations, the Bank has reconciled its receivables and liabilities with the Bank's debtors and creditors as at December 31, 2025.

2.7. Consolidation

The Bank does not control any entities.

**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS
(Continued)****2.8 Comparative data**

Comparative data on these financial statements represent data from the Bank's audited financial statements as of and for the year ended December 31, 2024.

If necessary, the Bank reclassifies comparative data in order to achieve consistency in the data from the financial statements for the current year.

2.9 Amendments to standards whose entry into force and application are mandatory in the current year

The accounting policies adopted are consistent with those of the previous financial year, except for the following IFRS and amended IFRS adopted by the Bank as of January 1, 2025:

- **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. 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. The newly adopted amendments to IFRS did not have a material impact on the Bank's accounting policies.

2.10 Standards issued but not yet effective and not early adopted

- **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 effects of this standard are not expected to have a significant impact on the Bank's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

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

2.10 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 effects of this standard are not expected to have a significant impact on the Bank's financial statements.

- **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 effects of these clarifications and amendments are not expected to 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 (including amendments)**

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. The amendments issued in August 2025 reduce the disclosure requirements of new IFRS accounting standards, which had been included in full when IFRS 19 was first issued. IFRS 19 (including the amendments) is effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The standard (including the amendments) has not yet been endorsed by the EU. The effects of this standard are not expected to have a significant impact on the Bank's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank consistently applies the adopted Accounting Policies and Procedures in all periods presented in the financial statements.

The basic accounting policies applied in the preparation of the financial statements for the year 2025 are listed below.

3.1. Interest and fee income and expenses

Interest income and expenses are reported in the income statement using the effective interest rate method. The effective interest rate represents the rate that accurately discounts future inflows and outflows during the expected term of the financial instrument to:

- The gross book value of the financial asset or
- Depreciated value of the financial liability.

Interest income and expense are recognized in the income statement for all interest bearing debt instruments, using the effective interest method, on an accrual basis, in accordance with the terms of the contractual relationship defined by the contract between the Bank and the client.

Effective interest method is the method of calculation of costs of amortized value of financial assets or liabilities and deferral of interest income or interest expense during relevant period.

The effective interest rate is the rate that discounts future cash inflows or outflows, during expected life period of financial instrument or when it is applicable, shorter period, to the carrying value of financial asset or liability. The calculation includes all paid and received fees between contractual parties, which are integral part of the effective interest rate, transaction costs and all other premiums and discounts.

The amortized value of the financial asset or financial liability represents the amount at which the financial asset or financial liability was valued at the time of the initial recognition of the reduction for principal repayments and increased or decreased by cumulative depreciation, calculated using the effective interest rate, the difference between the initial amount and the amount at maturity, and for financial assets, adjusted for expected credit loss.

The gross book value of a financial asset is the amortized value of the financial asset before deduction for expected credit loss.

The effective interest rate for financial assets and liabilities is calculated upon initial recognition of the financial asset or liability. When calculating interest income and expenses, the effective interest rate is applied to the gross book value of assets (if the asset is not credit-impaired) or the amortized value of liabilities. For financial instruments with a variable interest rate, the effective interest rate changes as a result of periodic cash flow assessments, in order to reflect the market movement of interest rates.

For financial assets that became credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate method to the amortized value of the financial asset. If the financial asset is no longer credit-impaired, the calculation of interest income is again performed on a gross basis, i.e. interest is calculated by applying the effective interest rate to the gross book value of the financial asset.

For financial assets that are credit-impaired at the time of initial recognition, interest income is calculated by applying the credit-adjusted interest rate to the amortized value of the financial asset. The calculation of interest income does not return to the gross basis even when the credit risk improves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.2. Fees and commissions income and expenses**

Income and expenses from fees and commissions that are an integral part of the effective interest rate of a financial asset or financial liability are included in the calculation of interest income and expenses using the effective interest rate method.

Income from fees and commissions is recognized at the moment when the corresponding service is performed. Income from fees and commissions includes fees that the Bank calculates and charges for the performance of payment services in the country and abroad, advanced sales channels, guarantees and letters of credit, as well as other services.

Expenses of fees and commissions mainly refer to fees for the performance of payment services in the country and abroad, advanced sales channels and fees for other services, which are recognized as expenses at the time when the corresponding service is performed.

3.3. Net gain/(loss) on financial instruments held for trading

Net gain/(loss) on financial instruments held for trading includes gains less losses on financial assets and financial liabilities held for trading, including all realized and unrealized changes in fair value.

3.4. Foreign Exchange Translation

Business changes in foreign currency were converted into EUR at the mid-rate determined on the interbank foreign exchange market, which was valid on the day of the business change.

Assets and liabilities expressed in foreign currency on the balance sheet date were converted into EUR at the mid-rate determined on the interbank foreign exchange market valid on that day.

Net positive or negative exchange rate differences arising during business transactions in foreign currency and during the recalculation of balance sheet positions expressed in foreign currency are credited or debited to the income statement, as gains or losses from exchange rate differences.

Assumed and potential liabilities in foreign currency were converted into EUR at the mid-rate determined on the interbank foreign exchange market valid on that day.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.5. Leasing**

International Financial Reporting Standard 16 - Leasing (hereafter IFRS 16) requires the Bank to calculate the present value of the liability under the leasing contract taking into account the contracted lease payments, the lease term and the discount rate.

For the calculation of the current value of the property with the right of use and the calculation of the liability based on the lease, the contracted net amount is taken. Amounts of non-deductible VAT on the basis of lease agreements concluded with legal entities and personal income tax on lease agreements concluded with natural persons are recorded as expenses of the period.

From the perspective of measuring and recording leasing, IFRS 16 requires different assessments, the most significant of which relate to the duration of the leasing contract as well as the discount rate used in calculating the present value of the liability.

When calculating the duration of the leasing contract, it is necessary to take into account:

- The period without the possibility of cancellation (which includes the period covered by the option to terminate the lease, if only the lessor has the right to terminate the lease);
- Optional period for extending the lease, if the lessee is relatively sure to use that option;
- Periods covered by the option to terminate the lease, if the lessee is relatively certain that he will not exercise that option.

As for the discount rate, it is allowed to use the implicit leasing rate or the incremental borrowing rate of the lessee. The Bank has decided to apply the incremental borrowing rate, which is based on the price of its own sources of financing increased by a risk premium of up to 1.5%. The rates obtained in this way are interpolated in such a way as to cover the entire portfolio over the duration of the contract.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Leasing (Continued)

The bank has chosen to use the facilities proposed by the standard and accordingly:

- Lease contracts whose newly acquired value of the object or equipment to be rented is less than EUR 5,000.00; and
- Lease agreements whose lease period is shorter than 12 months on the date of first application are not recognized in accordance with the requirements of IFRS 16.

The bank recognizes the rights of use based on the leasing contract within the balance sheet as a separate category of real estate, plant and equipment that has been leased.

Liabilities based on leasing contracts are recognized as part of other liabilities and classified by maturity in accordance with the agreed payments.

Interest accrual costs for leasing contracts are shown under interest expense. Right-of-use amortization costs are shown as period amortization costs.

Lessor accounting under IFRS 16 is essentially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as under IAS 17 and distinguish between two types of leases: operating and finance leases.

3.6. Taxes and contributions

Income tax

Current Income tax

Profit tax is calculated and paid in accordance with the Law on Profit Tax of Legal Entities ("Official Gazette of the Republic of Montenegro" No. 65/01, 12/02, 80/04, No. 40/08, 86/09, 14/12, 61/13, 55/16, 146/21, 152/22, 28/23, 125/23 and 88/24) by applying the prescribed rate to the amount of taxable profit reported in the tax balance.

The amount of taxable profit is determined by reconciling the profit shown in the income statement with the amounts of income and expenses in the manner defined by tax regulations.

Corporate income tax is calculated by applying a progressive rate to the total profit reported in the tax balance sheet.

The tax rates on the amount of taxable profit are:

- 1) up to EUR 100,000.00 9%;
- 2) from EUR 100,000.01 to EUR 1,500,000.00: EUR 9,000.00 + 12% on the amount over EUR 100,000.01;
- 3) over EUR 1,500,000.01: EUR 177,000.00 + 15% on the amount over EUR 1,500,000.01

Taxable profit is determined based on the Bank's profit shown in the income statement with the adjustment of income and expenses in accordance with the provisions of the Law on Corporate Income Tax (Articles 8 and 9 for the adjustment of income and Articles 10 to 20 for the adjustment of expenses).

Capital losses can be offset against capital gains realized in the same year. If a capital loss occurs even after offsetting with capital gains realized in the same year, the taxpayer can transfer the capital loss to the account of future capital gains in the following five years.

The tax regulations of Montenegro do not provide that tax losses from the current period can be used as a basis for the refund of tax paid in previous periods. However, losses from the current period shown in the tax balance can be used to reduce the tax base of future accounting periods, but not longer than five years.

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Taxes and contributions (Continued)

Income tax (continued)

Deferred Income tax

Deferred income tax is calculated using the method of determining liabilities according to the balance sheet, for temporary differences resulting from the difference between the tax base of receivables and liabilities and their book value. Tax rates in effect at the balance sheet date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and tax losses and credits, which can be carried forward to subsequent fiscal periods, to the extent that it is probable that taxable profit will exist against which the deferred tax assets can be utilized.

Taxes, contributions, and other levies not dependent on the operating income

Taxes, contributions, and other levies not dependent on the operating income include property tax and other taxes, fees and contributions paid according to various republic and local tax regulations.

3.7. Cash and cash equivalents

Cash and cash equivalents entail cash in the treasury accounts (EUR and foreign currency), assets in accounts with the Central Bank of Montenegro (including accounts for the allocation of the required reserve), assets in accounts with other banks in the country and abroad, assets with payment transaction agents, cheques, and other monetary receivables.

Cash equivalents are short-term, highly liquid investments that are quickly turned into known amounts of cash and are not under considerable risk of changing value. Cash equivalents are term deposits with commercial banks for the period of up to three months.

3.8 Financial instruments

3.8.1. Recognition

The purchase or sale of a financial asset or liability is documented using the accounting recognition on the date of balancing of the transaction.

Financial instruments are initially valued at fair value, which includes transaction costs for all financial assets or liabilities, except those valued at fair value through profit and loss. Financial assets at fair value, the effects of whose changes in fair value are disclosed in the income statement, are initially recognized at fair value, and the transaction costs encumber operating costs in the income statement.

3.8.2. Classification

The Bank classifies all its financial assets based on the business model for managing assets and contractual provisions of the property.

The Bank classifies financial assets into the following four categories:

- Financial assets valued at amortized cost (AC);
- Financial assets valued at fair value through other comprehensive income (FVOCI);
- Financial assets that have to be valued at fair value through profit and loss (mandatory FVTPL)
- Financial assets that are optionally valued at fair value through profit and loss (optional FVTPL)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Financial instruments (continued)

3.8.2. Classification (continued)

Financial liabilities, except loan liabilities and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments, or the determination of fair value is applied.

3.8.3. Financial assets and liabilities

3.8.3.1 Loans to banks, loans and advance payments made to clients, financial investments at amortized cost

The Bank only measures Loans to banks, loans and advance payments made to clients, and other financial investments at amortized cost if both of the following requirements are met:

- The financial asset is held in the business model with the aim of holding the financial asset for the purpose of obtaining the agreed cash flows.
- On certain dates, the terms of the agreement regarding the financial asset yield cash flows that are solely payment of principal and interest (SPPI) on outstanding principal.

3.8.3.2 Assessment of the business model

The Bank defines its business model on the level that best reflects the way it manages groups of financial assets for the purpose of achieving its business objective.

The Bank's business model is not assessed based on each individual instrument, but at a higher level of grouped portfolios, and is based on observed factors, such as:

- The way the performance of the business model and financial assets in that business model are assessed and the way they are reported to the key personnel in the management;
- The risks affecting the performance of the business model (and of financial assets in that business model), and especially the way those risks are managed;
- The manner in which fees to managers are determined (for example, whether the fee was based on the fair value of the asset being managed, or based on collected agreed cash flows);
- Expected frequency, value and time of sale are also important aspects of the Bank's assessment.

Business model assessment is based on reasonably expected scenarios without taking the "worst case" or "stress case" scenarios into consideration. If cash flows after initial recognition are realized in a manner different from the Bank's initial expectations, the Bank does not change the classification of remaining financial assets in the business model, but it takes this information into account when it assesses the newly created or recently purchased financial assets.

3.8.3.2 SPPI test

The second step in the classification process is for the Bank to assess the terms of agreement related to financing, to identify whether they pass the SPPI test.

The 'principal' for the purpose of this test is defined as the fair value of the financial asset during the initial recognition, and may be changed during the lifetime of the financial asset (for example, if there are principal repayments or amortization of premium/discount).

The most significant elements of interest in the credit arrangement are usually the consideration of the time value of money and credit risk. To perform the SPPI assessment, the Bank makes the assessment and considers the relevant factors, such as the currency of the financial assets, and the period for which the interest rate is determined.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Financial instruments (continued)

3.8.3. Financial assets and liabilities (continued)

3.8.3.3 SPPI test (continued)

Contrary to this, the agreed terms introducing minimum exposure to risks or volatility in the agreed cash flows not related to the main crediting arrangement do not lead to agreed cash flows, which are exclusively payments of principal and interest on the outstanding amount. In such cases, the financial asset must be measured at FVTPL.

3.8.3.4 Equity instruments valued at FVOCI

Upon initial recognition, the Bank may choose to irrevocably classify some equity instruments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not intended for trading. This classification is defined at the instrument-by-instrument principle.

Gains and losses on these equity instruments are not reclassified as profit. Dividends are recognized in the income statement, as is other operating income, when the right to payment is determined, except when the Bank benefits from such income as a return of the part of the instrument's costs, in which case such gains are recorded in OCI. Equity instruments at FVOCI are not subject to the assessment of depreciation.

3.8.3.5 Financial assets and financial liabilities at fair value through profit and loss

Financial assets and financial liabilities in this category are not held for trading and are defined by the management during initial recognition, or must be measured at fair value under IFRS 9. This classification is defined at the instrument-by-instrument principle, when one of the following criteria is met:

- Classification eliminates or significantly reduces the inconsistent treatment that would otherwise result from the measurement of assets or liabilities or recognition of gains or losses on them on a different basis, or
- Liabilities are a part of the group of financial liabilities (or financial assets, or both under IAS 39), which are managed, and whose work is assessed at fair value, in accordance with the documented risk management or investment strategy, or
- Liabilities containing one or more embedded derivatives, unless they considerably modify cash flows that would otherwise be contractually required, or when a similar instrument is first considered, it is clear with little or no analysis that the separation of an embedded derivative or multiple derivatives is prohibited.

Financial assets and financial liabilities at FVTPL are documented in the balance sheet at fair value. Changes in fair value are documented in the income statement, except for movement of fair value of liabilities at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are documented in own credit reserve through OCI and are not reclassified in the income statement. Interest earned or resulting from instruments at FVTPL is calculated in interest income or expenses, and, using the effective interest rate, considering any discount/premium and qualified costs of the transaction that are integral to the instrument. Income from dividends from equity instruments at FVTPL is documented in the income statement as other operating income when the right to payment is established.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.8. Financial instruments (continued)****3.8.3. *Reclassification of financial assets and liabilities***

The Bank reclassifies its financial assets after their initial recognition, in cases of business model change, and in exceptional circumstances when the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. Reclassification of financial assets is carried out from the date of reclassification, whereby previously recognized profit, losses (including expected credit losses) and interest are not adjusted.

If the Bank reclassifies a financial asset from the category of measurement at amortized cost to the category of measurement at fair value through the income statement, its fair value is measured on the date of reclassification. Any gain or loss arising as a difference between the previously amortized cost of the financial asset and the fair value is recognized in the income statement.

If the Bank reclassifies a financial asset from the category of measurement at fair value through the income statement to the category of measurement at amortized cost, its fair value on the date of reclassification becomes its new gross book value. Based on the above, the effective interest rate is adjusted on the date of reclassification, which is considered the new date of initial recognition for the purposes of measuring expected credit losses.

If the Bank reclassifies a financial asset from the category of measurement at amortized cost to the category of measurement at fair value through other comprehensive income, its fair value is measured on the date of reclassification. Any gain or loss arising as a difference between the previously amortized cost of the financial asset and the fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted due to the reclassification.

If the Bank reclassifies a financial asset from the category of measurement at fair value through other comprehensive income to the category of measurement at amortized cost, the financial asset is reclassified at its fair value on the date of reclassification. However, cumulative gains or losses previously recognized through other comprehensive income are removed from equity and adjusted to fair value at the date of reclassification. Consequently, financial assets are measured at the date of reclassification as if they had always been measured at amortized cost. This adjustment affects other comprehensive income, but does not affect the income statement, and is therefore not a reclassification adjustment in accordance with IAS 1: Presentation of Financial Statements. The effective interest rate and the measurement of expected credit losses are not adjusted due to the reclassification.

If the Bank reclassifies financial assets from the category of measurement at fair value through the income statement to the category of measurement at fair value in other comprehensive income, the financial assets are still measured at fair value. The date of reclassification is considered the new date of initial recognition for the purposes of measuring expected credit losses.

If the Bank reclassifies financial assets from the category of measurement at fair value through other comprehensive income to the category of measurement at fair value through the income statement, the financial assets are still measured at fair value. Cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to the income statement as a reclassification adjustment in accordance with IAS 1: Presentation of financial statements at the date of reclassification.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.8. Financial instruments (continued)****3.8.4. Derecognition of financial assets and liabilities**

The Bank derecognizes a financial asset, such as a loan to a client, when the terms and provisions are negotiated to the point that it essentially becomes a new loan, with the difference recognized as profit or loss from the derecognition, in the extent to which the loss due to depreciation was not yet documented. Newly recognized loans are classified as Stage 1 for the purpose of ECL measuring, unless the new loan is considered POCI.

When assessing whether to derecognize a loan of a buyer, among other things, the Bank considers the following factors:

- Change of loan currency;
- Introduction of capital;
- Change in the counterparty;
- The modification is such that the instrument no longer meets the SPPI criteria.

If the change does not result in cash flows that are considerably different, the modification does not lead to derecognition. Based on the change in the cash flows discounted at the original effective interest rate, the Bank documents the profit or loss due to modification in the extent to which the loss on account of depreciation was not yet documented.

A financial liability is derecognized when the liability is met, i.e. when the debt is paid, cancelled or expired.

3.8.5. Write-off

Financial assets are written off partially or fully only if the Bank decides not to collect. If the amount to be written off exceeds the accumulated loan loss provisions, the difference is first calculated as additional provision, which is then reconciled with the gross book value. Any subsequent collection reduces the costs for credit losses.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.8. Financial instruments (continued)****3.8.6. Forborne and modified loans**

The Bank sometimes makes concessions or changes to the initial loan terms as a response to the debtor's financial difficulties, instead of taking ownership of or otherwise collecting the collateral. The Bank considers a loan forborne when such concessions or changes are the result of current or expected financial difficulties of the debtor, and the Bank would not have agreed with those changes if the debtor were financially stable. Indicators of financial difficulties include outstanding liabilities under covenants, or significant concerns by the Credit Risk Division. Forbearance may also include the extension of the repayment period and consenting to new loan terms. After renegotiating the terms, any impairment is measured using the original effective interest rate calculated before the terms were changed. The Bank's policy is to monitor forborne loans to ensure that future payments remain likely. Decisions on derecognition and classification into Stage 2 and Stage 3 are made on a case-by-case basis. If a loan loss is determined by these processes, the loan is managed and declared as an impaired Stage 3 forborne asset until its collection or write-off.

3.8.7. Restructured loans

For loans where there are issues with repayment, the Bank always first endeavours to restructure them, if the conditions exist, because this is considered a better solution than taking over collateral. Rescheduling may entail extending the repayment and agreeing on new lending terms. After the terms have been rescheduled, the loans is no longer considered due, but it is monitored with special attention to ensure that all criteria are met and that future payments are certain. A loan is still subject to individual or collective assessment and value adjustment, which is calculated using the initial effective interest rate of the loan, and is treated as an NPL in the following six months.

When a loan is renegotiated or changed, but not derecognized, the Bank reassesses whether there has been a considerable increase in credit risk. The Bank also considers whether the assets will be classified as Stage 3. After an asset is classified as forborne, it remains forborne during a trial period lasting at least 24 months. For a loan to be reclassified from the forborne category, the client must meet the following criteria:

- All its loans must be considered performing;
- The trial period of two years from the date of the forborne agreement has elapsed;
- Regular payments exceeding an insignificant amount of principal or interest are made for at least half of the trial period;
- The user has no agreement under which it is overdue more than 30 days.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8. Financial instruments (continued)

3.8.8 Impairment of financial assets and provisions

Impairment of financial assets

The valuation of financial assets of the Bank defines a framework for adequate measuring impairment due to loan losses in accordance with IFRS 9 and the Decision of the Central Bank of Montenegro on the Minimum Standards for Credit Risk Management in Banks.

The procedure defines in particular:

- General definitions of the type of value adjustment;
- Scope of application in terms of client exposure;
- Indicators for the impairment test;
- Key principles for the calculation of value adjustments: cash flow assessments, differentiating the assets relative to the cash flow assessment;
- Exceptions in the calculation of impairment;
- Recognition of interest and interest income after impairment (unwinding);
- Process of budgeting, forecasting, and monitoring;
- Roles and responsibilities of key organizational units.

The complete portfolio is separated into three stages:

Stage 1 contains clients overdue less than 30 days. In Stage 1, in collective calculation, the expected credit loss is calculated for a 12-month period as part of the expected credit loss in the entire lifetime of the asset, which arises from an event of default of the financial asset in the 12 months after the reporting date or a shorter period, if the expected lifetime of the financial instrument is shorter than 12 months.

Stage 2 includes clients who meet one of 4 criteria indicating increased credit risk, which include increased days past due, increased PD ratios, or presence on the watch list, as well as restructuring status.

Stage 3 includes clients who show elements of impairment, as indicated by increased days past due, significant deterioration in business performance, or are POCI.

A client can migrate between stages, unless they are POCI (must be stage 3, by the end of the financial life). If rescheduled, the cooling period is 12 months, and if not rescheduled, this period is 6 months.

On the date of initial recognition of a financial asset, the Bank is required to determine whether the asset is impaired. Responsibility for classification lies with the commercial business units that initiate the initiative. In the case of rescheduling of clients in forced collection, responsibility for classification lies with the Risk Management Department. The POCI designation is assigned at the ID (account-party) level, when a new account-party is opened.

Definition of POCI asset: Rescheduled loans with a delay of more than 90 days or rescheduling of loans with a classification of C or worse, according to the classification of the Central Bank of Montenegro (A, B1, B2, C1, C2, D and E) or purchase of an impaired financial asset from other banks.

The bank divides the portfolio into: I) individual assessment and II) collective assessment.

- I) I) Individual assessment (IA) is carried out for all debt instruments (government or corporate bonds) for which there is no rating from an internationally recognized rating agency, as well as for all funds/deposits given to banks or other financial institutions for which there is no rating from an internationally recognized rating agency.

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3.

3.8. Financial instruments (continued)**3.8.8 Impairment of financial assets and provisions (Continued)*****Impairment of financial assets (continued)***

Individual assessment for clients whose exposure exceeds EUR 50 thousand is performed in three steps:

- a. Individual analysis of clients (mandatory IA) is performed for all clients that meet one of the 4 criteria indicating loan impairment;
- b. Analysis of clients (desirable IA – Assessment form) that do not meet any of the 4 mandatory criteria, but do meet at least one additional criterion pointing to loan impairment;
- c. Analysis of clients (Soft facts – Assessment form) that meet neither the 4 mandatory criteria nor any additional criteria.

In the individual assessment, for the calculation of expected credit losses, several scenarios with weighted probabilities of outcome during the lifetime of the financial asset need to be taken into consideration. The assessment consists of a consideration of the range of possible outcomes, which involves the identification of possible scenarios that specify the amount and time of cash flows for each outcome, and the estimated probability of a certain outcome.

When creating cash flows, in most cases, the maximum period of cash flow projection is expected to be up to 5 years.

II) Assessment on a collective basis is performed:

- For all clients who are not on an individual assessment,
- If the value adjustment for credit losses on an individual basis is lower than the calculation on a collective basis - except for specific clients, parties and where there are clear and easily ascertainable facts that this is the reality of a specific placement.

If a client is assessed individually, it cannot return to a collective assessment in the following quarter. A cooling-off period of 6 months applies.

Within the framework of the collective assessment, a division and subdivision into:

- - Legal entities,
- - Individuals (cash, consumer, overdraft, housing loans).

Impairment for credit losses in Stage 1 for a given financial instrument is the sum over a period of months (12 months or until the maturity date, if it is in less than 12 months) of the product of exposure, marginal probability of default (PD), LGD and the discount factor. Discounting is performed using the monthly effective interest rate of the loan.

For the collective assessment of a financial instrument in Stage 2, impairment for credit losses is equal to the Expected Credit Loss (ECL) for the entirety of the lifetime of the loan. The ECL in the entire lifetime of the loan is defined as the set of all possible events that lead to default during the lifetime of the financial asset.

Impairment for credit losses in Stage 2 for a given financial instrument is the sum during the remaining months (of the entire lifetime) of the product of exposure, marginal probability of default (PD), LGD and the discount factor. Discounting is performed using the monthly effective interest rate of the loan.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8. Financial instruments (continued)

3.8.8 Impairment of financial assets and provisions (Continued)

Impairment of financial assets (continued)

Stage 3 contains impaired financial instruments. Value adjustment for credit losses is calculated as the product of net exposure at default (Net_EAD) and loss given default (LGD).

Exposure at default (EAD) used for calculating the expected credit loss depends on the characteristics of the financial instrument:

- Term loans – by assessing the EAD curve of the lifetime of the financial instrument, as the loan nears maturity;
- Guarantees and letters of credit – fixed EAD on the maturity date;
- Credits/loans without a clear repayment schedule, where the average lifetime is calculated.

The calculation of PD parameters consists of the following steps:

1. Calculation of transition matrices;
2. Performance of cumulative lifetime PD;
3. Calculation of marginal lifetime PD;
4. Adjustment of marginal PD for forward-looking information.

Absolute transition matrices are obtained from the historical classification of accounts (loans) by time categories (buckets). In the absolute transition matrix, elements $X_{i,j}$ is the account (loan) number with the initial balance i , and balance j for the following month, where the balance is the time category (bucket)

Reduction of dimensions of the absolute transition matrix by defining the "Default" status, which includes the time categories (buckets) over 90 days. A matrix obtained in this way is transformed into a relative transition matrix. During transformation, the assumption is that the "Default" has an absorbing status, which means that once an account (loan) gets the Default status, it keeps that status.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8. Financial instruments (continued)

3.8.8 *Impairment of financial assets and provisions (Continued)*

Impairment of financial assets (continued)

The cumulative unadjusted lifetime PD is obtained by using the Markov's chain assumption, by exponentiating a 1-month relative transition matrix.

The marginal PD is calculated as the difference between the cumulative PD for the given balance (bucket) in the current and previous months.

The Bank introduces forward-looking information in the manner that it directly adjusts marginal PDs using the corrective factor. In the first 36 months, marginal PD is aligned with the corrective factor, k, after which the adjusted marginal PD converges with the initial (unadjusted) marginal PD. The period of convergence is set at 36 months, after which there is no adjustment.

Loss given default (LGD) is calculated for unsecured exposures. That means that collateral was not taken into consideration and the assumption is that the collection will be generated from cash flows of regular operations. LGD parameters are calculated according to the portfolio and time categories (buckets). For default loans (time categories 4 and more), LGD is determined by comparing the sum of exposure by time category initially and after 12 months. In the calculation of LGD parameters, the Bank uses data from a 5-year period. The obtained results are expertly corrected through linear interpolation to ensure risk continuity by category, i.e. for LGD parameters to have a rising trend by time categories (buckets).

Calculation and approval of value adjustment for individual risks, and the entering of approved value adjustments on a collective basis may and should be performed continuously.

Entries are made in the Bank's Core System. After the value adjustments for expected credit losses are entered, reports are created.

Impairment for ECL in the balance sheet is presented as follows:

- For financial assets valued at amortized value, value adjustment reduces the gross book value of a financial asset;
- For off-balance sheet exposures (assumed liabilities for undisbursed credits and financial guarantees), impairment is recognized as a provision in liabilities in the balance sheet;
- For debt instruments classified as FVOCI, value adjustment is not recognized in the balance sheet, given that the book value of these assets must equal their fair value.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Provisions and impairment of loans and receivables

Calculation of provisions for potential losses

The Bank is obliged to classify the balance sheet and off-balance sheet items on the basis of which it is exposed to credit risk into the appropriate classification group and to calculate provisions for potential losses, in accordance with the applicable Decision on the criteria and method of asset classification and calculation of provisions for potential credit losses of credit institutions. In accordance with the aforementioned Decision, the Bank has applied the following percentages and days of delay by risk category for the calculation of provisions for potential losses:

Risk Category	December 31, 2025	
	% provisions	Days of delay
A	0,5	<30
B1	2	31-60
B2	7	61-90
C1	20	91-150
C2	40	151-270
D	70	271-365
E	100	>365

Days past due is not the only classification criterion, but they are an imperative one.

The Bank is required to determine the difference between the amount of provisions for potential losses and the sum of value adjustments for balance sheet asset items and provisions for off-balance sheet items calculated in accordance with the Bank's internal methodology using International Accounting Standard 9.

The positive difference between the amount of calculated provisions for potential losses and the sum of value adjustments for balance sheet asset items and provisions for off-balance sheet items is deducted from the Bank's own assets.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Property, plant, equipment and intangible assets

Property, plant and equipment

Property, plant and equipment are expressed according to their purchase value minus the accumulated value adjustment. The purchase value is the value according to the supplier's invoice plus the dependent costs of procurement and costs for bringing assets into the condition of functional readiness

The residual value and useful life of the asset are revised, and adjusted if necessary, on the date of each balance sheet. The Bank assesses whether there is objective evidence that the asset is impaired. If any evidence exists, the reimbursable amount is estimated. The reimbursable amount exceeds the net selling price or value in use. If the reimbursable amount exceeds the book value, the asset should not be impaired.

Subsequent costs: costs of replacement of equipment parts (installation of new spare parts), costs of overhaul and general repairs of business premises are recognized as an increase in the present value of business premises or equipment, if it is likely that there will be an inflow of future economic benefits on that account, and if those costs can be reliably measured.

Costs resulting from the ongoing maintenance of equipment: replacement and installation of small spare parts and consumables, along with the costs of everyday repairs, are considered expenses of the period in which they occurred.

Losses or gains that occurred in the alienation or decommissioning of business premises and equipment are determined as the difference between the amount obtained through sale and the present value at which the business premises or equipment were calculated, and are recognized as an asset or liability in the income statement in the period in which the alienation or decommissioning occurred.

Depreciation is evenly calculated on the purchase value of business premises and equipment, and using the following annual rates, with the aim of fully writing off the business premises and equipment during their useful life. The following rates were applied:

Main groups	<u>Depreciation rate (%)</u>
Construction objects	2.00
Vehicles	15.00
Furniture and other equipment	15.00 – 20.00
Computer equipment	33.33
Small inventory	50

The period of depreciation of fixed assets begins when the assets are available for use. Gains and losses on account of alienation of assets are established as the difference between the cash inflow and the book value and are presented in the income statement.

Intangible investments

Intangible investments consist of software and licences. Intangible investments that are obtained are recognized in the amount of purchase value as at the transaction date. After initial recognition, intangible investments are disclosed in the amount of purchase value less the accumulated depreciation and potential value reduction due to impairment.

The costs that may be directly linked to certain software, which will generate an economic benefit in a period longer than one year, are recorded as intangible investments. Maintenance costs and the development of computer software are documented as a cost at the moment in which they occurred.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.10. Property, plant, equipment and intangible assets****Property, plant and equipment**

Depreciation is evenly calculated on the purchase value of intangible investments over a 5-year period, with the aim of fully writing off the intangible investments during their useful life. The depreciation charges for intangible investments begin when the assets are put in use.

3.10. Equity

Share capital, share premium, the Bank's reserves and accumulated income are disclosed within the Bank's capital.

The Bank's share capital consists of invested assets of the founders and shareholders of the Bank in monetary and nonmonetary form. The Law on Securities defines that securities are dematerialized and exist as an electronic entry in the computer system of the Central Securities Depository and Clearing Company. A statement from the registry of the Central Securities Depository and Clearing Company is the only and exclusive proof of ownership of securities.

3.11. Employee benefits**Contributions ensuring the employees' social security**

In line with the regulations in effect in Montenegro, the Bank is required to pay contributions to state funds, which ensures the social security of employees. These liabilities include contributions for employees charged to the employer in the amounts calculated at the rates prescribed by the relevant legislation. The Bank is also required to deduct contributions from the employees' gross wages and pay them to those funds on behalf of its employees. Contributions charged to the employer and contributions charged to the employee are documented as expenses of the period to which they pertain.

Liabilities on account of severance pay at retirement or other long-term payments to employees

In accordance with the actuary's report, the Bank has calculated the obligation to pay severance pay to employees when they retire, in the amount of three minimum net salaries.

Total expenses of long-term provisions pertaining to future outflows on account of retirement of employees are estimated based on actuarial calculation. For assessment purposes, the Bank hires a certified actuary who calculates future liabilities by discounting estimated future outflows, using the projected unit method.

Liabilities are measured in the amount of the present value of future expenses, considering the growth in future salaries and other conditions, which are distributed to employee benefits on account of past and future working life.

3.12. Fair value

Fair value is the price that would be received for the sale of an asset or payments for the transfer of a liability in a regular transaction between market participants on the valuation date. Determination of fair value assumes that the transaction took place in the primary market of an asset or liability, or, in the absence of a primary market, in the most favourable market for the asset or liability.

If there is a primary market for an asset or liability, the fair value is the price in the market.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13. Fair value (continued)

The fair value of an asset or liability is valued using assumptions that would be used by market participants in the determination of the price of an asset or liability, assuming that market participants are acting in their best economic interest.

The fair value of a non-financial asset considers the possibility for a market participant to generate the greatest and best economic benefits from the use of that asset or from its sale to another market participant, which would use that asset in the best way.

The Bank uses valuation techniques which are appropriate in the circumstances, and for which the data used for determining the fair value are available, whereby the use of relevant identifiable input data is maximized and the use of unidentifiable input data is minimized. Valuation techniques are revised periodically, to appropriately reflect the current market conditions.

All assets and liabilities disclosed at fair value or whose fair value is disclosed in the financial statements are classified into three levels of hierarchy of fair value:

Level 1	Quoted market prices (unadjusted) in the active market for the same assets or liabilities
Level 2	Use of the valuation technique for which the lowest level of input data important for determining the fair value is directly or indirectly identifiable
Level 3	Use of the valuation technique for which the lowest level of input data important for determining the fair value is not identifiable

For assets or liabilities which are continuously valued at fair value in the financial statements, the Bank determines whether their hierarchy levels have changed by reassessing the categorization at every reporting date.

3.14. Provisions

Provisions are recognized when:

- The Bank has a present legal or derived obligation as a result of previous events;
- it is highly probable that settling a liability will require an outflow of assets and
- the amount of a liability can be reliably estimated.

Provisions are measured at the present value of expenses required to settle liabilities.

Provisions are revised on the date of each balance sheet and adjusted so that they reflect the best current estimate. If it is no longer probable that an outflow of assets generating economic benefits will be required to settle the given obligation, the provision is removed through the income statement

3.15. Financial guarantees

Financial guarantees are agreements by which the Bank commits to make payments to their users for losses that occur due to a failure of a certain debtor to make a payment upon the maturity of a liability, in accordance with the terms of a debt instrument. Liabilities under financial guarantees are initially recognized at fair value, and the initial fair value is depreciated during the period of the financial guarantee. The liability under the guarantee is subsequently measured in the amount exceeding the depreciated value and present value of the expected future payment (when the payment under the guarantee is probable). Financial guarantees are documented as part of off-balance sheet items.

The received compensation is recognized in the income statement.

4. ACCOUNTING ESTIMATES AND ASSUMPTIONS

The management makes estimates and assumptions that affect the value of assets and liabilities in the following financial year. Accounting estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including the anticipation of future events believed to be reasonable in the given circumstances.

The management makes estimates and assumptions related to the future. The resulting accounting estimates will, by definition, rarely equal the achieved results. Estimates and assumptions which contain the risk of causing material adjustments of the book values of assets and liabilities during the next financial year are specified below.

Losses from impairment of financial assets

The measurement of impairment in accordance with IFRS 9 for all categories of financial assets requires an assumption, separately for the estimate of the amount and time of future cash flows and value of collateral when determining the losses from impairment and estimate of a significant increase in credit risk. These estimates are supported by numerous factors and changes that may result in different levels of impairment provisions. The calculation of the Bank's ECL represents output data of complex models with a series of assumptions related to the choice of variables and their interdependencies.

Elements of the ECL model that contain accounting assumptions and estimates include:

- Classification of financial assets: assessment of the business model for the management of financial assets and estimate whether the agreed terms of financial assets satisfy the SPPI test;
- Defining the Bank's criteria for assessment whether there has been a significant increase in the credit risk of a financial asset relative to the initial recognition, definition of a methodology for including prospective information for ECL calculation and selection and approval of models used for the calculation of ECL;
- Development of the ECL model, including various formulas and selection of input data.

Fair value

The determination of the fair value of financial assets and liabilities for which there is no apparent market price requires the use of various valuation techniques. For financial instruments not traded often, whose price transparency is low, fair value is not highly objective and requires a degree of variation in estimations, which depends on liquidity, concentration, uncertainty of market factors, price assumptions and other risks affecting a given instrument.

Contingent liabilities

Contingent liabilities include provisions for severance payments and provisions for court disputes.

For the purposes of calculation and valuation of contingent liabilities, the Bank's management defines assumptions on the probability and amount of outflow of resources, i.e. potential outcome and amount of liabilities on account of court disputes. The Bank's management estimates the amount of provisions for the outflow of funds on account of court disputes based on assessment made by the Bank's legal representatives, probability that the outflow will truly take place according to a contractual or legal obligation from the previous period.

The cost of long-term employee benefits is determined based on actuarial calculation, with the application of actuarial assumptions: discount rate, future growth in salaries in accordance with the rate of inflation and advancement, and growth in salaries on account of years of service, along with changes in the number of employees gaining the right to receive compensations. Given the long-term nature of these plans, estimates are subject to considerable uncertainty. The actuarial calculation is performed by an independent actuary.

4. ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)*Useful life of intangible assets, property, plant and equipment*

The determination of the useful life of intangible assets, property, plant and equipment is based on previous experience with similar assets, and on the anticipated technological development and changes affected by a large number of economic or industrial factors. The adequacy of a given useful life is reviewed annually or whenever there is an indication that the factors which constituted the basis for determining the useful life have changed considerably. The Bank reviews the lifetime of intangible assets, property, plant and equipment in every period of annual reporting.

5. RISK MANAGEMENT**5.1 Risk management**

The Bank has set up a comprehensive system for managing risks, which includes the defined risk management strategy, the adopted risk management policies and processes, the defined authorizations and responsibilities for risk management, an efficient and reliable IT system, procedures for unforeseen situations, stress testing.

In its operations, the Bank is exposed to various risks, the most significant of which are:

- credit risk;
- market risk;
- liquidity risk;
- operational risk.

The risk management strategy contains: overview, objectives and criteria of all risks to which the Bank is or may be exposed. Risk management procedures are designed to identify and analyze risks, to define appropriate limits and risk management controls, and to monitor the exposure of the Bank to certain risks. Risk management procedures are subject to regular control aimed at adequately responding to the changes that occur in the market, to products and services.

The Risk Control Department is responsible for monitoring the Bank's exposure to certain risks and harmonization with risk management procedures and defined limits, of which the Board of Directors is informed on a monthly basis. In addition, monitoring the Bank's exposure to credit risk is the responsibility of the Risk Management Division. The Bank also follows the announcements and changes in the legal regulations and analyses the impact of risks to timely comply its operations with regulations.

The Bank tests its sensitivity to certain types of risks at the cumulative basis as well, using multiple types of stress scenarios. Stress scenarios entail assumptions of the changes of market and other factors which may have a significant material impact on the Bank's operations

5.2. Credit risk

In its operations, the Bank endeavors to operate with creditworthy clients to minimize the potential exposure to credit risk, which is the risk that debtors will be unable to settle their debt to the Bank in its entirety and on time. The Bank makes provisions for impairment losses, which pertain to the losses that occur on the balance sheet date. When making the decision on the loans, the Bank takes into consideration the changes in the economy, specifically the condition of certain branches of the economy that constitute a part of the Bank's loan portfolio, which could lead to losses different from the losses for which provisions were made on the balance sheet date.

The Central Bank of Montenegro adopted the Decision on criteria and method of asset classification and calculation of provisions for potential credit losses of credit institutions ("Official Gazette of Montenegro", No. 127/20, 140/21), which applies from January 1, 2022, and which implies the application of International Financial Reporting Standards when valuing and reporting off-balance sheet assets and off-balance sheet items.

5. RISK MANAGEMENT (Continued)**5.2. Credit risk (continued)**

In accordance with the Decision, the Bank has determined the Methodology for estimation of impaired balance assets and probable loss under off-balance positions. The Bank consistently applied the Methodology and reviews it at least once per year, and as necessary adjusts it according to review results, and adjusts the assumptions on which the Methodology is based.

Credit risk mitigation entails that risk be maintained at a level acceptable for the Bank, i.e. that the credit portfolio remains acceptable. Credit risk mitigation is carried out by agreeing on adequate collateral for receivables.

5.2.1. Credit risk management

Credit risk exposure is a risk of a financial loss that occurs as a consequence of a debtor's inability to meet all agreed liabilities to the Bank. The Bank manages the assumed credit risk by defining limits relative to large loans, individual loan users and related persons. The above risks are continuously monitored and are subject to control which is performed annually or more frequently. All loans above the prescribed limit are approved by the Management.

In accordance with the limits prescribed by the Central Bank of Montenegro, the branch concentration of loans is subject to continued monitoring.

Risk exposure from individual borrowers, including other banks and financial institutions, is further limited by setting a sub-limit relative to balance sheet and off-balance sheet exposure. Actual exposure relative to the defined limits is regularly monitored.

Credit risk exposure is managed through regular analysis of capability of credit users and potential credit users to repay their liabilities. The Bank approves rescheduling of receivables to clients with certain problems in operations, in order to maximize the utilization of the available potential for settling receivables, and to at the same time ensure that the ability of a loan user to orderly service its debt is sustainable.

Commitments and Contingent Liabilities arising from Borrowings

The primary purpose of these instruments is to ensure that assets are available to the client according to requirements. Guarantees and activated letters of credit constitute irrevocable guarantees of the Bank to make payments in case the client is unable to fulfil its liabilities to third parties, and therefore have the same credit risk as loans. Documentary and commercial letters of credit which constitute a written statement of the obligation of the Bank assumed on behalf of a client, which authorizes a third party to draw bills of exchange from the Bank up to the amount agreed by special requirements, are secured by the basic delivery of the goods to which they refer, and therefore carry less risk than direct borrowing.

5.2.2. Provisions – impairment based on loans

As at the date of preparing the financial statements, the Bank estimates whether there are any indicators of impairment of a financial asset or group of financial assets, in accordance with the requirements of IFRS 9. The indicators used by the Bank to identify a significant increase in credit risk, in accordance with IFRS 9, based on which it classifies assets as Stage 1, 2 or 3, are:

- change in the probability of status of default, i.e. PD during the lifetime of the exposure exceeds the PD during its lifetime at initial recognition by over 200%;
- the absolute level of PD, i.e. 12-month PD of the exposure at the reporting date exceeds 20%;
- delay in the payment of interest or principal;
- rescheduling of the credit and/or NPL status;
- watch list

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (continued)

5.2.2. Provisions – impairment based on loans (continued)

- status of default at the level of a group of related persons;
- and a set of additional criteria which may indicate financial difficulties in the operations of legal persons.

In accordance with the adopted methodology, the Bank estimates whether there is objective evidence of impairment, individually for financial assets that are individually significant. The calculation of the present value of estimated future cash flows of a secured financial asset reflects cash flows that may be the result of exclusion reduced by the costs of acquisition and sale of collateral, regardless of whether the exclusion is probable or not.

For the purpose of joint assessment of impairment, financial assets that are not individually significant are grouped based on similar characteristics of credit risk.

5.2.3. Maximum Credit Risk Exposure at Balance Sheet and Off-Balance Sheet Items

The following table shows the gross maximum exposure to credit risk of balance sheet and off- balance sheet items:

TOTAL EXPOSURE TO CREDIT RISK

	In thousand EUR			
	December 31, 2025		December 31, 2024	
	Bruto	Neto	Bruto	Neto
I. Overview of assets				
Cash and deposit accounts with central banks	193,408	193,408	274,038	274,038
<i>Financial assets at amortized value</i>				
- Loans and receivables from Banks	90,708	90,354	118,904	118,561
- Loans and receivables from clients	414,704	395,276	287,059	269,565
- Securities	468,159	466,095	404,898	401,517
- Other financial assets	9,913	9,913	3,323	3,323
<i>Financial assets at fair value through other comprehensive income</i>				
- Securities	323	323	6,817	6,817
Other assets	2,461	2,191	2,185	1,931
	1,179,676	1,157,560	1,097,224	1,075,752
II. Off-balance sheet items				
Payable guarantees	32,706	32,686	33,424	33,394
Performance bonds	16,682	16,675	18,185	18,175
Irrevocable commitments	55,668	54,701	54,378	53,349
Other	29,502	29,494	28,583	28,574
	134,558	133,556	134,570	133,492
Total (I+II)	1,314,234	1,291,116	1,231,794	1,209,244

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (Continued)

5.2.3. Maximum Credit Risk Exposure at Balance Sheet and Off-Balance Sheet Items (Continued)

Exposure to credit risk is controlled by obtaining collateral and guarantees from legal entities and individuals.

Securities are fundamentally different from credit placements in terms of their economic substance, financial characteristics and market infrastructure, which necessarily requires the application of adapted staging criteria. The Bank uses reasonable and supportable information that is available without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions, when classifying such exposures into a particular stage and when calculating expected credit losses.

Unlike credit placements, where the assessment of credit risk is predominantly based on the bank's internal models (PD/LGD models), securities traded on organized markets generally have a credit rating assigned by recognized international rating agencies. These ratings represent an independent, continuously updated assessment of the creditworthiness of the issuer or specific issue, and therefore constitute the most reliable and objective indicator of changes in credit risk.

In credit placements, there is a direct bilateral relationship between the bank and the debtor, in which the Bank has access to detailed financial data of the debtor, the possibility of restructuring, as well as specific collateral and guarantees. In securities, the bank is one of many creditors, it does not have the possibility of individual negotiation of terms, and information access is limited to publicly available data and rating reports.

Securities, especially those that are actively traded, have a dimension of liquidity that is not present in loans. A bank can sell a security on the secondary market at any time, thereby changing the risk profile and the ability to manage credit exposure. This characteristic affects both the calculation of expected credit losses and the relevance of certain staging indicators.

Securities are classified into the appropriate stage based on the cumulative or alternative fulfillment of the criteria defined below:

Stage 1 – Initial recognition (12-month ECL)

A security is classified in Stage 1 if it cumulatively meets all of the following conditions:

1. The issuer is not delinquent in repayment or is delinquent up to 30 days ($DPD \leq 30$);
2. The issuer or issue has an investment grade credit rating assigned by a recognized international rating agency;
3. If there is no credit rating from a recognized international rating agency, and the exposure is classified as a quality asset according to the Bank's internal creditworthiness assessment.

Stage 2 – Significant increase in credit risk (lifetime ECL)

A security is classified in Stage 2 if it meets at least one of the following conditions:

1. The issuer is 31 to 90 days past due;
2. The issuer is not past due but has a speculative non-default credit rating assigned by a recognized international rating agency;
3. –If there is no credit rating from a recognized international rating agency and the exposure is classified as substandard assets according to the Bank's internal creditworthiness assessment.

Stage 3 – Impaired assets (lifetime ECL)

A security is classified in Stage 3 if it meets at least one of the following conditions:

1. The issuer is past due for more than 90 days ($DPD > 90$).
2. The issuer is not past due, but has a default credit rating assigned by a recognized international rating agency.
3. If there is no credit rating from a recognized international rating agency, and the exposure is classified as doubtful or uncollectible assets according to the Bank's internal credit rating assessment.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025**5. RISK MANAGEMENT (Continued)****5.2. Credit risk (Continued)****5.2.4. Maximum Credit Risk Exposure at Balance Sheet and Off Balance Sheet Items (Continued)**

Prior to the approval of loans and other credits, the Bank assesses the debtor's creditworthiness, taking account of the criteria it defined in an internal document, along with the legal validity and the estimated value of collateral.

The value of collateral is calculated as its net value, which means its market value less all costs pertaining to the activation of collateral.

Types of collateral are:

- deposits;
- right of pledge on industrial machines, securities, inventories and vehicles;
- mortgages on property and fiduciary transfer of ownership;
- bills of exchange;
- authorizations;
- garnishments;
- guarantors;
- insurance policies;
- guarantees.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (continued)

5.2.5. Quality of financial placements

The quality of financial assets exposed to credit risk is presented as follows:

LOANS AND RECEIVABLES FROM CLIENTS, BANKS AND OTHER FINANCIAL ORGANISATIONS

December 31, 2025.	S1	S2	S3	Total	Impairment S1	Impairment S2	Impairment S3	Total Impairment	Net	In thousand EUR	
										Impairment	Net
Housing	27,800	3,780	243	31,823	(105)	(364)	(156)	(625)	31,198		
Cash	109,640	1,779	1,796	113,215	(1,677)	(184)	(954)	(2,815)	110,400		
Purchase of vehicles	5,208	15	58	5,281	(78)	(2)	(29)	(109)	5,172		
Refurbishment of residential or commercial buildings	7,785	118	111	8,014	(83)	(3)	(19)	(105)	7,909		
Other	39,655	3,763	1,228	44,646	(515)	(434)	(593)	(1,542)	43,104		
Total retail	190,088	9,455	3,436	202,979	(2,458)	(987)	(1,751)	(5,196)	197,783		
Large Enterprises	34,424	20,915	1,124	56,463	(1,319)	(1,022)	(531)	(2,872)	53,591		
Medium Enterprises	19,195	24,512	538	44,245	(1,021)	(2,025)	(357)	(3,403)	40,842		
Small Enterprises	71,958	34,589	4,369	110,916	(1,238)	(4,033)	(2,686)	(7,957)	102,959		
Government	101	-	-	101	-	-	-	-	101		
Other	-	-	-	-	-	-	-	-	-		
Business Clients	125,678	80,016	6,031	211,725	(3,578)	(7,080)	(3,574)	(14,232)	197,493		
Total	315,766	89,471	9,467	414,704	(6,036)	(8,067)	(5,325)	(19,428)	395,276		
Banks	90,708	-	-	90,708	(354)	-	-	(354)	90,354		
State	403,782	-	890	404,672	(735)	-	(868)	(1,603)	403,069		
Corporate	54,895	533	-	55,428	(245)	(213)	-	(458)	54,970		
Supranational	8,059	-	-	8,059	(3)	-	-	(3)	8,056		
Securities	466,736	533	890	468,159	(983)	(213)	(868)	(2,064)	466,095		

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)
5.2. Credit risk (continued)
5.2.6. Quality of financial placements

The quality of financial assets exposed to credit risk is presented as follows:

LOANS AND RECEIVABLES FROM CLIENTS, BANKS AND OTHER FINANCIAL ORGANISATIONS

	In thousand EUR									
	December 31, 2024	S1	S2	S3	Total	Impairment S1	Impairment S2	Impairment S3	Total Impairment	Net
Housing		14,363	6,900	697	21,960	(103)	(425)	(246)	(774)	21,186
Cash		46,721	4,575	1,735	53,031	(645)	(256)	(890)	(1,791)	51,240
Purchase of vehicles		6,293	494	123	6,910	(100)	(16)	(14)	(130)	6,780
Refurbishment of residential or commercial buildings		9,583	1,353	94	11,030	(126)	(68)	(15)	(209)	10,821
Other		33,491	8,660	1,391	43,542	(449)	(1,300)	(681)	(2,430)	41,112
Total retail		110,451	21,982	4,040	136,473	(1,423)	(2,065)	(1,846)	(5,334)	131,139
x		14,996	8,745	1,355	25,096	(208)	(323)	(600)	(1,131)	23,965
Medium-sized enterprises		13,359	21,718	755	35,832	(774)	(1,336)	(285)	(2,395)	33,437
Small-sized enterprises		30,139	54,296	5,223	89,658	(485)	(4,960)	(3,189)	(8,634)	81,024
State		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Corporate customers		58,494	84,759	7,333	150,586	(1,467)	(6,619)	(4,074)	(12,160)	138,426
Total		168,945	106,741	11,373	287,059	(2,890)	(8,684)	(5,920)	(17,494)	269,565
Banks		118,904	-	-	118,904	(343)	-	-	(343)	118,561
State		253,252	-	1,028	254,280	(828)	-	(995)	(1,823)	252,457
Corporate		67,588	2,109	-	69,697	(749)	(794)	-	(1,543)	68,154
Supranational		80,921	-	-	80,921	(15)	-	-	(15)	80,906
Securities		401,761	2,109	1,028	404,898	(1,592)	(794)	(995)	(3,381)	401,517

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (continued)

5.2.4. Quality of financial statements (continued)

Receivables from clients at Stage 1 are presented below:

RECEIVABLES FROM CLIENTS AT STAGE 1					In thousand EUR
December 31, 2025	Not in delay	Delay up to 30 days	From 31 to 60 days	From 61 to 90 days	Total
Housing	27,800	-	-	-	27,800
Cash	109,310	325	4	1	109,640
Purchase of vehicles	5,208	-	-	-	5,208
Refurbishment of residential or commercial buildings	7,780	-	-	5	7,785
Other	39,089	560	5	1	39,655
Total retail	189,187	885	9	7	190,088
Large enterprises	34,425	(1)	-	-	34,424
Medium-sized enterprises	19,195	-	-	-	19,195
Small-sized enterprises	71,789	169	-	-	71,958
State	101	-	-	-	101
Other	-	-	-	-	-
Corporate customers	125,510	168	-	-	125,678
Total	314,697	1,053	9	7	315,766
of which: restructured	9	-	-	-	9
Receivables from banks	90,708	-	-	-	90,708

RECEIVABLES FROM CLIENTS AT STAGE 1					In thousand EUR
December 31, 2025	Not in delay	Delay up to 30 days	From 31 to 60 days	From 61 to 90 days	Total
Housing	14,363	-	-	-	14,363
Cash	46,454	267	-	-	46,721
Purchase of vehicles	6,293	-	-	-	6,293
Refurbishment of residential or commercial buildings	9,583	-	-	-	9,583
Other	33,147	344	-	-	33,491
Total retail	109,840	611	-	-	110,451
Large enterprises	14,997	(1)	-	-	14,996
Medium-sized enterprises	13,359	-	-	-	13,359
Small-sized enterprises	30,136	3	-	-	30,139
State	-	-	-	-	-
Other	-	-	-	-	-
Corporate customers	58,492	2	-	-	58,494
Total	168,332	613	-	-	168,945
of which: restructured	-	-	-	-	-
Receivables from banks	118,904	-	-	-	118,904

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (continued)

5.2.4. Quality of financial statements (continued)

Receivables from clients at Stage 2 are presented below:

RECEIVABLES FROM CLIENTS AT STAGE 2						In thousand EUR
	December 31, 2025	Not in delay	Delay up to 30 days	From 31 to 60 days	From 61 to 90 days	Over 90 days
Housing	3,726	-	40	14	-	3,780
Cash	928	25	333	493	-	1,779
Purchase of vehicles	5	-	7	3	-	15
Refurbishment of residential or commercial buildings	118	-	-	-	-	118
Other	3,401	48	100	214	-	3,763
Total retail	8,178	73	480	724	-	9,455
Large enterprises	20,915	-	-	-	-	20,915
Medium-sized enterprises	24,511	-	-	1	-	24,512
Small-sized enterprises	34,196	3	151	239	-	34,589
State	-	-	-	-	-	-
Other	-	-	-	-	-	-
Corporate customers	79,622	3	151	240	-	80,016
Total	87,800	76	631	964	-	89,471
of which: restructured Receivables from banks	2,957	-	-	236	-	3,193
	-	-	-	-	-	-

RECEIVABLES FROM CLIENTS AT STAGE 2						In thousand EUR
	December 31, 2024	Not in delay	Delay up to 30 days	From 31 to 60 days	From 61 to 90 days	Over 90 days
Housing	6,833	-	3	64	-	6,900
Cash	4,111	52	233	179	-	4,575
Purchase of vehicles	492	-	2	-	-	494
Refurbishment of residential or commercial buildings	1,305	-	30	18	-	1,353
Other	8,361	175	74	50	-	8,660
Total retail	21,102	227	342	311	-	21,982
Large enterprises	8,745	-	-	-	-	8,745
Medium-sized enterprises	21,718	-	-	-	-	21,718
Small-sized enterprises	53,806	3	141	346	-	54,296
State	-	-	-	-	-	-
Other	-	-	-	-	-	-
Corporate customers	84,269	3	141	346	-	84,759
Total	105,371	230	483	657	-	106,741
of which: restructured Receivables from banks	7,985	-	-	-	-	7,985
	-	-	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (continued)

5.2.4. Quality of financial statements (continued)

Receivables from clients at Stage 3 are presented below:

RECEIVABLES FROM
CLIENTS AT STAGE 3

December 31, 2025	In thousand EUR					Total
	Not in delay	Delay up to 30 days	From 31 to 60 days	From 61 to 90 days	Over 90 days	
Housing	63	-	-	23	157	243
Cash	478	8	11	16	1,283	1,796
Purchase of vehicles	13	-	-	-	45	58
Refurbishment of residential or commercial buildings	38	-	18	-	55	111
Other	443	2	3	15	765	1,228
Total retail	1,035	10	32	54	2,305	3,436
Large enterprises	1,124	-	-	-	-	1,124
Medium-sized enterprises	4	-	-	-	534	538
Small-sized enterprises	2,314	-	37	14	2,004	4,369
State	-	-	-	-	-	-
Other	-	-	-	-	-	-
Corporate customers	3,442	-	37	14	2,538	6,031
Total	4,477	10	69	68	4,843	9,467
of which: restructured	320	-	-	-	661	981
Receivables from banks	-	-	-	-	-	-

RECEIVABLES FROM
CLIENTS AT STAGE 3

In thousand EUR

December 31, 2024	Not in delay	Delay up to 30 days	From 31 to 60 days	From 61 to 90 days	Over 90 days	Total
Housing	283	-	-	24	390	697
Cash	568	10	27	25	1,105	1,735
Purchase of vehicles	81	-	6	-	36	123
Refurbishment of residential or commercial buildings	56	-	19	6	13	94
Other	741	6	-	2	642	1,391
Total retail	1,729	16	52	57	2,186	4,040
Large enterprises	1,355	-	-	-	-	1,355
Medium-sized enterprises	754	-	-	-	1	755
Small-sized enterprises	3,110	1	1	-	2,111	5,223
State	-	-	-	-	-	-
Other	-	-	-	-	-	-
Corporate customers	5,219	1	1	-	2,112	7,333
Total	6,948	17	53	57	4,298	11,373
of which: restructured	440	-	-	-	784	1,224
Receivables from banks	-	-	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (continued)

5.2.4. Quality of financial statements (continued)

Receivables from clients at Stage 3 are presented below:
RECEIVABLES FROM
CLIENTS AT STAGE 3

		In thousand EUR					
December 31, 2025	Gross exposure	Impairment	S 3 receivables	Restructured S 3 receivables	Impairment S 3	Share of S3 receivables in gross exposure	Amount of collateral for S3
Retail	202,979	(5,196)	3,436	202	(1,751)	1.69%	11,488
Housing	31,823	(625)	243	-	(156)	0.76%	1,023
Cash	113,215	(2,815)	1,796	-	(954)	1.59%	2,905
Purchase of vehicles	5,281	(109)	58	-	(29)	1.10%	19
Refurbishment of residential or commercial buildings	8,014	(105)	111	-	(19)	1.39%	360
Other	44,646	(1,542)	1,228	202	(593)	2.75%	7,181
Corporate clients	211,725	(14,232)	6,031	779	(3,574)	2.85%	21,256
Agriculture	2,029	(533)	1,124	-	(531)	55.40%	2,420
Processing industry	17,114	(1,901)	200	114	(175)	1.17%	2,320
Electricity	20,496	(1,128)	-	-	-	0.00%	-
Construction	25,454	(2,075)	1,175	295	(855)	4.62%	5,387
Wholesale and retail trade	59,675	(3,221)	843	83	(812)	1.41%	856
Services	671	(10)	10	6	(2)	1.49%	243
Real estate activities	6,486	(277)	2	-	(1)	0.03%	-
Other	79,800	(5,087)	2,677	281	(1,198)	3.35%	10,030
Total	414,704	(19,428)	9,467	981	(5,325)	2.28%	32,744
Receivables from banks	90,708	(354)	-	-	-	0.00%	-
State	-	-	-	-	-	-	-
Corporate	404,672	(1,603)	890	-	(868)	0.22%	-
Supranational	55,428	(458)	-	-	-	0.00%	-
Securities	8,059	(3)	-	-	-	0.00%	-
Total	468,159	(2,064)	890	-	(868)	0.19%	-

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (continued)

5.2.4. Quality of financial statements (continued)

Receivables from clients at Stage 3 are presented below:

RECEIVABLES FROM CLIENTS AT STAGE 3

December 31, 2024	Gross exposure	Impairment	S 3 receivables	Restructured S 3 receivables	Impairment S 3	Share of S3 receivables in gross exposure	In thousand EUR	
							Amount of collateral for S3	
Retail	136,473	(5,334)	4,040	30	(1,846)	2.96%	11,915	
Housing	21,960	(774)	697	-	(246)	3.17%	2,002	
Cash	53,031	(1,791)	1,735	9	(890)	3.27%	3,246	
Purchase of vehicles	6,910	(130)	123	-	(14)	1.78%	415	
Refurbishment of residential or commercial buildings	11,030	(209)	94	-	(15)	0.85%	1,211	
Other	43,542	(2,430)	1,391	21	(681)	3.19%	5,041	
Corporate clients	150,566	(12,160)	7,333	1,194	(4,074)	4.87%	27,056	
Agriculture	1,924	(600)	1,355	-	(600)	70.43%	2,420	
Processing industry	12,537	(1,829)	463	225	(434)	3.69%	3,340	
Electricity	1,134	(188)	-	-	-	0.00%	-	
Construction	29,475	(2,339)	1,468	418	(776)	4.98%	8,072	
Wholesale and retail trade	46,097	(2,280)	1,164	209	(943)	2.53%	1,874	
Services	866	(15)	19	11	(2)	2.19%	243	
Real estate activities	3,202	(253)	-	-	-	0.00%	-	
Other	55,351	(4,656)	2,864	331	(1,319)	5.17%	11,107	
Total	287,059	(17,494)	11,373	1,224	(5,920)	3.96%	38,971	
Receivables from banks	118,904	(343)	-	-	-	0.00%	-	
State	254,280	(1,823)	1,028	-	(995)	0.40%	-	
Corporate	69,697	(1,543)	-	-	-	0.00%	-	
Supranational	80,921	(15)	-	-	-	0.00%	-	
Securities	404,898	(3,381)	1,028	-	(995)	0.25%	-	

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (continued)

5.2.4. Quality of financial statements (continued)

The tables below show changes in Stage 3, i.e. problematic receivables:

CHANGES OF S3
RECEIVABLES

	In thousand EUR					
	Gross December 31, 2024	New S3 clients	Reduction in existing S3 clients	Increase in existing S3 clients	Closed S3 clients	Gross December 31, 2025
Housing	697	38	(253)	1	(240)	243
Cash	1,735	793	(248)	13	(497)	1,796
Purchase of vehicles	123	32	(4)	2	(95)	58
Refurbishment of residential or commercial buildings	94	75	(5)	-	(53)	111
Other	1,391	507	(441)	25	(254)	1,228
Retail	4,040	1,445	(951)	41	(1,139)	3,436
Large enterprises	1,355	-	(231)	-	-	1,124
Medium-sized enterprises	755	532	(6)	-	(743)	538
Small-sized enterprises	5,223	808	(418)	105	(1,349)	4,369
State	-	-	-	-	-	-
Other	-	-	-	-	-	-
Corporate clients	7,333	1,340	(655)	105	(2,092)	6,031
Total	11,373	2,785	(1,606)	146	(3,231)	9,467
Receivables from banks	-	-	-	-	-	-
State	1,028	-	(138)	-	-	890
Corporate	-	-	-	-	-	-
Supranational	-	-	-	-	-	-
Securities	1,028	-	(138)	-	-	890

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (continued)

5.2.4. Quality of financial statements (continued)

The tables below show changes in Stage 3, i.e. impairment of the problematic receivables:

CHANGES OF S3
RECEIVABLES

	Gross December 31, 2024.	New S3 clients	Reduction in existing S3 clients	Increase in existing S3 clients	Closed S3 clients	Gross December 31, 2025.
Housing	(246)	(12)	106	(9)	5	(156)
Cash	(890)	(243)	119	(124)	184	(954)
Purchase of vehicles	(14)	(13)	1	(8)	5	(29)
Refurbishment of residential or commercial buildings	(15)	(12)	-	-	8	(19)
Other	(681)	(150)	219	(58)	77	(593)
Retail	(1,846)	(430)	445	(199)	279	(1,751)
Large enterprises	(600)	-	69	-	-	(531)
Medium-sized enterprises	(285)	(355)	3	-	280	(357)
Small-sized enterprises	(3,189)	(315)	246	(227)	799	(2,686)
State	-	-	-	-	-	-
Other	-	-	-	-	-	-
Corporate clients	(4,074)	(670)	318	(227)	1,079	(3,574)
Total	(5,920)	(1,100)	763	(426)	1,358	(5,325)
Receivables from banks	-	-	-	-	-	-
State	(995)	-	127	-	-	(868)
Corporate	-	-	-	-	-	-
Supranational	-	-	-	-	-	-
Securities	(995)	-	127	-	-	(868)

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)
5.2. Credit risk (continued)
5.2.4. Quality of financial statements (continued)
5.2.4.1. Restructured loan and placements

The tables below give an overview of restructured receivables:

RESTRUCTURED RECEIVABLES	Restructures receivables - Gross	S 1 restructured receivables -	S2 restructured receivables -	S3 restructured receivables -	Impairment of restructured receivables	Impairment of S1 restructured receivables	Impairment of S2 restructured receivables	Impairment of S3 restructured receivables	Share of restructured receivables in gross exposure	Amount of collateral for restructured receivables
December 31, 2025	696	9	485	202	126	-	46	80	0.34%	2,198
Retail	-	-	-	-	-	-	-	-	-	-
Housing	9	9	-	-	-	-	-	-	0.00%	-
Cash	-	-	-	-	-	-	-	-	0.01%	-
Purchase of vehicles	-	-	-	-	-	-	-	-	0.00%	-
Refurbishment of residential or commercial buildings	-	-	-	-	-	-	-	-	-	-
Other	687	-	485	202	126	-	46	80	0.00%	-
Corporate clients	3,487	-	2,708	779	1,502	-	791	711	1.54%	2,198
Agriculture	-	-	-	-	-	-	-	-	1.65%	18,460
Processing industry	114	-	-	114	114	-	-	114	0.00%	-
Electricity	-	-	-	-	-	-	-	-	0.67%	1,420
Construction	1,704	-	1,409	295	649	-	361	289	0.00%	-
Wholesale and retail trade	83	-	-	83	83	-	-	-	6.69%	9,554
Services	6	-	-	6	-	-	-	-	0.14%	62
Real estate activities	-	-	-	-	-	-	-	-	0.89%	140
Other	1,580	-	1,299	281	656	-	430	225	0.00%	-
Total	4,183	9	3,193	981	1,628	-	837	791	1.98%	7,284
Receivables from Banks	-	-	-	-	-	-	-	-	1.01%	20,658
	-	-	-	-	-	-	-	-	0.00%	-

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

HIPOTEKARNA BANKA A.D., PODGORICA

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (continued)

5.2.4. Quality of financial statements (continued)

5.2.4.1. Restructured loans and receivables (continued)

RESTRUCTURED RECEIVABLES	Restructures receivables - Gross	S 1 restructured receivables -	S2 restructured receivables -	S3 restructured receivables -	Impairment of restructured receivables	Impairment of S1 restructured receivables	Impairment of S2 restructured receivables	Impairment of S3 restructured receivables	Share of restructured receivables in gross exposure	Amount of collateral for restructured receivables
December 31, 2024	3,903	3,873	30	1,031	1,031	1,031	1,031	1,031	2.86%	5,667
Retail	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-
Cash	21	12	9	-	-	-	-	-	0.00%	-
Purchase of vehicles	-	-	-	-	-	-	-	-	0.04%	118
Refurbishment of residential or commercial buildings	-	-	-	-	-	-	-	-	0.00%	-
Other	3,882	3,861	21	1,031	1,031	1,031	1,031	1,031	0.00%	-
Corporate clients	5,306	4,112	1,194	1,760	1,760	705	1,055	1,055	8.92%	5,549
Agriculture	-	-	-	-	-	-	-	-	3.52%	21,976
Processing Industry	247	22	225	226	226	-	226	-	0.00%	-
Electricity	-	-	-	-	-	-	-	-	1.97%	1,936
Construction	2,405	1,987	418	525	525	-	370	-	0.00%	-
Wholesale and retail trade	209	-	209	209	209	-	209	-	8.16%	8,122
Services	11	-	11	-	-	-	-	-	0.45%	571
Real estate activities	-	-	-	-	-	-	-	-	1.27%	140
Other	2,434	2,103	331	800	800	-	250	-	0.00%	-
Total	9,209	7,985	1,224	2,791	2,791	1,736	1,055	1,055	4.40%	11,207
Receivables from Banks	-	-	-	-	-	-	-	-	3.21%	27,643
	-	-	-	-	-	-	-	-	0.00%	-

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)
5.2. Credit risk (continued)

5.2.4. Quality of financial statements (continued)

5.2.4.1. Restructures loans and placements (continued)

The tables below show an overview of restructured receivables:

CHANGES OF RESTRUCTURED S2 RECEIVABLES

	Gross December 31, 2024	New restructured S2 receivables	Reduction in restructured S2 receivables	Uticaj kursa	Druge promene	Bruto 31.12.2025.	Neto 31.12.2025.
Housing	-	-	-	-	-	-	-
Cash	12	(12)	-	-	-	-	-
Purchase of vehicles	-	-	-	-	-	-	-
Refurbishment of residential or commercial buildings	-	-	-	-	-	-	-
Other	3,861	(3,376)	-	-	-	485	439
Retail	3,873	(3,388)	-	-	-	485	439
Large companies	-	-	-	-	-	-	-
Medium companies	4,112	-	(1,404)	-	-	2,708	1,917
Small enterprises	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Corporate clients	-	-	-	-	-	-	-
Total	4,112	-	(1,404)	-	-	2,708	1,917
	7,985	(3,388)	(1,404)	-	-	3,193	2,356
Receivables from banks	-	-	-	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (continued)

5.2.4. Quality of financial statements (continued)

5.2.4.2. Restructures loans and placements (continued)

The tables below show an overview of restructured receivables:

CHANGES OF RESTRUCTURED S2 RECEIVABLES

	Gross December 31, 2024	New restructured S2 receivables	Reduction in restructured S2 receivables	Exchange rate effect	Other changes	Gross December 31, 2025	Net December 31, 2024
Housing	-	-	-	-	-	-	-
Cash	9	-	(9)	-	-	-	-
Purchase of vehicles	-	-	-	-	-	-	-
Refurbishment of residential or commercial buildings	-	-	-	-	-	-	-
Other	21	181	-	-	202	202	122
Retail	30	181	(9)	-	202	202	122
Large companies	-	-	-	-	-	-	-
Medium companies	-	-	-	-	-	-	-
Small enterprises	1,194	-	(415)	-	779	779	68
Government	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Corporate clients	-	-	(415)	-	-	779	68
Total	1,194	181	(424)	-	981	981	190
Receivables from banks	-	-	-	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (continued)

5.2.4. Quality of financial statements (continued)

5.2.4.2. Loans and receivables from clients covered by collateral

	S 1 clients						S 2 clients						S 3 clients					
	Property	Deposits	Guarantees	Other collateral	Total		Property	Deposits	Guarantees	Other collateral	Total		Property	Deposits	Other collateral	Total		
Residential	24,710	476	-	2,614	27,800	-	3,755	-	-	3,780	-	204	-	-	39	243		
Cash	9,711	1,248	-	98,681	109,640	-	961	-	818	1,779	-	420	-	1,376	1,796			
Purchase of vehicles	340	91	-	4,777	5,208	-	-	-	15	15	-	-	-	58	58			
Adaptation of residential or commercial property	3,257	247	-	4,281	7,785	-	80	-	38	118	-	43	-	68	111			
Other	4,847	481	-	34,327	39,655	-	2,986	14	763	3,763	-	763	13	452	1,228			
Retail	42,865	2,543	-	144,680	190,088	-	7,782	14	1,659	9,455	-	1,430	13	1,993	3,436			
Large companies	20,561	1,502	-	12,361	34,424	-	86	-	20,829	20,915	-	1,124	-	-	1,124			
Medium companies	12,559	-	-	6,636	19,195	-	17,225	-	7,287	24,512	-	533	-	5	538			
Small enterprises	54,211	1,247	117	16,383	71,958	-	28,871	463	5,255	34,589	-	3,217	-	1,152	4,369			
State	-	-	-	101	101	-	-	-	-	-	-	-	-	-	-			
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Corporate clients	87,331	2,749	117	35,481	125,678	-	46,182	463	33,371	80,016	-	4,874	-	1,157	6,031			
Total	130,196	5,292	117	180,161	315,766	-	53,964	477	35,030	89,471	-	6,304	13	3,150	9,467			

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)
5.2. Credit risk (continued)

5.2.4. Quality of financial statements (continued)

5.2.4.2. Loans and receivables from clients covered by collateral(continued)

December 31, 2024	S 1 clients					S 2 clients					S 3 clients				
	Property	Deposits	Guarantees	Other collateral	Total	Property	Deposits	Guarantees	Other collateral	Total	Property	Deposits	Guarantees	Other collateral	Total
Residential	9,798	532	-	4,033	14,363	6,728	4	-	168	6,900	652	-	-	45	697
Cash	4,338	889	-	41,494	46,721	1,400	88	-	3,087	4,575	562	6	-	1,167	1,735
Purchase of vehicles	226	122	-	5,945	6,293	-	19	-	475	494	22	-	-	101	123
Adaptation of residential or commercial property	2,700	136	-	6,747	9,583	803	26	-	524	1,353	51	-	-	43	94
Other	4,106	503	-	28,862	33,491	2,380	623	-	5,657	8,660	1,051	8	-	332	1,391
Retail	21,168	2,182	-	87,101	110,451	11,311	760	-	9,911	21,982	2,338	14	-	1,688	4,040
Large companies	9,034	1,502	-	4,460	14,996	5,221	-	-	3,524	8,745	1,355	-	-	-	1,355
Medium companies	9,719	-	-	3,640	13,359	15,685	1	-	6,032	21,718	743	-	-	12	755
Small enterprises	18,867	502	229	10,541	30,139	47,554	5,063	999	680	54,296	4,227	-	-	996	5,223
State	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients	37,620	2,004	229	18,641	58,494	68,460	5,064	999	10,236	84,759	6,325	-	-	1,008	7,333
Total	58,788	4,186	229	105,742	168,945	79,771	5,824	999	20,147	106,741	8,663	14	-	2,696	11,373

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5 RISK MANAGEMENT (Continued)

5.2. Credit risk (Continued)

5.2.4. Quality of Financial Placements (Continued)

5.2.4.2. Loans and receivables from clients covered by collateral (Continued)

Fair value of collateral

	December 31, 2025	In thousand EUR December 31, 2024
Deposits	12,765	13,569
Pledge	59,769	52,827
Mortgages and fiduciaries	591,052	486,105
Policies	25,225	17,734
Guarantees	267	1,329
Total	689,078	571,564
		In thousand EUR
Due but assessed as a group	December 31, 2025	December 31, 2024
Deposits	12,658	12,646
Pledge	48,757	38,058
Mortgages and fiduciaries	401,316	320,284
Policies	25,225	17,734
Guarantees	267	329
	488,223	389,051
		In thousand EUR
Individually assessed	December 31, 2025	December 31, 2024
Deposits	107	923
Pledge	11,012	14,769
Mortgages and fiduciaries	189,736	165,821
Policies	-	-
Guarantees	-	1,000
Total	200,855	182,513

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)
5.2. Credit risk (Continued)

5.2.4. Quality of Financial Placements (Continued)

5.2.4.3. Geographic concentration

The geographic concentration of the Bank's exposure to credit risk is presented in the following table:

	Receivables from S1 and S2 clients				Receivables from S3 clients			
	Montenegro	European Union	USA and Canada	Other	Montenegro	European Union	USA and Canada	Other
December 31, 2025								
Retail clients	193,097	213	2,017	4,216	3,419	3	-	14
Residential	26,452	158	1,758	3,212	243	-	-	-
Cash	110,276	38	259	846	1,788	-	-	8
Purchase of vehicles	5,180	-	-	43	58	-	-	-
Adaptation of residential or commercial	7,893	-	-	10	111	-	-	-
Other	43,296	17	-	105	1,219	3	-	6
Corporate clients	205,694	-	-	-	4,660	1,371	-	-
Agriculture	905	-	-	-	1,124	-	-	-
Manufacturing	16,914	-	-	-	200	-	-	-
Electricity	20,496	-	-	-	-	-	-	-
Construction	24,279	-	-	-	1,175	-	-	-
Wholesale and retail trade	58,833	-	-	-	843	-	-	-
Services	660	-	-	-	10	-	-	-
Real estate activities	6,484	-	-	-	2	-	-	-
Other	77,123	-	-	-	1,306	1,371	-	-
Total	398,791	213	2,017	4,216	8,079	1,374	-	14
Receivables from banks	8,001	74,914	-	7,793	-	-	-	-
State	101,466	279,438	-	22,879	-	-	-	890
Corporate	126	48,227	-	7,398	-	-	-	-
Supranational	-	2,776	2,116	3,166	-	-	-	-
Securities	101,592	330,441	2,116	33,443	-	-	-	890

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

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (Continued)

5.2.4. Quality of Financial Placements (Continued)

5.2.4.3. Geographic concentration (Continued)

Geographic concentration of the Bank's exposure to credit risk is presented in the following table:

	Receivables from S1 and S2 clients				Receivables from S3 clients			
	Montenegro	European Union	USA and anada	Other	Montenegro	European Union	USA and anada	Other
December 31, 2024	123,174	3,948	2,741	2,570	3,898	2	-	140
Retail clients								
Residential	16,928	216	2,454	1,665	575	-	-	122
Cash	50,273	4	287	732	1,727	-	-	8
Purchase of vehicles	6,780	2	-	5	123	-	-	-
Adaptation of residential or commercial	10,922	-	-	14	89	-	-	5
Other	38,271	3,726	-	154	1,384	2	-	5
Corporate clients	143,253	-	-	-	5,876	1,457	-	-
Agriculture	569	-	-	-	1,356	-	-	-
Manufacturing	12,074	-	-	-	463	-	-	-
Electricity	1,134	-	-	-	-	-	-	-
Construction	28,007	-	-	-	1,467	-	-	-
Wholesale and retail trade	44,934	-	-	-	1,164	-	-	-
Services	846	-	-	-	19	-	-	-
Real estate activities	3,202	-	-	-	-	-	-	-
Other	52,487	-	-	-	1,407	1,457	-	-
Total	266,427	3,948	2,741	2,570	9,774	1,459	-	140
Receivables from banks	21,741	92,201	-	4,962	-	-	-	-
State	95,563	135,596	-	22,093	-	-	-	1,028
Corporate	111	66,831	-	9,572	-	-	-	-
Supranational	-	77,186	-	3,735	-	-	-	-
Securities	95,674	279,613	-	35,400	-	-	-	1,028

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (Continued)

5.2.4. Quality of Financial Placements (Continued)

5.2.4.4. Industrial concentration

Concentration by activities through which the Bank is exposed to credit risk, with a deduction for impairment, is presented in the following table:

Financial assets at amortized value Loans and receivables from Banks and Loans and receivables from clients Securities Financial assets at fair value through other comprehensive income Securities	In thousand EUR													
	Finance	Transport and telecommunications	Food and accommodation services	Wholesale and retail trade, repair of motor vehicles and motorcycles	Construction	Energy	Extraction of ore and rock	Administration and auxiliary services	Real estate trade	Agriculture, Forestry and fishing	Production	Other	Individuals	Total
11,246	-	-	-	-	-	-	-	-	-	-	-	79,108	-	90,354
7,231	7,623	26,783	56,455	23,379	578	4,588	2,446	6,208	1,496	15,212	45,493	197,784	395,276	
50,259	3,003	993	996		12,160	1,834				6,178	390,672		466,095	
16	-	39	-	-	-	-	-	87	-	64	117	-	323	
December 31, 2025	68,752	10,626	27,815	57,451	23,379	12,738	2,446	6,295	1,496	21,454	515,390	197,784	952,048	
December 31, 2024	18,351	7,564	19,495	43,893	27,134	946	2,351	2,950	1,324	11,301	527,008	131,141	796,460	

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.2. Credit risk (Continued)

5.2.4. Quality of Financial Placements (Continued)

5.2.4.5. Off balance sheet

The maturity of off-balance sheet items by which the Bank is exposed to credit risk is as follows:

	In thousand EUR			
	Undrawn credit lines	Guarantees	Letters of credit	Total
December 31, 2025				
Up to 1 year	51,848	56,184	678	108,710
1 to 5 years	3,819	17,479	-	21,298
Over 5 years	1	4,549	-	4,550
	55,668	78,212	678	134,558

	In thousand EUR			
	Undrawn credit lines	Guarantees	Letters of credit	Total
December 31, 2024				
Up to 1 year	51,146	63,803	-	114,949
1 to 5 years	2,999	14,280	-	17,279
Over 5 years	233	2,109	-	2,342
	54,378	80,192	-	134,570

5.2. Market Risk

The Bank is exposed to market risks. Market risks occur in the case of open positions, due to changes in interest rates and the exchange rate. Limits for exposure to market risks are prescribed internally and in line with the limits prescribed by the Central Bank of Montenegro.

5.3.1. Foreign exchange risk

The Bank's financial position and cash flows are exposed to the effects of changes in exchange rates. Exposure to foreign exchange risk is regularly monitored by comparing open foreign exchange positions in accordance with internally prescribed limits.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.3. Market risk (Continued)

5.3.1. Foreign exchange risk (Continued)

Exposure to the risk of currency exchange rate changes on December 31, 2025 is shown in the following table:

In thousand EUR	USD	GBP	CHF	Other	Total
Foreign currency assets	25,701	1,444	1,854	96	29,095
Foreign currency liabilities	25,630	1,458	1,810	96	28,994
Net open position:					
- December 31, 2025	<u>71</u>	<u>(14)</u>	<u>44</u>	<u>-</u>	<u>101</u>
- December 31, 2024	<u>1,558</u>	<u>117</u>	<u>24</u>	<u>25</u>	<u>1,724</u>
% core capital					
- December 31, 2025	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	
- December 31, 2024	<u>2%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	
Aggregate open: position:					
- December 31, 2025	101				
- December 31, 2024	1,724				
% core capital					
- December 31, 2025	0.10%				
- December 31, 2024	2.71%				

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.3. Market risk (Continued)

5.3.1. Foreign exchange risk (Continued)

The following table shows the scenario of exchange rate changes ranging from +10% to -10% in relation to EUR.

Sensitivity analyzes (foreign exchange risk)

	Total	2025 Amount at Foreign currency	In thousand EUR	
			Change in exchange rate	
			10%	-10%
Assets				
Cash and deposits held with central banks	193,408	4,395	439	(439)
<i>Finansijska sredstva po amortizovanoj vrijednosti</i>				
Kredit i potraživanja od banaka	90,354	6,495	649	(649)
Kredit i potraživanja od klijenata	395,276	-	-	-
HoV	466,095	15,528	1,553	(1,553)
Other financial assets <i>Financial assets at fair value through other comprehensive income</i>	9,913	-	-	-
Securities	323	-	-	-
Other operating receivables	3,605	2,677	268	(268)
Total assets	1,158,974	29,096	2,909	(2,909)
Liabilities				
<i>Financial liabilities at amortized value</i>				
Deposits due to Banks	9,350	-	-	-
Deposits due to customers	954,919	27,688	2,769	(2,769)
Loans from clients other than banks	20,008	-	-	-
Other financial liabilities	17,157	-	-	-
Reserves	564	-	-	-
Other liabilities - balance sheet	1,675	-	-	-
Subordinated debt	28,028	1,306	131	(131)
Total liabilities	23,381	-	-	-
Total assets	1,055,082	28,994	2,900	(2,900)
Other liabilities (guarantees and letters of credit) – off balance sheet	-	-	-	-
Sensitivity of net exposure to foreign exchange risk on changes in rates of foreign currencies				
- December 31, 2025			<u>9</u>	<u>(9)</u>
- December 31, 2024			<u>33</u>	<u>(33)</u>

On 31 December 2025, assuming that all other parameters are unchanged by a change in the EUR exchange rate against other currencies of +10% or -10%, the Bank's profit would increase or decrease by EUR 9 thousand (31 December 2024: profit would increase or decrease by EUR 33 thousand). The reason for the Bank's low exposure to exchange rate changes is the fact that the majority of the Bank's receivables and liabilities are denominated in EUR.

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.4. Market risk (Continued)

5.4.1. Interest rate risk

The following table shows interest bearing and non-interest bearing assets and liabilities of the Bank as at December 31, 2025:

	In thousand EUR		
	<u>Interest bearing</u>	<u>Non-interest bearing</u>	<u>Total</u>
ASSETS			
Cash and deposits held with central banks	26,927	166,481	193,408
<i>Financial assets at amortized value</i>			
Loans and placements from banks	90,354	-	90,354
Loans and placements from customers and other financial assets	395,276	-	395,276
Securities	466,095	-	466,095
Other financial assets	9,913	-	9,913
<i>Financial assets at fair value through other comprehensive income</i>			
Securities	-	323	323
Other operating receivables	-	3,605	3,605
Total assets	<u>988,565</u>	<u>170,409</u>	<u>1,158,974</u>
LIABILITIES			
<i>Financial liabilities at amortized value</i>			
Deposits due to Banks	9,350	-	9,350
Deposits due to clients	876,958	77,961	954,919
Loans from banks and central banks	20,008	-	20,008
Loans from non-bank clients	17,157	-	17,157
Other financial liabilities	2	562	564
Other liabilities	-	28,028	28,028
Subordinated debt	23,381	-	23,381
Total liabilities:	<u>946,856</u>	<u>106,551</u>	<u>1,053,407</u>
Exposure to interest rate risk:			
- December 31, 2025	<u>41,709</u>	<u>63,858</u>	<u>105,567</u>
- December 31, 2024	<u>(41,025)</u>	<u>131,442</u>	<u>90,417</u>

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.3. Market risk (Continued)

5.3.2. Interest rate risk (Continued)

The following tables show the annual active and passive interest rates of monetary financial instruments:

Loan type	Interest rate
Legal entities	
- short-term loans from the Bank's funds	0-9.75 p.a.
- short-term loans from other sources	0-9.75 p.a.
- short-term loans to banks and other financial organizations	0-9.75 p.a.
- arrangement loans	0-9.75 p.a.
- long -term loans from the Bank's funds	0-9.75 p.a.
- long-term loans from other sources	0-9.75 p.a.
- loans for small and medium-sized enterprises up to 24 months	0-9.75 p.a.
- loans for small and medium-sized enterprises over 24 months	0-9.75 p.a.
- loans for entrepreneurs up to 24 months	0.25-7.5 p.a.
- loans for entrepreneurs over 24 months	0.25-7.5 p.a.

Active interest rates applied to approved loans to individuals in 2025 are as follows:

Loan type	Interest rate
Retail:	
- cash loans	0-14.60 p.a.
- consumer loans	0-14.60 p.a.
- loans for the purchase of vehicles	3.99-4.99 p.a.
- loans for adaptation and financing up to 60 months	0-14.60 p.a.
- loans for adaptation and financing over 60 months	0-14.60 p.a.
- housing	4.6-6.0 p.a.

Passive interest rates applied to received deposits from legal entities in 2025 are as follows:

Loan type	Interest rate
Demand deposits	0-0.75 p.a.
Short-term deposits	0-2 p.a.
Long-term deposits	0-2.5 p.a.

Passive interest rates applied to received deposits from individuals in 2025 are as follows:

Loan type	Interest rate
Demand deposits:	
- EUR	0.01 p.a.
- other currencies	
Term deposits in EUR:	
- one month	0-0.01 p.a.
- three months	0-0.02 p.a.
- six months	0-0.05 p.a.
- 12 months	0-2.3 p.a.
- 24 months	0-2.5 p.a.
- 36 months	0-6.3 p.a.
Term deposits in foreign currencies:	
- three months	0.01-0.02 p.a.
- six months	0.04 p.a.
- 12 months	0.2-2.3 p.a.
- 24 months	0.25-2.7 p.a.

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.3. Market risk (Continued)

5.3.2. Interest rate risk (Continued)

Exposure to the interest rate risk as at December 31, 2025 is presented in the following table:

	In thousand EUR					
	Up to one months	From 1 to 3 months	From 3-6 months	From 6- 12 months	Over one year	Total
Sensitive assets						
Cash and deposits with central banks	-	-	-	-	26,927	26,927
Financial assets at amortized cost						
Loans and receivables from banks	79,158	-	3,500	7,696	-	90,354
Loans and receivables from customers	9,885	27,929	39,859	93,581	224,022	395,276
Securities	41,353	56,332	74,493	59,347	234,570	466,095
Other financial assets	9,913	-	-	-	-	9,913
Financial assets at fair value through other comprehensive income						
Securities	-	-	-	-	-	-
Financial assets held for trading						
Securities	-	-	-	-	-	-
Other trade receivables	-	-	-	-	-	-
Total	140,309	84,261	117,852	160,624	485,519	988,565
% of the total interest-bearing assets	14%	9%	12%	16%	49%	100%
Sensitive liabilities						
Financial liabilities carried at amortized cost						
Bank and central bank deposits	9,350	-	-	-	-	9,350
Client deposits	47,693	136,897	130,014	157,932	404,422	876,958
Loans from banks and central banks	233	211	450	2,157	14,106	17,157
Loans from non-bank clients	10,008	-	-	-	10,000	20,008
Other financial liabilities	-	-	-	-	2	2
Other liabilities	-	-	-	-	-	-
Subordinated debt	8,288	142	-	-	14,951	23,381
Total	75,572	137,250	130,464	160,089	443,481	946,856
% of total interest-bearing liabilities	7%	15%	14%	17%	47%	100%
Exposure to interest rate risk:						
- December 31, 2025	<u>64,737</u>	<u>(52,989)</u>	<u>(12,612)</u>	<u>535</u>	<u>42,038</u>	<u>41,709</u>
- December 31, 2024	<u>90,567</u>	<u>9,358</u>	<u>13,554</u>	<u>(96,167)</u>	<u>(58,337)</u>	<u>(41,025)</u>
Cumulative GAP:						
- December 31, 2025	<u>64,737</u>	<u>11,748</u>	<u>(864)</u>	<u>(329)</u>	<u>41,709</u>	
- December 31, 2024	<u>90,567</u>	<u>99,925</u>	<u>113,479</u>	<u>17,312</u>	<u>(41,025)</u>	

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.3. Market risk (Continued)

5.3.2. Interest rate risk (Continued)

The following table shows the effect of changes in variable interest rates for receivables and liabilities expressed in EUR in the range from +0.4% b.p. to -0.4 b.p.

Sensitivity analyzes (risk of interest rate changes)

	In thousand EUR		
	Net effect as a result of interest rate changes	+0.4 b.p.	-0.4 b.p.
	2025	EUR KS	EUR KS
ASSETS			
Cash and deposits held with central banks	26,927		
with fixed interest rate	-		
with variable interest rate	26,927	108	(108)
<i>Financial assets at amortized value</i>			
Loans and placements from banks	90,354		
Loans and placements from clients	395,276		
with fixed interest rate	392,758		
with variable interest rate	2,518	10-	10-
Securities	466,095		
with fixed interest rate	466,095		
	978,652	118	(118)
Liabilities			
<i>Financial liabilities at amortized value</i>			
Deposits due to banks	9,350		
Deposits due to customers	876,958		
Loans from banks and central banks	20,008		
with fixed interest rate	20,008		
Loans from non-bank clients	17,157		
with fixed interest rate	15,224-	-	-
with a variable interest rate	1,913	8	(8)
Other liabilities	-		
Subordinated debt	23,381		
	946,854		
Net exposure to interest rate risk:			
- December 31, 2025	31,798	108	(108)

As of 31 December 2025, assuming that all other parameters are unchanged by a change in interest rates of 40 b.p. (+/-0.4%), the Bank's profit would increase or decrease by EUR 108 thousand (31 December 2024: profit would increase or decrease by EUR 110 thousand). The reason for the Bank's low exposure to changes in variable interest rates is the fact that the majority of the Bank's receivables and liabilities are contracted with a fixed interest rate.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025**5. RISK MANAGEMENT (Continued)****5.3. Liquidity risk**

Liquidity risk represents the risk that the Bank will not be able to provide sufficient funds for the settlement of obligations at the time of their maturity, or the risk that the Bank will have to provide funds for the settlement of due obligations at a price higher than the market price.

The Bank's balance sheet structure and maturity transformation of assets make it inherently exposed to liquidity risk. According to the Liquidity Risk Management Strategy, the Bank's main source of funding is client deposits (the majority of which are retail avista deposits), while on the asset side, the dominant position is occupied by securities, loans to clients and cash. The maturity mismatch of financial assets and liabilities is the main source of the Bank's liquidity risk. The identification of the positions of financial assets, liabilities and off-balance sheet items based on which cash inflows or outflows occur, and their distribution by expected maturity forms the starting point for identifying the Bank's liquidity position, i.e. the position of the source of financing.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.4. Liquidity risk (Continued)

The maturity matching of financial assets and financial liabilities according to the expected maturity date as at December 31, 2025 is presented in the overview below:

In thousand EUR	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets							
Cash and deposits with central banks	166,481	-	-	-	-	26,927	193,408
Financial assets at amortized cost							
Loans and receivables from banks	79,158	-	3,500	7,696	-	-	90,354
Loans and receivables from customers	9,885	27,929	39,859	93,581	170,574	53,448	395,276
Securities	41,353	56,332	74,493	59,347	185,401	49,169	466,095
Other financial assets	9,913	-	-	-	-	-	9,913
Financial assets at fair value through other comprehensive income							
Securities	-	-	-	-	-	323	323
Financial assets held for trading							
Securities	-	-	-	-	-	-	-
Other business receivables	3,605	-	-	-	-	-	3,605
Total	310,395	84,261	117,852	160,624	355,975	129,867	1,158,974
Financial liabilities							
<i>Financial liabilities carried at amortized cost</i>							
Bank deposits	9,350	-	-	-	-	-	9,350
Customer deposits	61,944	150,961	143,978	174,126	423,910	-	954,919
Bank and central bank loans	10,008	-	-	-	10,000	-	20,008
Borrowed funds from other clients	233	211	450	2,157	12,288	1,818	17,157
Other financial liabilities	564	-	-	-	-	-	564
Other liabilities	21,516	-	-	-	6,512	-	28,028
Subordinated debt	8,288	142	-	-	4,993	9,958	23,381
Total	111,903	151,314	144,428	176,283	457,703	11,776	1,053,407
Deadline mismatch							
- December 31, 2025	198,492	(67,053)	(26,576)	(15,659)	(101,728)	118,091	105,567
- December 31, 2024	273,425	2,613	1,172	(114,313)	(105,930)	33,450	90,417
Cumulative GAP:							
- December 31, 2025	198,492	131,439	104,863	89,204	(12,524)	105,567	
- December 31, 2024	273,425	276,038	277,210	162,897	56,967	90,417	
% of total source of funds							
- December 31, 2025	17.13%	(5.79%)	(2.29%)	(1.35%)	(8.78%)	10.19%	
- December 31, 2024	25.35%	0.24%	0.11%	(10.60%)	(9.82%)	3.10%	

The maturity matching of financial assets and liabilities by expected maturity indicates a positive cumulative gap in expected cash flows across all maturity periods as of 31.12. 2025. The figures presented include modelling of deposits without agreed maturity based on historical data and statistical models, in order to determine their stability, as well as delays in loan repayment. Negative gaps in individual maturity zones are a consequence of the maturity transformation of assets as one of the principles of banking operations.

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.4. Liquidity risk (Continued)

The structure of assets and liabilities by expected maturity as of 31 December 2025 does not indicate the existence of maturity mismatches in any maturity period, considering the cumulative gap.

The Bank's liquidity as its ability to meet its obligations as they fall due depends on the balance sheet structure on the one hand, and on the matching of inflows and outflows of funds on the other. As of 31 December 2025, demand deposits in the table above are presented based on expected maturities using a model based on the Bank's historical data.

The maturity structure of financial liabilities by remaining maturity (undiscounted cash flows) with the balance as of 31 December 2025 is presented in the following overview:

	In thousand EUR						
	Demand	Up to 1 month	From 1- 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
December 31, 2025							
LIABILITIES							
Liabilities to banks	9,325	-	-	15	10	-	9,350
Liabilities to clients	862,500	4,232	16,034	36,689	33,813	1,651	954,919
Loans from banks and central banks	-	10,008	-	-	10,000	-	20,008
Loans from non-bank clients	-	233	211	2,607	12,288	1,818	17,157
Other financial liabilities	-	564	-	-	-	-	564
Other liabilities	-	21,516	-	-	6,512	-	28,028
Subordinated debt	-	8,288	142	-	4,993	9,958	23,381
	871,825	44,841	16,387	39,311	67,616	13,427	1,053,407

	In thousand EUR						
	Demand	Up to 1 month	From 1- 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
December 31, 2024							
OBAVEZE							
Liabilities to banks	36,170	-	-	10	15	-	36,195
Liabilities to clients	798,324	3,183	16,348	48,405	28,794	2,048	897,102
Loans from banks and central banks	-	4,500	-	-	-	-	4,500
Loans from non-bank clients	-	235	2	873	9,762	3,385	14,257
Other financial liabilities	-	447	-	-	-	-	447
Other liabilities	-	20,348	-	-	-	6,569	26,917
Subordinated debt	-	288	-	-	12,983	-	13,271
	834,494	29,001	16,350	49,288	51,554	12,002	992,689

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.5. Operational risks

Operational risk is the risk of possible adverse effects on the Bank's financial result and equity resulting from omissions (non-intentional and intentional) in employees' work, inadequate internal procedures and processes, inadequate management of information and other systems in the Bank, and from the occurrence of unforeseeable external events, including improbable events.

To set up a highly efficient process for identifying, evaluating, monitoring and reducing/controlling operational risk, the Bank has defined the following general categories of operational risks:

- internal fraud and activities
- external fraud and activities
- attitude towards employees and occupational safety
- clients, products and business practice
- damage to fixed assets
- disruption of operations and system failure
- performance, delivery and management of processes

Guided by best practices, the Bank has defined the principles for setting up a framework for efficient management of operational risks, which relate to:

- establishment of a suitable environment for managing operational risks and
- identification, evaluation, monitoring and control/supervision of operational risks

The identification, assessment, monitoring and control of operational risks in the Bank are organized in accordance with the three lines of defense model:

First line of defense – Business units and organizational units of the Bank

The first line of defense consists of managers/directors/coordinators of all Sectors, Services and Departments, as well as managers of Business Units, branches and sub-branches. These persons are responsible for the daily identification, assessment and management of operational risks within their scope of work, in accordance with the assigned authorities and responsibilities defined by the internal organizational structure, applicable policies and procedures of the Bank. In order to ensure continuity in operational risk management, each responsible person is obliged to appoint a deputy for the period of his/her absence. Monitoring of operational risks is carried out continuously, throughout the entire organizational structure of the Bank and the regional network, as part of regular business activities.

Second line of defense – Operational, market and other risk management department and Compliance department

The second line of defense is the Operational, Market and Other Risk Management Department, which, in cooperation with other organizational units of the Bank, performs independent assessment, supervision, control and reporting on operational risks. The Department monitors the Bank's exposure to operational risk and ensures compliance with the Risk Management Strategy, internal policies and limits prescribed by the Central Bank of Montenegro.

Proactive identification and assessment of operational risks is carried out at least once a year, taking into account the probability of occurrence of individual risk events, the frequency of their occurrence, as well as the potential impact on the Bank's operations. The goal of operational risk management is to minimize losses and ensure that the level of exposure is in accordance with the adopted Risk Management Strategy and Bank policies.

The Compliance Department monitors and assesses the compliance of the Bank's operations with applicable legal and regulatory requirements, internal policies and procedures, and timely indicates potential risks of non-compliance. In this way, it acts as an independent control function within the second line of defense, complementary to the risk management function.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.5. Operational risks (Continued)

Third line of defense – Internal audit

The third line of defense is Internal Audit, which conducts an independent review of the adequacy and effectiveness of the operational risk management system.

Internal Audit conducts regular, periodic and extraordinary audits with the aim of determining compliance with internal policies and procedures, as well as identifying deviations in the functioning of individual parts or the entire risk management system.

5.5. Fair value of financial assets and liabilities

Comparison of fair and book value of financial assets and liabilities

	Book value		Fair value	
	2025	2024	2025	2024
Financial assets				
Cash and deposit accounts with central banks	193,408	274,038	193,408	274,038
Financial assets at amortized cost				
Loans and receivables from banks	90,354	118,561	90,354	118,561
Loans and receivables from customers	395,276	269,565	395,276	269,565
Securities	466,095	401,517	467,973	400,883
Other financial assets	9,913	3,323	9,913	3,323
Financial assets at fair value through other comprehensive income				
Securities	323	6,817	323	6,817
Financial assets held for trading				
Securities	-	-	-	-
Investments in associates and joint ventures accounted for using the equity method				
Other assets	3,605	4,785	3,605	4,785
	1,158,974	1,078,606	1,160,852	1,077,972
Financial liabilities				
Financial liabilities carried at amortized cost				
Deposits from banks and central banks	9,350	36,195	9,350	36,195
Deposits from customers	954,919	897,102	954,919	897,102
Borrowed funds from other customers	17,157	14,257	17,157	14,257
Other financial liabilities	564	447	564	447
Other liabilities	28,028	26,917	28,028	26,917
Subordinated debt	23,381	13,271	23,381	13,271
	1,033,399	988,189	1,033,399	988,189

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.6. Fair value of financial assets and liabilities (Continued)

Hierarchy of fair value of financial instruments valued at fair value

Accounting regulations in force in Montenegro define a hierarchy of valuation techniques, based on whether the inputs required by those valuation techniques are available or not. The available inputs reflect the market data obtained from independent sources; the unavailable inputs include the Bank's market assumptions. These two types of inputs have created the following hierarchy of fair values:

- Level 1 – Quoted values (unadjusted) in the active market of those assets and liabilities. This level includes quoted capital instruments.
- Level 2 – Inputs other than quoted values included in Level 1, which are available and pertain to the given asset or liability, either directly (i.e. in the form of prices/values) or indirectly (in the form of conclusions based on prices/values).
- Level 3 – Inputs for assets and liabilities not based on the available market data. This level includes investments in capital under the Bank's market assumptions (there are no available data).

This hierarchy requires the use of available market data when they exist. In the assessment of fair value, the Bank takes into account the available market values whenever possible. As at December 31, 2024, the market prices of securities valued at fair value in the Bank's portfolio in Level 1 and Level 2 were available.

The estimated fair value of financial instruments, according to the hierarchy of fair values, is given in the following table:

	In thousand EUR			
	Level 1	Level 2	Level 3	Total
December 31, 2025				
Financial assets				
-at fair value through other result	323	-	-	323
Total	323	-	-	323
December 31, 2024				
Financial assets				
-at fair value through other result	328	6,489	-	6,817
Total	328	6,489	-	6,817

Valuation techniques and assumptions used for the valuation of financial instruments valued at fair value

The fair value of securities (classified in Level 1 and Level 2) through other comprehensive income is based on market prices. As at December 31, 2024, the aforementioned market prices of securities were available.

If the prices are not identifiable, either directly or indirectly, for securities (classified in Level 3) through other comprehensive income, the mark-to-model method is used, which is a process of discounting cash flows of a financial instrument by the appropriate discount rate obtained by the creation of a yield curve.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

5. RISK MANAGEMENT (Continued)

5.7. Capital management

Capital management aims to:

- compliance with the regulations of the regulator;
- protection of the Bank's ability to maintain going concern in order to be able to provide payments to shareholders and compensation to other owners;
- to provide the capital to support the further development of the Bank;
- to provide an adequate level of capital in case of unexpected losses.

The bank controls of the capital adequacy in accordance with the Decision on the Capital Adequacy of credit institutions of the Central Bank of Montenegro ("Official Gazette of Montenegro" no. 128/20, 140/21 and 144/22). The bank submits quarterly reports on the state, structure, and capital adequacy to the Central Bank.

The bank's regulatory capital is prudently valued capital that aims to cover unexpected losses. The goal of maintaining an adequate level of regulatory capital, which is measured by capital adequacy indicators, is primarily to protect the bank, its creditors and the entire economy, in order to ensure that the financial institution has sufficient quality financial support to safely and efficiently continue its business continuity on a healthy basis. By setting limits, both regulatory and internally determined, the bank is prevented from taking a higher level of risk than it could bear.

The bank's regulatory capital consists of:

1. Regular core capital (CET1)
2. Additional core capital (AT1)
3. Supplementary capital (T2)

In accordance with the Decision on the capital adequacy of credit institutions ("Official Gazette of Montenegro" No. 128/20, 140/21, 144/22 and 65/25), the Bank's regulatory capital represents the sum of the elements of common equity, additional equity and supplementary capital. The Bank's regulatory capital as of 31 December 2025 amounts to EUR 111,510 thousand, and consists of EUR 99,405 thousand of common equity and EUR 12,106 thousand of supplementary capital. The Bank has no elements of additional equity.

Elements of the regular fixed capital composition: paid-up equity instruments and retained earnings from previous years.

Deductible elements from the regular core capital consist of:

- investments in own capital instruments,
- other reserves,
- adjustments due to prudential filters,
- intangible assets i
- positive differences between calculated provisions and value adjustments.

Additional regulatory capital elements amount to EUR 12,106 thousand as of 31.12.2025 and consist of unamortized paid-up additional capital instruments (issued subordinated bonds). The Bank has no deductions based on additional capital.

6. INTEREST INCOME AND EXPENSES AND SIMILAR INCOME AND EXPENSES

Interest income

In thousand EUR	2025	2024
Deposits:		
- Foreign banks	2,156	2,881
- Other	94	104
	2,250	2,985
Loans:		
- Banks	219	264
- Government organizations	198	40
- Government of Montenegro	4	-
- Companies	7,857	6,450
- Individuals	10,423	8,452
Fee income recognized in interest income:	981	927
	19,682	16,133
Securities:	13,851	12,948
	13,851	12,948
Other interest income	90	84
	90	84
Total interest income:	35,873	32,150

Interest expense

In thousand EUR	2025	2024
Deposits:		
- Banks	117	18
- Financial institutions	-	2
- Municipalities	148	138
- State institutions	26	29
- Legal entities	47	73
- Individuals	803	746
	1,141	1,006
Loans and other borrowings	541	268
Subordinated debt:	776	635
Leasing	180	187
	2,638	2,096

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

7. NET INCOME/EXPENSE BASED ON IMPAIRMENT OF FINANCIAL INSTRUMENTS
NOT VALUED AT FAIR VALUE THROUGH INCOME STATEMENT

a) Impairment

In thousand EUR	<u>2025</u>	<u>2024</u>
Net provisions/ (reversal of provisions) based on:		
- loans	2,003	1,974
- deposits at banks	12	16
- securities	(1,170)	(445)
- off balance items	(76)	678
- other	142	(230)
	<u>911</u>	<u>1,993</u>

7.1. Changes at impairment accounts

	<u>December 31,2024</u>	<u>New placements- increase of impairment</u>	<u>Existing - reduction of impairment</u>	<u>Existing placements - increase of impairment</u>	<u>Closed placements - reversal of impairment</u>	<u>December 31,2025</u>
Retail	5,334	2,234	(1,003)	599	(1,968)	5,196
Corporate	12,160	5,999	(2,075)	1,143	(2,995)	14,232
Total	<u>17,494</u>	<u>8,233</u>	<u>(3,078)</u>	<u>1,742</u>	<u>(4,963)</u>	<u>19,428</u>
Receivables from banks	<u>343</u>	<u>304</u>	<u>-</u>	<u>16</u>	<u>(309)</u>	<u>354</u>

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

NOTES TO TGE FINANCIAL STATEMENTS
December 31, 2025

HIPOTEKARNA BANKA A.D., PODGORICA

7. NET INCOME/EXPENSE BASED ON IMPAIRMENT OF FINANCIAL INSTRUMENTS NOT VALUED AT FAIR VALUE THROUGH INCOME STATEMENT (Continued)

7.2. Changes on provisions

Changes in accounts for impairment of doubtful receivables and provisions

	Loans and receivables from clients (Note 17.2)	Interest (Note 17.2)	Acquired assets (Note 21)	Reserves for operational risk, country risk and court disputes (Note 23)	Other receivables (Note 21)	Other financial assets	Provisions for off balance sheet records (Note 23)	Impairment of securities (Note 17.3)	Loans and receivables from banks (Note 17.1)	Total
December 31, 2025										
In thousand EUR										
Balance at the beginning of the year	16,873	506	1,318	401	963	76	1,078	3,381	343	24,939
Impairment over the year, net	2,003	4	-	(37)	131	15	(76)	(1,180)	13	873
Reversal/ impairment that did not affect impairment and provision costs **	(99)	75	(656)	(1)	(8)	(4)	(1)	(136)	(2)	(832)
Decrease in income from interest on impaired placements										
Balance at the end of the year	18,777	585	662	363	1,086	87	1,001	2,065	354	24,980
December 31, 2024										
In thousand EUR										
Balance at the beginning of the year	16,717	902	1,450	476	953	115	401	3,834	264	25,112
Impairment over the year, net	1,795	(67)	-	(64)	28	6	678	(526)	79	1,929
Reversal/ impairment that did not affect impairment and provision costs **	(1,639)	(329)	(132)	(11)	(18)	(45)	(1)	73	-	(2,102)
Decrease in income from interest on impaired placements										
Balance at the end of the year	16,873	506	1,318	401	963	76	1,078	3,381	343	24,939

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

6. PROVISION COSTS

In thousand EUR	<u>2025</u>	<u>2024</u>
Net provisions based on:		
- litigations	13	15
- other	<u>(50)</u>	<u>(79)</u>
	<u>(37)</u>	<u>(64)</u>

9. FEE INCOME AND EXPENSES

Fee income In thousand EUR	<u>2025</u>	<u>2024</u>
Loan fees	912	927
Fees from off-balance-sheet operations	1,202	1,186
Fees from payment transactions and e-banking	4,646	4,216
Fees for foreign payments	3,398	3,429
Fees on credit card operations	21,752	19,560
Other fees and commissions	<u>3,228</u>	<u>2,908</u>
	<u>35,138</u>	<u>32,226</u>
Fee expenses In thousand EUR	<u>2025</u>	<u>2024</u>
Fees payable to the Central Bank	883	796
Fees for foreign payment transactions	711	748
Deposit insurance premium fees	4,745	4,713
Fees paid for borrowings and guarantees	19	23
Fees based on card and ATMs operations	12,718	11,590
Other fees and commissions	<u>1,236</u>	<u>800</u>
	<u>20,312</u>	<u>18,670</u>

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

10. EMPLOYEE EXPENSES

In thousand EUR	2025	2024
Net earnings	6,014	4,586
Taxes, surtaxes and contributions on earnings	1,852	1,950
Other net employee benefits	293	180
Severance pay and anniversary bonuses	31	32
Remuneration of Supervisory Board members	200	246
Remuneration of Development Committee members	192	67
Remuneration of Sustainable Development Committee members	8	15
Remuneration of Investment Committee members	7	7
Remuneration of Audit members	42	42
Net transportation costs	64	47
Travel expenses and per diems	961	1,349
Employee training	50	35
Provision costs for severance pay and jubilee awards (note 23)	7	4
Provisions for unpaid bonuses	250	-
Employee benefits	16	15
Other expenses	89	61
	10,076	8,636

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

11. GENERAL AND ADMINISTRATIVE EXPENSES

In thousand EUR	<u>2025</u>	<u>2024</u>
Lease costs	533	480
Costs of securing facilities and transporting money	841	794
Costs of electricity and fuel	215	204
Cleaning	272	202
Maintenance of computers and equipment	294	336
Taxes related to business premises	21	19
Vehicle maintenance costs	116	157
Insurance	1,008	807
Audit	675	598
Court fees	2	1
Other professional fees	9	7
Attorney fees	102	70
Consulting services	539	1,009
Intellectual service costs	31	68
Telephone	126	122
Communication network costs	397	377
Postage	66	28
Stationery	193	205
Utilities	29	24
Entertainment costs	884	2,314
Advertising and marketing	649	831
Subscriptions and donations	405	414
Software maintenance	1,218	966
Equipment rental	103	98
Processing services	1,006	992
Card transaction costs	200	186
Other costs	755	1,287
	<u>10,689</u>	<u>12,596</u>

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

12. DEPRECIATION COST

In thousand EUR	<u>2025</u>	<u>2024</u>
Property plant and equipment (Note 19)	1,261	1,051
Intangible assets (Note 20)	698	640
Property with the right of use (Note 19)	<u>1,375</u>	<u>1,288</u>
	<u>3,334</u>	<u>2,979</u>

13. OTHER EXPENSES

In thousand EUR	<u>2025</u>	<u>2024</u>
Direct write off of receivables	2	15
Various fees	196	63
Extraordinary expenses	<u>283</u>	<u>66</u>
	<u>481</u>	<u>144</u>

14. OTHER INCOME

In thousand EUR	<u>2025</u>	<u>2024</u>
Dividend income	32	52
Collected receivables previously written off	26	43
Other income	<u>89</u>	<u>76</u>
	<u>147</u>	<u>171</u>

15. INCOME TAX

a) Components of Income Tax

In thousand EUR	<u>2025</u>	<u>2024</u>
Calculated current income tax	3,926	3,633
Calculated deferred income tax	<u>21</u>	<u>22</u>
	<u>3,947</u>	<u>3,655</u>

Effective tax rate	15.93%	16.53%
--------------------	--------	--------

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

15. INCOME TAX (Continued)

b) Reconciliation between tax expense and the product of accounting results multiplied by the applicable tax rate

In thousand EUR	<u>2025</u>	<u>2024.</u>
The result in the income statement before taxation	24,778	22,116
Income tax at statutory rate	3,669	3,269
Tax effects of expenses not recognized for tax purposes	257	364
Other	<u>21</u>	<u>22</u>
Income tax disclosed in Income statement	<u>3,947</u>	<u>3,655</u>
	15.93%	16.53%

The tax rate used for 2025 and 2024 is progressive and amounts to 9% up to EUR 100,000.00 of taxable profit, 12% from EUR 100,000.01 to EUR 1,500,000.00 of taxable profit and 15% on the amount exceeding EUR 1,500,000.01 of taxable profit, in accordance with the Law on Corporate Income Tax.

c) Deferred tax liabilities

In thousand EUR	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Deferred tax assets/liabilities as a result of booked unrealized gains on securities valued at fair value through other comprehensive income	68	(72)
Deferred tax assets/liabilities based on the temporary difference between the book and tax basis of property and equipment	(2)	3
Deferred tax assets/liabilities as a result of booked actuarial gains/losses based on provisions for retirement benefits (IAS 19)	<u>3</u>	<u>19</u>
	<u>(69)</u>	<u>(50)</u>

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

16. CASH AND DEPOSIT ACCOUNTS HELD WITH CENTRAL BANKS

In thousand EUR	December 31, 2025	December 31, 2024
Cash on hand:	37,549	30,647
- in EUR	33,154	27,432
- in foreign currencies	4,395	3,215
Gyro account	99,981	195,228
Obligatory reserves held with the Central Bank of Montenegro	53,854	45,374
Funds in the collection process	2,024	2,789
	<u>193,408</u>	<u>274,038</u>

The Bank's mandatory reserve as of December 31, 2025 represents funds allocated in accordance with the regulations of the Central Bank of Montenegro referred to in the "Decision on mandatory reserves of credit institutions with the Central Bank of Montenegro" ("Official Gazette of Montenegro", No. 19/22 and 78/24). In accordance with the above, credit institutions calculate the mandatory reserve on demand deposits and time deposits, except for deposits of central banks.

Credit institutions calculate the mandatory reserve by applying the rate of:

- 5.5% - on the part of the base consisting of demand deposits and deposits contracted with a maturity of up to 365 days, or up to 366 days;
- 4.5% - on the part of the base consisting of deposits contracted with a maturity of over 365 days, or 366 days.

A rate of 5.5% is applied to deposits contracted with a maturity of more than 365 days or 366 days, which have a clause on the possibility of paying these deposits by installments within a period shorter than 365 days or within a period shorter than 366 days.

The mandatory reserve is calculated by applying the prescribed rates to the corresponding part of the base during the previous monthly period, two days before the end of the maintenance period. The maintenance period is a monthly period, starting from the third Wednesday of the month and lasting until the day before the third Wednesday of the following month.

The calculated reserve requirement shall be allocated by the credit institution to the reserve requirement account in the country and/or to the Central Bank accounts abroad and may not be allocated and held in any other form. The reserve requirement shall be allocated in EUR. Funds allocated to the Central Bank accounts abroad may not be transferred to other accounts abroad, but may only be transferred to the credit institution's transaction account in the RTGS system.

If a credit institution plans to withdraw reserve requirements from the Central Bank account abroad in an amount exceeding EUR 500,000, it shall be obliged to announce and notify the Central Bank in writing no later than three business days before the date of withdrawal of reserve requirements.

A bank may use up to 50% of the allocated reserve requirements to maintain daily liquidity. The bank shall not pay a fee for the used reserve requirement amount that is returned on the same day. The bank shall pay a monthly fee for the amount of reserve requirements that is not returned on the same day at the rate set by a special regulation of the Central Bank.

When the Central Bank determines that the bank has incorrectly calculated and/or allocated the reserve requirement or has not allocated it within the prescribed period, or that it does not maintain the reserve requirement in the prescribed amount, the bank shall pay a monthly fee for the determined amount of incorrectly calculated or untimely allocated reserve requirements at the rate set by a special regulation of the Central Bank.

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

17. FINANCIAL ASSETS AT AMORTIZED VALUE

17.1. Loans and receivables from banks

In thousand EUR	December 31, 2025	December 31, 2024	
Correspondent accounts with foreign banks	79,157	107,347	
Loans to banks	11,550	11,557	
	90,707	118,904	
Minus Impairment of loans and receivables from banks	(353)	(343)	
	90,354	118,561	
	Balance, December 31, 2024	Changes during the year	Balance, December 31, 2025
Impairment of loans and receivables from banks (Note 7.2)	(343)	(10)	(353)

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

17. FINANCIAL ASSETS AT AMORTIZED VALUE (Continued)

17.2. Loans and receivables from clients

In thousand EUR	December 31, 2025	December 31, 2024
Due loans:		
- privately owned companies	1,736	1,497
- companies with majority state ownership	1	-
- individuals	1,299	1,106
- other	6	7
Short-term loans:		
- municipalities (public organizations)	10	-
- private companies	57,136	44,586
- natural persons	7,632	5,322
- other	6,423	2,899
Long-term loans:		
- Government of Montenegro	101	-
- privately owned companies	123,594	97,882
- companies with majority state ownership	20,618	1,589
- individuals	193,560	129,632
- other	1,484	1,794
	413,600	286,314
Interest receivables:		
- loans	641	565
Accruals:		
- interest on loans	1,681	1,419
- fees	(1,261)	(1,278)
Failed guarantees	43	39
	1,104	745
	414,704	287,059
<i>Minus:</i>		
Impairment of loans, defaulted guarantees and factoring (note 7.2)	(18,777)	(16,873)
Impairment of interest (note 7.2)	(585)	(506)
Impairment of accrued income and deferred income	(66)	(115)
	(19,428)	(17,494)
	395,276	269,565

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

17. FINANCIAL ASSETS AT AMORTIZED VALUE (Continued)

17.2. Loans and receivables from clients (Continued)

The concentration by activities of the total net loans to customers by the Bank is as follows:

In thousand EUR	December 31, 2025	December 31, 2024
Agriculture, Forestry and Fisheries	1,496	1,324
Mining	4,588	3,002
Manufacturing	15,212	10,708
Water Supply	574	569
Construction	23,379	27,134
Trade	56,455	43,817
Transport and storage	7,623	3,156
Accommodation and food services	26,783	19,460
Information and communication	2,132	3,303
Financial and insurance activities	7,231	2,820
Real estate	6,208	2,950
Professional, scientific and technical activities	7,434	4,621
Administrative and support service activities	2,446	2,351
Education	105	133
Health and social work	479	286
Artistic, entertainment and recreational activities	14,363	10,993
Other service activities	20,029	743
Non-residents - legal entities	955	1,054
Population	197,784	131,141
	395,276	269,565

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

17. FINANCIAL ASSETS AT AMORTIZED VALUE (Continued)

17.2. Loans and receivables from clients (Continued)

Changes in loans and receivables from clients and impairment are shown in the following tables:

LOANS	Stage 1	Stage 2	Stage 3	POCI	TOTAL
December 31, 2024	168,945	106,746	9,361	2,007	287,059
New receivables	206,779	50,434	1,303	-	258,516
Transfer to level 1	(3,954)	3,002	952	-	-
Transfer to level 2	23,470	(25,281)	1,811	-	-
Transfer to level 3	365	316	(681)	-	-
POCI crossings	-	-	10	(10)	-
Existing billing	(36,636)	(9,520)	(2,763)	(139)	(49,058)
Existing enlargement	8,529	888	161	-	9,578
Closed	(51,727)	(37,108)	(2,254)	-	(91,089)
Written off	(5)	(1)	(169)	(127)	(302)
Transfer to other level	-	-	-	-	-
December 31, 2025	315,766	89,476	7,731	1,731	414,704

IMPAIRMENT	Stage 1	Stage 2	Stage 3	POCI	TOTAL
December 31, 2024	(2,890)	(8,686)	(5,051)	(867)	(17,494)
New receivables	(4,231)	(3,439)	(563)	-	(8,233)
Transfer to level 1	46	(31)	(15)	-	-
Transfer to level 2	(568)	710	(142)	-	-
Transfer to level 3	(22)	(72)	94	-	-
POCI crossings	-	-	(4)	4	-
Existing billing	1,233	1,003	815	28	3,079
Existing enlargement	(246)	(611)	(873)	(13)	(1,743)
Closed	642	3,056	979	-	4,677
Written off	-	-	159	127	286
Transfer to other level	-	-	-	-	-
December 31, 2025	(6,036)	(8,070)	(4,601)	(721)	(19,428)

As of December 31, 2025, the Bank's portfolio on individual value adjustment amounts to EUR 99,967 thousand (2024: EUR 77,607 thousand), and on collective value adjustment EUR 314,737 thousand (2024: EUR 209,452 thousand).

As of December 31, 2025, the value correction for the portfolio that is on individual correction is EUR 13,469 thousand (2024: EUR 13,499 thousand), and for the portfolio that is on collective correction is EUR 5,959 thousand (2024: EUR 3,995 thousand).

As of December 31, 2025, there are 200 credit items on the individual correction (2024: 206), and 60,620 credit items on the collective (2024: 52,702).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

17. FINANCIAL ASSETS AT AMORTIZED VALUE (Continued)

17.3 Securities

In thousand EUR	December 31, 2025	December 31, 2024
Debt securities		
Residents	101,466	95,563
Non-residents	366,693	309,335
	468,159	404,898
<i>Impairment</i>	2,064	3,381
	466,095	401,517

In thousand EUR	Balance December 31, 2024	Change	Balance December 31, 2025
Debt securities	(3,381)	1,317	(2,064)
	(3,381)	1,317	(2,064)

Securities classified as financial assets at amortized cost include investments in Montenegrin local bonds and Eurobonds with a value of EUR 101,279 thousand as of December 31, 2025 and investments in debt securities - non-residents with a value of EUR 364,816 thousand as of December 31, 2025.

Local bonds of Montenegro mature on April 23, 2026, with a coupon interest rate of 3.5%, and have a nominal value of EUR 1,380 thousand.

Eurobonds of Montenegro with maturity dates from 2027 to 2032, with coupon interest rates of: 2.875% for the series maturing in 2027 and 2.55% for the series maturing in 2029, 4.875% for the series maturing in 2032 and have a nominal value of EUR 101,003 thousand.

Debt securities – bonds and treasury bills – non-residents as of 31 December 2025 have a value of EUR 364,816 thousand. These securities, with a nominal value of EUR 366,399 thousand, mature in the period from 2026 to 2032, with coupon interest rates ranging from 0.00% to 11.25%.

As of 31.12.2025, there are no investments in securities classified at fair value through profit or loss (FVPL).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

17. FINANCIAL ASSETS AT AMORTIZED VALUE (Continued)

17.3 Securites (Continued)

	December 31, 2025	December 31, 2024
Short-term debt instruments - treasury bills of the Ministry of Finance of the Government of Montenegro	-	-
Short-term debt instruments - domestic bonds of the Ministry of Finance of the Government of Montenegro	1,381	-
Short-term debt instruments - bonds of financial institutions	9,806	8,836
Short-term debt instruments - corporate bonds	19,120	11,376
Short-term debt instruments - supranational bonds	8,024	69,108
Short-term debt instruments - foreign government bonds	190,043	92,802
Short-term debt instruments - municipal bonds	-	287
Short-term debt instruments - Eurobonds of the Ministry of Finance of the Government of Montenegro	-	44,844
Long-term debt instruments - Eurobonds of the Ministry of Finance of the Government of Montenegro	98,720	48,096
Long-term debt instruments - domestic bonds of the Ministry of Finance of the Government of Montenegro	-	1,383
Long-term debt instruments - foreign government bonds	110,727	63,997
Long-term debt instruments - municipal bonds	-	-
Long-term debt instruments - corporate bonds	15,996	33,224
Long-term debt instruments - bonds of financial institutions	9,791	15,435
Long-term debt instruments - supranational bonds	-	11,728
	463,608	401,116
Claims for interest	4,551	3,782
Correction of value of securities at amortized value	(2,064)	(3,381)
	466,095	401,517

	Principal amount due over 1 year	Maturity
Long-term debt instruments - corporate bonds	46.451	
Long-term debt instruments - Eurobonds of the Ministry of Finance of the Government of Montenegro	11.511	2027
Long-term debt instruments - foreign government bonds	5.000	
Long-term debt instruments - bonds of financial institutions	41.000	
Long-term debt instruments - corporate bonds	3.166	2028
Long-term debt instruments - foreign government bonds	38.065	
Long-term debt instruments - corporate bonds	30.003	
Long-term debt instruments - foreign government bonds	4.351	2029
Long-term debt instruments - Eurobonds of the Ministry of Finance of the Government of Montenegro	3.000	
Long-term debt instruments - bonds of financial institutions	500	
Long-term debt instruments - foreign government bonds	1.000	2030
Long-term debt instruments - corporate bonds	4.451	
Long-term debt instruments - financial institution bonds	3.000	2031
Long-term debt instruments - foreign government bonds	1.700	
Long-term debt instruments - supranational bonds	30.000	2032.
Long-term debt instruments - foreign government bonds	16.400	
	239.598	

Nominal interest rates on domestic and Eurobonds range from 2.55% to 4.88%.

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE RESULT

In thousand EUR	December 31, 2025	December 31, 2024
Equity securities	126	112
Residents	197	6,705
	323	6,817

Securities classified as financial assets at fair value through other comprehensive income, with a balance of EUR 323 thousand as of December 31, 2025, relate exclusively to investments in shares of companies.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

19. PROPERTY, PLANT AND EQUIPMENT

Movements on property, equipment and other assets for 2025 and 2024 are presented in the following table:

In thousand EUR	Computer equipment	Other equipment	Investments in progress	Assets with the right of use	Total
Cost					
Balance, January 1, 2024	2,130	6,312	49	10,099	18,590
Increases	210	909	1,215	837	3,171
Modification of lease period	-	-	-	606	606
Transfer	154	1,058	(1,232)	-	(20)
Disposals, write-offs, and contract termination	(33)	(705)	-	(273)	(1,011)
Balance, December 31 2024	2,461	7,574	32	11,269	21,336
Increases	1,019	1,013	443	680	3,155
Modification of lease period	-	-	-	685	685
Transfer	9	312	(321)	-	-
Disposals, write-offs, and contract termination	(2)	(486)	-	(229)	(717)
Balance, December 31 2025	3,487	8,413	154	12,405	24,459
Impairment					
Balance, January 1, 2024	1,383	4,338	-	3,740	9,461
Depreciation (Note 12)	373	678	-	1,288	2,339
Disposals, write-offs	(33)	(666)	-	(168)	(867)
Balance, December 31 2024	1,723	4,350	-	4,860	10,933
Depreciation (Note 12)	428	833	-	1,375	2,636
Disposals, write-offs	(1)	(304)	-	(133)	(438)
Balance, December 31 2025	2,150	4,879	-	6,102	13,131
Current value:					
- December 31, 2025	1,337	3,534	154	6,303	11,328
- December 31, 2024	738	3,224	32	6,409	10,403

As of December 31, 2025, the Bank has no assets pledged to secure loan repayments and other liabilities.

Investments in progress relate to payments related to the purchase of ATM devices in the amount of EUR 76 thousand, services performed and the purchase of equipment for the adaptation of branches in the amount of EUR 76 thousand, and the purchase of racks for POS terminals in the amount of EUR 2 thousand.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

Imovina sa pravom korišćenja

In thousand EUR	<u>Business space</u>	<u>Equipment</u>	<u>Total</u>
Balance as at, January 1, 2025	5,575	833	6,408
New acquisitions	685	-	685
Depreciation	(1,083)	(292)	(1,375)
Termination of contract means	(229)	-	(229)
Termination of contract accumulated depreciation	133	-	133
Modification of the lease period	415	265	680
Balance as at December 31, 2025	<u>5,496</u>	<u>806</u>	<u>6,302</u>

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

19. INTANGIBLE ASSETS

Intangible assets mostly consist of licenses and software. The following overview shows the movements in intangible assets during 2025 and 2024:

In thousand EUR	Other			Intangible Assets in progress	Total
	Intangible assets	Licenses	Software		
Cost					
Balance, January 1, 2024	240	1.656	4.032	374	6.302
Additions	-	-	498	606	1.104
Transfers	-	-	812	(812)	-
Disposals	(39)	-	(3)	-	(42)
Balance, December 31, 2024	201	1.656	5.339	168	7.364
Additions	-	38	1.122	185	1.345
Transfers	-	-	73	(73)	-
Disposals	-	-	-	-	-
Balance, December 31, 2025	201	1.694	6.534	280	8.709
Impairment					
Balance, January 1, 2024	240	799	2.957	-	3.996
Depreciation (Note 12)	-	156	484	-	640
Disposals	(39)	-	(3)	-	(42)
Balance, December 31, 2024	201	955	3.438	-	4.594
Depreciation (Note 12)	-	85	613	-	698
Disposals	-	-	-	-	-
Balance, December 31, 2025	201	1.040	4.051	-	5.292
Current value					
- December 31, 2025	-	654	2.483	280	3.417
- December 31, 2024	-	701	1.901	168	2.770

Increases in intangible assets during 2025 mainly relate to software increases, i.e. investments related to the implementation of new applications within the Dabar application software in the amount of EUR 850 thousand, improvements to the card and electronic banking application in the amount of EUR 202 thousand, investments in process automation in the amount of EUR 56 thousand and other software investments in the amount of EUR 86 thousand.

Investments in progress for intangible assets amount to EUR 280 thousand. These investments mostly relate to software projects related to card and ATM operations.

In accordance with IAS 38, the Bank does not amortize licenses with an indefinite useful life. The useful life is reviewed at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

20. OTHER ASSETS

In thousand EUR	<u>December 31,2025</u>	<u>December 31,2024</u>
Assets acquired through collection of receivables	675	2,391
Prepaid costs	1,541	1,756
Receivables from custody	74	77
Advances	416	244
Other receivables from fees and commissions	401	354
Receivables from state funds	116	73
Receivables from costumers	335	337
Credit card receivables	882	858
Receivables from employees	316	337
Other financial receivables	25	22
Other operating receivables	592	578
Impairment of other assets	<u>(1,768)</u>	<u>(2,242)</u>
	<u>3,605</u>	<u>4,785</u>

Assets acquired through the collection of receivables in the amount of EUR 675 thousand as of 31 December 2025 (31 December 2024: EUR 2,391 thousand) relate to assets acquired based on the activation of loan collateral. Assets acquired based on the collection of receivables are recorded at the lower of the total value of receivables and the estimated value.

The value adjustment of other assets mainly relates to assets acquired through the collection of receivables in the amount of EUR 662 thousand (31 December 2024: EUR 1,318 thousand) and EUR 1,106 thousand to the value adjustment from business relationships (31 December 2024: EUR 924 thousand).

21. FINANCIAL LIABILITIES AT AMORTIZED VALUE

22.1 DEPOSITS FROM BANKS AND CENTRAL BANKS

In thousand EUR	<u>December 31,2025</u>	<u>December 31,2024</u>
Avista deposits	9,325	36,170
Term deposits	25	25
	<u>9,350</u>	<u>36,195</u>

Bank deposits in the amount of EUR 9,350 thousand as of December 31, 2025 (December 31, 2024: EUR 36,195 thousand) relate to term and demand deposits, of which EUR 8,947 thousand relate to demand deposits from domestic banks, and EUR 378 thousand relate to demand deposits from foreign banks. The total amount of EUR 25 thousand relates to four deposits in domestic banks, three of which are term deposits for a period of 2 years at an interest rate of 0% to 0.75%, while one deposit is term deposits for a period of 2 years and 3 months at an interest rate of 0%.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

22. FINANCIAL LIABILITIES AT AMORTIZED VALUE (Continued)

22.2 DEPOSITS FROM CLIENTS

In thousand EUR	December 31, 2025	December 31, 2024
Demand deposits:		
- financial institutions	5,424	3,598
- privately owned companies	260,420	259,636
- companies with majority state ownership	31,270	37,278
- municipalities (public organizations)	10,331	12,213
- individuals	426,847	369,867
- non-profit organizations	15,303	13,912
- the government of the Republic of Montenegro	88,576	75,583
- others	24,039	24,096
	862,210	796,183
Funds in escrow account	290	2,141
Short-term deposits:		
- financial institutions	1,984	2,569
- privately owned companies	308	3,131
- companies with majority state ownership	8,402	8,401
- funds	35,039	35,746
- individuals	53	52
- non-profit organizations	300	100
- government of the Republic of Montenegro	110	7
	46,196	50,006
Long-term deposits:		
- financial institutions	103	103
- privately owned companies	8,098	9,125
- companies with majority state ownership	1	2
- municipalities (public organizations)	541	526
- individuals	35,588	36,892
- non-profit organizations	71	70
- the government of the Republic of Montenegro	100	300
- others	413	412
	44,915	47,430
Interest and other liabilities		
Accruals: deposits	1,308	1,342
	954,919	897,102

Sight deposits of individuals in EUR are deposited at an interest rate of 0.01% per annum.

Short-term and long-term deposits of individuals in EUR are deposited at an interest rate ranging from 0% to 6.30% per annum, depending on the savings package chosen and the amount deposited (up to EUR 50 thousand and over EUR 50 thousand). Short-term and long-term deposits of individuals in foreign currency are deposited depending on the currency, at an interest rate ranging from 0.01% to 2.7% per annum.

Short-term and long-term deposits of companies in EUR are deposited at an interest rate ranging from 0% to 2.50% per annum, depending on the deposit period and the amount deposited (up to EUR 100 thousand and over EUR 100 thousand). The interest rate on short-term and long-term deposits in other currencies is 0.25%.

On demand deposits of legal entities, interest is calculated in the range of 0% to 0.75% per annum.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

22. FINANCIAL LIABILITIES AT AMORTIZED VALUE (Continued)

22.3. LOANS FROM CLIENTS WHICH ARE NOT BANKS

In thousand EUR	Period	Annual Interest Rate	December 31,2025	December 31,2024
European Bank for Reconstruction and Development (2020.)	6 y 4 m –	2.69 – 2.76%	10,000	5,000
Green For Growth Fund, See S.A. (2021)	6 y 11 m			
		4.370%	1,909	2,545
			11,909	7,545
Investment Development Fund of Montenegro, Podgorica (2014 - 2021.)	5 y 11m- 13 y 5 m	1.5%-2%	3,356	4,480
Directorate for the Development of Small and Medium Enterprises (2007.)	7 y 6 m.			
Ministry of Finance (2021)	9 y.	0%	1,808	2,170
			5,214	6,700
			17,123	14,245
<i>Accruals</i>				
Interest not due			34	12
Total			17,157	14,257

On November 25, 2024, the Bank signed the Credit Line Agreement with the European Bank for Reconstruction and Development (EBRD). The credit line in the amount of EUR 10,000 thousand will be aimed at housing loans. The payment is made in two installments of EUR 5,000 thousand each. The first tranche was paid on December 23, 2024. The second tranche was paid on 07.07.2025. year. European Union bonds, ISIN: EU000A3K4DD8, have been pledged as collateral for the aforementioned Agreement.

22.4. LOANS FROM BANKS AND CENTRAL BANKS

In thousand EUR	Period	Annual Interest Rate	December 31,2025	December 31,2024
Banka Kombetare Tregtare	9 dana	3.40%	-	4.500
Aik Banka ad	2 god;6 dana	3.5% ; 1.95%	20,000	-
			20,000	4,500
<i>Accruals</i>				
Interest not due			8	-
Total			20,008	4,500

The long-term loan agreement with AIK Bank AD was signed in July 18 2025, in the amount of EUR 10,000 thousand to maintain a satisfactory level of prescribed coefficients in accordance with the current regulations in Montenegro. The loan was approved for a period of 2 years, at an interest rate of 3.50% per year.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

22. RESERVES

In thousand EUR	<u>December 31,2025</u>	<u>December 31,2024</u>
Provisions for potential losses for:		
- off-balance sheet exposures (note 7.2)	1,001	1,078
- operational risk and country risk (note 7.2)	312	362
- litigation / court disputes (note 7.2)	51	39
Provisions for employee retirement benefits and jubilee awards	<u>311</u>	<u>63</u>
	<u><u>1,675</u></u>	<u><u>1,542</u></u>

	Estimate per day	
	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Discount rate for retirement benefits	4.72 %	4.51 %
Employee turnover ratio (does not include employees referred by employment agencies)	31.28 %	12.50 %
Inflation rate	3.90 %	3.40 %
Expected salaries growth rate	-	-

Changes on the account of provisions for employee retirement benefits were as follows:

In thousand EUR	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	63	48
Provisions during the year (note 10)	7	4
Provisions during the year through capital	(7)	17
Use of provisions	<u>(2)</u>	<u>(6)</u>
Balance as at December, 31	<u><u>61</u></u>	<u><u>63</u></u>

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

24. OTHER LIABILITIES

In thousand EUR	December 31,2025	December 31,2024
Liabilities from consignment operations	197	201
Advances received	7,475	5,216
Liabilities for other taxes	52	87
Liabilities relating to deductions from salaries	1	113
Trade payables	607	803
Accrued liabilities	6,512	6,569
Lease liabilities with the right of use	8,053	10,204
Custody operation liabilities	2,148	1,194
Suspense accounts	2,983	2,530
	<u>28,028</u>	<u>26,917</u>

Lease liabilities

	Business space	Technical equipment	Total
Balance, January 1,2025	5,653	916	6,569
New purchases	685	-	685
Interest expense	163	17	180
Contract termination	(97)	-	(97)
Modification of the rental price/lease period	410	260	670
Leasing payments	(1,192)	(303)	(1,495)
Balance, December 31, 2025	<u>5,622</u>	<u>890</u>	<u>6,512</u>

Dospjeće obaveza po osnovu lizinga

	Up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Lease liabilities	<u>361</u>	<u>968</u>	<u>3,773</u>	<u>1,410</u>	<u>6,512</u>

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

HIPOTEKARNA BANKA A.D., PODGORICA

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

25. SHARE CAPITAL

- The Bank's share capital amounts to EUR 52,361,965.61, consisting of 10,241,148 ordinary registered shares;
- The nominal value of one share is EUR 5.1129;
- The shares are dematerialized, unlimitedly transferable and registered. An extract from the register at the Central Depository and Clearing Company AD Podgorica is the only proof of ownership of the shares.

The Bank's ownership structure as of December 31, 2025 and 2024 is shown in the following overview:

Shareholder	December 31, 2025			December 31, 2024		
	Number of shares	In thousand EUR	% share	Number of shares	In thousand EUR	% share
AIKGROUP (CY) LIMITED	8,192,918	41,890	80.00	3,220,711	16,467	31.45
HIPOTEKARNA BANKA A,D Podgorica/HB - Zbirni Kastodi račun 1	2,048,230	10,472	20.00	1,455,154	7,440	14.21
				1,379,584	7,054	13.47
				503,973	2,577	4.92
				503,973	2,577	4.92
Total	10,241,148	52,362	100.00	10,241,148	52,362	100.00

26. SUBORDINATED DEBT

An overview of the subordinated debt as of December 31, 2025 and 2024 is presented in the following overview

In thousand EUR	Year of debt	Period/ year	Annual Interest Rate	2025	2024
Subordinated bonds HB03	2019	6	5.00%	8,185	8,178
Subordinated bonds HB04	2021	6	4.50%	5,096	5,093
Subordinated bonds HB05	2025	6	4.50%	10,100	-
				<u>23,381</u>	<u>13,271</u>

27. COMPLIANCE WITH THE REGULATIONS OF THE CENTRAL BANK OF MONTENEGRO

The bank is obliged to coordinate the scope of its operations with the prescribed indicators, which are determined by the Law on Credit Institutions and by-laws of the Central Bank of Montenegro.

The bank is obliged to meet the following capital requirements at all times

- 1) adequacy ratio of regular basic capital of 4.5%
- 2) capital adequacy ratio of 6%;
- 3) total capital adequacy ratio of 8%.

In addition to the aforementioned minimum coefficients prescribed by law, the Bank must also meet the following requirements for capital buffers:

- capital preservation buffer – 2.5%;
- countercyclical buffer – 0.5%;
- buffer for OSV institutions – 2%;
- P2R – 2.60%

27. COMPLIANCE WITH THE REGULATIONS OF THE CENTRAL BANK OF MONTENEGRO
(Continued)

In thousand EUR		2025	2024
Regulatory capital		111,510	68,341
Share capital (Tier 1)		99,405	63,637
Common equity (CET 1)		99,405	63,637
		12,106	4,704

In thousand EUR	Prescribed limits	Achieved business indicators	
		2025	2024
Capital	Minimum amount of founding capital EUR 7.5 million	115,077	93,991
Common Equity Tier 1 Capital Ratio (CET1)	min 4.5% legal / min HB for 2025 12.46%	20.34%	15.61%
Tier 1 Capital Ratio (Tier 1)	min 6% legal / min HB for 2025 14.45%	20.34%	15.61%
Total Capital Ratio (TCR)	min 8% legal / min HB for 2025 17.10%	22.82%	16.76%
Total exposure of the bank to one person or group of related persons	Maximum 25% of share capital	18.69%	21.48%
Sum of all large exposures of the Bank	Maximum 800% of share capital	154.37%	218.45%
Total exposure to all persons related to the bank	Maximum 200% of share capital	12.78%	7.39%
Total exposure to a member of the supervisory or management board and procurator of the credit institution	Maximum 2% of share capital	0.14%	0.93%
Minimum liquidity ratio	0.9 on a daily basis/1 on a ten-day basis	RLS 1.32 / DPL 1.39	RLS 2.04 / DPL 1.85
Foreign exchange risk - net open position for all currencies	4% of core capital of banks	0.03%	2.45%

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

28. OFF BALANCE SHEET ITEMS

In thousand EUR	December 31, 2025	December 31, 2024
Undrawn credit lines	55,668	54,378
Irrevocable documentary letters of credit issued for payment abroad	678	-
Issued guarantees		
-Issued payable guarantees	32,706	33,424
-Issued performance guarantees	16,682	18,185
-Other types of guarantees	28,825	28,583
	134,559	134,570
Collateral for receivables	689,077	571,564
Other off-balance sheet exposures of the bank	349,135	381,185
Total	1,038,212	952,749
Total off-balance sheet records	1,172,771	1,087,319

Other types of guarantees include tender, customs and advance types of guarantees,

Other off-balance sheet exposure items of the Bank mostly relate to credit obligations received under custody transactions in the amount of EUR 347,481 thousand (2024: EUR 379,563 thousand) and written-off receivables from internal records in the amount of EUR 1,654 thousand (2024: EUR 1,622 thousand),

Credit obligations received under custody and brokerage transactions include credit obligations received under custody transactions in the amount of EUR 337,107 thousand (2024: EUR 364,643 thousand) and credit obligations received under brokerage transactions in the amount of EUR 10,374 thousand (2024: EUR 14,919 thousand)

29. CASH AND CASH EQUIVALENTS

For the purposes of cash flow statement, cash and cash equivalents comprises of all assets with maturities of up to three months as follows: cash and available assets held with the Central Bank of Montenegro, other banks and depositary institutions.

In thousand EUR	December 31, 2025	December 31, 2024
Cash on hand	33,154	27,432
Cash on hand-foreign currency	4,395	3,215
Assets in the course of settlement	2,024	2,789
Gyro account	99,981	195,228
Correspondent accounts with foreign banks	79,157	107,346
Deposits placed with the Central Bank of Montenegro	53,854	45,374
	272,565	381,384

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

30. RELATED PARTY TRANSACTIONS

Transactions with related parties are shown in the following tables:

	December 31,2025	December 31,2024
<u>Assets</u>		
<u>Loans and receivables from banks</u>		
Podravska Banka d.d., Koprivnica	3,549	3,555
	3,549	3,555
<u>Loans and receivables from customers</u>		
Board members	157	174
Employees and other related parties*	87	14
	244	188
<u>Securities</u>		
Podravska Banka d.d., Koprivnica		3,740
	-	3,740
<u>Other financial receivables</u>		
Podravska Banka d.d., Koprivnica	-	3,388
	-	3,388
<u>Total assets</u>	3,793	10,871
<u>Liabilities</u>		
<u>Bank deposits</u>		
Podravska Banka d.d., Koprivnica	22	9,021
	22	9,021
<u>Client deposits</u>		
Shareholders and Supervisory Board members		
Board members	1,280	3,993
Employees and other related parties*	407	454
	189	296
	1,876	4,743
Total liabilities	1,898	13,764

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

30. LITIGATIONS

As of 31.12.2025, 25 legal disputes are being filed against the Bank by legal entities and individuals (as of 31.12.2024, the number of active disputes was 29),

The total potential material costs (principal, interest and costs) for the Bank according to the status of disputes as of 31.12.2025 amount to EUR 460 thousand (excluding the value of the dispute in the amount of EUR 553 thousand, because the proceedings regarding the main matter have been legally concluded, i.e. the proceedings are ongoing before the High Court in Podgorica, only in the part concerning the awarded costs), The outcome of the disputes cannot be reliably estimated at this time, since the Bank's management, based on the opinion of the legal advisor, does not expect negative outcomes of the disputes that could have materially significant effects on the Bank's financial statements for 2025,

The total amount of legal disputes as of 31.12.2025, in which the Bank is the plaintiff amounts to EUR 4,254 thousand (EUR 4,458 thousand as of December 31, 2024).

31. EARNING PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Bank divided by the weighted average number of ordinary shares outstanding for the period.

Basic and diluted earnings per share		
Net profit (In 000 EUR)	<u>2025</u>	<u>2024</u>
	20,831	18,461
Weighted average number of ordinary shares	<u>10,241,148</u>	<u>10,241,148</u>
Earning per share / In EUR	2.03	1.80

32. TAX RISKS

Tax laws in Montenegro are often interpreted differently and are subject to frequent changes. The interpretation of tax laws by tax authorities in relation to the Bank's transactions and activities may differ from the interpretation of the Bank's management. According to IFRIC 23, there may be uncertainties regarding the application of tax regulations to certain transactions and circumstances, and the acceptability of a particular tax treatment under tax law will be uncertain until a competent tax authority or court makes a decision in the future. As a result, the challenge or examination of a particular tax treatment by tax authorities may have an impact on the accounting for current or deferred tax assets or liabilities by the entity. The limitation period for tax liabilities is five years, which means that tax authorities have the right to determine the payment of outstanding liabilities within five years from the date the liability arose,

During 2023 and 2024, the Bank was subject to an audit by the Tax Administration of Montenegro. The audit included, among other things, a review of corporate income tax and withholding tax for the period from 01.01.2018 to 31.12.2022. In 2024, the Bank submitted a request to the Ministry of Finance of Montenegro to challenge/review the decision of the Tax Administration. Since the Ministry of Finance did not accept the Bank's request to challenge/review the decision of the Tax Administration, the Bank filed a lawsuit with the Administrative Court of Montenegro,

In accordance with its accounting policies in the event of an uncertain tax treatment, and in accordance with IFRIC 23, the Bank considers the probability that the tax authorities will accept or challenge the appropriate tax treatment. An additional tax liability would be recognized if the probability of the tax authorities challenging the uncertain tax treatment was higher than 50%. Otherwise, the Bank treats such liabilities as potential liabilities. The Bank bases its assessment of probability on the assessment of internal and external legal representatives, whereby upon each change in facts and circumstances that may affect the Bank's assessment and judgment, the Bank performs a reassessment.

32. TAX RISKS (Continued)

Considering that the assessment of the Bank's internal and external legal representatives is that it is likely that the Administrative Court of Montenegro will adopt the lawsuit against the decision of the Tax Administration, the Bank did not recognize a liability on this basis in its financial statements as of 31.12.2025,

At the end of 2024, the Law on the Write-off of Interest on Due Tax Liabilities was published in the "Official Gazette of Montenegro" No. 088/24, which applies from 1 January 2025, which allows taxpayers who fully settle the basic due tax debt to have interest on the aforementioned due tax claims written off,

In accordance with the aforementioned Law, and taking into account that any obligation determined by the first-instance tax decision is considered due regardless of the appeal filed, the Bank made a payment in the amount of EUR 6,271 thousand on 03.01.2025, and submitted a request for write-off interest and thus acquired the condition for its write-off. The Bank made the aforementioned payment conscientiously with the aim of reducing the amount of risk, which does not change the Bank's position on the issue of disputing the entire amount of correction determined by the decision.

33. SUBSEQUENT EVENTS

There were no adjusting events after the reporting date that could affect the financial position and results of the Bank as of 31 December 2025.

34. EXCHANGE RATE

The official exchange rates used for the translation of foreign currency balance sheet items into EUR as of December 31 2025 and 2024 were:

	<u>December 31</u> <u>2025</u>	<u>December 31</u> <u>2024</u>
USD	1.1757	1.0444
CHF	0.9293	0.9435
GBP	0.8712	0.8295

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

35. GENERAL INFORMATION ABOUT THE BANK

In accordance with the Decision on the content, deadlines and procedure for compiling and submitting financial statements of banks ("Official Gazette of Montenegro", No. 15/12, 18/13 and 24/18), general information about the Bank is presented as follows:

Name of the Bank: Hipotekarna banka AD. Podgorica
 Adress: Ulica Josipa Broza Tita broj 67. 81000 Podgorica
 ID number: 02085020
 Telephone/Fax: +382 77 700 001
 Website: <http://www.hipotekarnabanka.com>
 Email address: hipotekarna@hb.co.me
 Number of branches: The bank has a head office, 22 branches and 3 sub-branches
 Number of employees as of December 31, 2025, 319
 Bank account: 907-52001-93

Name and Surname / Company name	Stock data	
	number of shares	Percentage share
AIKGROUP (CY) LIMITED	8,192,918	80.00%
HIPOTEKARNA BANKA A,D Podgorica/HB - Zbimi Kastodi račun 1	2,048,230	20.00%

Total amount of share capital as of December 31, 2025: EUR 52,362 thousand,

Data on the Supervisory Board and the Board of Directors of the Bank as of December 31, 2025:

Supervisory Board	Name and surname	Date of birth	Residence information
1. Chairman	Razvan Munteanu	October 3, 1966	Bucharest, Romania
2. Member	Antonio Moniaci	March 3, 1973	Trieste, Italy
3. Member	Miljan Todorović	May 22, 1964	Trieste, Italy
4. Member	Ana Živanović	December 24, 1978	Beograd, Serbia
5. Member	Mato Njavro	February 16, 1986	Zagreb, Croatia

Board of Directors	Name and surname	Date of birth	Residence information
1. Chairman	Esad Zaimović	March 17, 1964	Podgorica
2. Member	Jelena Vuletić	April 28, 1968	Podgorica
3. Member	Ana Golubović	October 6, 1976	Podgorica
4. Member	Nikola Špadijer	August 16, 1979	Podgorica
5. Member	Nataša Lakić	October 20, 1978	Podgorica

At the end of 2025, the new Board of Directors of the Bank was formed, in accordance with the valid legal and internal acts. The new composition of the Management Board was appointed by the decision of the competent body of the Bank and from 01.01.2026. assumes all competencies and responsibilities defined by relevant regulations and the Bank's statute.

Data on the Bank's Board of Directors as of January 1, 2026:

Board of Directors	Name and surname	Date of birth	Residence information
1. Chairman	Nikola Špadijer	August 16, 1979	Podgorica
2. Member	Ana Golubović	October 6, 1976	Podgorica
3. Member	Nataša Lakić	October 20, 1978	Podgorica
4. Deputy member of the Management Board	Razvan Munteanu	October 3, 1966	Bucharest, Romania
5. Member	Tamara Braunović	July 5, 1986	Podgorica