

"CROWE MNE" d.o.o.
Broj 82/26
Podgorica, 20. 04. 2026 god.

ADRIATIC BANK A.D. PODGORICA

Financial statements for 2025

and

Independent auditor's report

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Adriatic bank AD Podgorica

Opinion

We have audited the accompanying financial statements of Adriatic banka AD Podgorica (hereinafter: "the Bank"), which comprise the balance sheet as of December 31, 2025, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ending on that date, as well as notes, which contain an overview of basic accounting policies and other disclosures (hereinafter: "financial statements").

In our opinion, the attached financial statements truthfully and objectively present, in all material respects, the financial position of the Bank as of December 31, 2025, as well as the results of its operations and cash flows for the year ending on that date, in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) applicable in Montenegro. Our responsibilities in accordance with those standards are described in more detail in the section of the report entitled Auditor's Responsibilities for Auditing Financial Statements. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including the International Standards of Independence (IESBA Code) of the International Ethical Standards Board for Accountants (IESBA) and ethical requirements relevant to our audit of 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 and provides a basis for our opinion.

Key audit matters

Key audit matters are those matters that were, in our professional judgment, of greatest importance to the audit of the current period's financial statements. We addressed those matters in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on those matters.

Key audit matter	Audit procedure applied
<i>Impairment of the value of loans and receivables from clients and provisions for off-balance sheet items</i>	
As of December 31, 2025, the gross value of loans and receivables from clients was EUR 142,706 thousand (December 31, 2024: EUR 142,499 thousand), while the total value of the value of loans and receivables from clients was EUR 6,233 thousand as of December 31, 2024 (December 31, 2024: EUR 4,727 thousand).	Based on our risk assessment and knowledge of the industry, we examined the costs of impairment of loans and receivables from customers and provisions for off-balance sheet items, and assessed the methodology applied, as well as the assumptions used, and in accordance with the description of the key audit issue.

INDEPENDENT AUDITOR'S REPORT (continued)
To the shareholders of Adriatic bank AD Podgorica (continued)
Key audit matters (continued)

Key audit matter	Audit procedure applied
<p data-bbox="264 546 1422 600"><i>Impairment of the value of loans and receivables from clients and provisions for off-balance sheet items</i></p> <p data-bbox="264 636 834 875">Measuring the cost of impairment of given loans and receivables and provisions for off-balance sheet items is considered a key audit issue, given that the determination of the amount of provisions for impairment requires significant management judgment related to the determination of the moment of recognition of impairment as well as the amount of impairment.</p> <p data-bbox="264 911 735 940">The most significant judgments refer to:</p> <ul data-bbox="312 976 834 1272" style="list-style-type: none"> • Assumptions used in expected credit loss models to assess credit risk related to the exposure and expected future cash flows of the client; • Timely identification of exposure with a significant increase in exposure to credit risk and credit impairment; • Valuation of collateral and assumptions of future cash flows on individually assessed loan exposures; <p data-bbox="264 1308 834 1395">Management has disclosed additional information in notes 3.8, 11, 4.2 and 23 to the financial statements..</p>	<p data-bbox="858 607 1374 636">Our testing included the following elements:</p> <ul data-bbox="906 640 1474 1879" style="list-style-type: none"> • assessment of key controls over assumptions used in expected credit loss models to estimate credit risk related to the exposure and expected future cash flows of the client; • detailed testing of the calculation of risk parameters, based on the bank's official methodology, which is the subject of an assessment of compliance with accounting requirements. The mentioned testing includes the evaluation of the assumptions of the model; • assessment of key controls and testing of their effectiveness over timely identification of exposure with a significant increase in credit risk and timely identification of exposure to impaired credit values; • collection and detailed testing of sample evidence supporting the appropriate determination of assumptions for loan impairment charges and provisions for guarantees, including collateral valuation and future cash flow assumptions on individually assessed credit impairment exposures; • assessment of the key movements of the high-risk portfolio from the previous period in relation to industry standards and historical data; • assessment of the adequacy of various identified decisions of the Management concerning the assumptions related to the calculation of expected credit losses for individually assessed loans, as well as the decision on the approach to the assessment of expected credit losses for collectively assessed loans, as well as the evaluation of applied methodologies using our knowledge and experience in the industry; • assessment of accuracy and completeness of disclosure in financial reports.

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Adriatic bank AD Podgorica (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 have assessed whether the other information has been prepared, in all materially significant aspects, in accordance with the Accounting Law of Montenegro, especially whether the other information in a formal sense is 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:

- other information describing the facts that are also shown in the individual financial statements are, in all materially significant aspects, in accordance with the individual financial statements;
- other information was prepared in accordance with the requirements of the Law on Accounting of Montenegro;
- The statement on the application of the corporate governance code was prepared in accordance with the requirements of the Accounting Law of Montenegro.

In addition, it is our responsibility to report, based on the Bank's knowledge and understanding obtained in the audit, whether the other information contains material misstatements. Based on the procedures we performed in connection with the other information obtained, we did not determine materially significant misstatements

Responsibility of management and persons authorized to manage the financial statements

The management is responsible for the compilation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, as well as for those internal controls that the management considers necessary for the preparation of financial statements that do not contain incorrect information of material importance, caused by fraud or error.

When preparing the financial statements, the management is responsible for assessing the ability of the Bank to continue operating in accordance with the going concern principle, disclosing, if necessary, issues related to the going concern and application of the going concern principle as an accounting basis, unless the management intends to liquidate the Bank or to cease operations, or has no other realistic possibility other than the stated one. Persons responsible for management are responsible for overseeing the financial reporting process established by the Bank.

Auditor's responsibility for auditing financial statements

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

INDEPENDENT AUDITOR'S REPORT (continued)**To the shareholders of Adriatic bank AD Podgorica (continued)*****Auditor's responsibility for auditing financial statements (continued)***

Reasonable assurance means a high level of assurance, but does not represent a guarantee that the audit conducted in accordance with the Law on Auditing of Montenegro, the Law on Accounting of Montenegro and international auditing standards applicable in Montenegro, will always reveal materially incorrect statements if such statements exist. Misstatements can arise as a result of fraud or error and are considered material if it is reasonable to expect that they, individually or in the aggregate, will affect the economic decisions of users made on the basis of these financial statements.

During the audit in accordance with the Law on Auditing of Montenegro, the Law on Accounting of Montenegro and international auditing standards applicable in Montenegro, we apply professional judgment and maintain professional skepticism during the audit. Also:

- We identify and assess the risk of materially significant misstatements in financial statements, resulting from fraud or error; designing and performing audit procedures that are appropriate for those risks; and obtaining sufficient appropriate audit evidence to provide a basis for the auditor's opinion. The risk that material misstatements resulting from fraud will not be identified is greater than for misstatements resulting from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentation or circumvention of internal controls.
- We obtain an understanding of internal controls 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 system.
- We evaluate the accounting policies applied and the extent to which accounting estimates and related disclosures made by management are reasonable.
- Conclude on the appropriateness of management's application of the going concern principle as a basis of accounting and, based on the audit evidence gathered, whether there is a material uncertainty related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence gathered up to the date of the auditor's report. However, future events or conditions may result in the Bank ceasing to operate in accordance with the going concern principle.
- We evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in such a way as to achieve a fair presentation.

We communicate with those charged with governance regarding, among other things, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal controls that we identify during our audit. We also provide those charged with governance with a statement that we comply with relevant ethical requirements regarding independence and that we will disclose to them all relationships and other matters that could reasonably be expected to affect our independence, and where applicable, appropriate safeguards.


INDEPENDENT AUDITOR'S REPORT (continued)**To the shareholders of Adriatic bank AD Podgorica (continued)*****Auditor's responsibility for auditing financial statements (continued)***

From the issues communicated to the persons authorized to manage, we determine those issues that were of greatest importance in the audit of the financial statements of the current period and, accordingly, represent the key issues of the audit. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure of the matter or when, in extremely rare circumstances, we determine that the matter should not be included in the auditor's report because it is reasonable to expect that the negative consequences outweigh the benefits of such communication.


Đorđe Dimić is the partner in engaging in the audit on the basis of which this independent auditor's report was compiled.

Crowe MNE d.o.o. Podgorica
April 20, 2026



Đorđe Dimić, Certified auditor

Nermin Orahovac, Certified auditor

Marija Dašić, Certified auditor

Vladimir Kavarić, Authorized person

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2025

In thousand EUR

	Note	2025	2024
Interest income and similar income	3.1, 5.1	13,492	16,574
Income from interest on impaired placements	3.1, 5.1	597	399
Interest expenses and similar expenses	3.1, 5.2	(1,341)	(1,521)
NET INTEREST INCOME		12,748	15,452
Income from fees and commissions	3.1, 6.1	4,127	10,767
Expenses from fees and commissions	3.1, 6.2	(2,465)	(4,160)
NET INCOME/(EXPENSES) FROM FEES		1,662	6,607
Net gain / loss due to derecognition of financial instruments that are not valued at FV through the Income Statement		169	(2)
Net gains from exchange differences	7	751	12,826
Net gain/loss on derecognition of other assets		-	25
Other income		43	17
Employee expenses	8	(5,545)	(4,649)
General and administrative expenses	9	(5,487)	(11,923)
Depreciation costs	10	(1,360)	(798)
Reservation costs		7	(3)
Other expenses		(16)	(11)
Net income/expenses based on the impairment of financial instruments that are not valued at fair value through the income statement	3.8, 11	(2,653)	(1,188)
OPERATING PROFIT (LOSS)		320	16,353
Income tax	3.4, 12.1	(52)	(3,340)
NET PROFIT (LOSS)		268	13,013

Notes on the following pages are an integral part of these financial statements

Podgorica, April 8, 2026

Approved by and signed on behalf of Adriatic bank A.D., Podgorica:


 Nemanja Marković
 President of the Management Board


 Damir Krnić
 Member of the Management Board




 Miroslav Vuković
 Director of the Accounting, Reporting and Controlling Sector

STATEMENT OF OTHER COMPREHENSIVE INCOME
In the period from January 1 to December 31, 2025
(Amounts in thousands of EUR)

	Note	<u>2025</u>	<u>2024</u>
Net profit (loss)		268	13,013
The effects of changes in the value of securities that are valued through other comprehensive income		670	2,480
Tax effects related to other total results of the period		(107)	(383)
Total other result for the current year		563	2,097
TOTAL OTHER RESULT		831	15,110

Notes on the following pages are an integral part of these financial statements

Podgorica, April 8, 2026

Approved by and signed on behalf of Adriatic bank A.D., Podgorica:

		
Nemanja Marković	Damir Krnić	Miroslav Vuković
President of the Management Board	Member of the Management Board	Director of the Accounting, Reporting and Controlling Sector

ADRIATIC BANK A.D., PODGORICA
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025
BALANCE SHEET AS OF DECEMBER 31, 2025

In thousand EUR

	Note	December 31, 2025	December 31, 2024
ASSETS			
Cash and deposit accounts with central banks	3.6, 13	56,465	84,043
Financial assets at amortized value		288,635	339,435
Loans and receivables from credit institutions	3.6, 14.1	85,583	53,654
Loans and receivables from clients	3.7, 14.2	136,473	137,772
Securities	3.7, 14.3	64,584	147,998
Other financial assets		1,995	11
Financial assets at fair value through other comprehensive income		20,664	67,707
Securities	3.7, 14.3	20,664	67,707
Investments in associates, subsidiaries and joint ventures under the equity method		1	7
Real estate, plant and equipment	3.9, 3.10, 15	5,207	4,315
Intangible assets	3.9, 3.10, 16	2,552	1,594
Deferred tax assets	12.2	113	114
Other assets	17	829	801
TOTAL ASSETS		374,466	498,016
LIABILITIES			
Financial liabilities measured at amortized cost		252,990	431,715
Bank and central bank deposits	18.1	6,867	4,141
Client deposits	18.1	242,950	423,885
Loans from banks and central banks		7	-
Loans from clients who are not credit institutions	18.2	3,166	3,689
Reserves	19	875	843
Current tax liabilities	12	115	3,357
Deferred tax liabilities	12.2	65	26
Other liabilities	20	71,031	13,516
TOTAL LIABILITIES		325,076	449,457
EQUITY			
Share capital	21	11,945	11,945
Retained earnings/(loss)		37,128	24,115
Profit/(Loss) of the current year		268	13,013
Other reserves		49	(514)
TOTAL EQUITY		49,390	48,559
TOTAL EQUITY AND LIABILITIES		374,466	498,016
OFF BALANCE SHEET ITEMS	22	320,085	281,798

Notes on the following pages are an integral part of these financial statements

Podgorica, April 8, 2026


Approved by and signed on behalf of Adriatic bank A.D., Podgorica:




Nemanja Marković
 President of the Management Board

Dami Krić
 Member of Management Board





Miroslav Vuković
 Director of the Accounting, Reporting and Controlling Sector

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2025

In thousand EUR	Share capital	Accumulated profit/loss	Other reserves	TOTAL
Balance as of January 1, 2024	11,945	26,179	(2,611)	35,513
Issue of shares	-	-	-	-
The effects of changes in the fair value of securities that are measured through other comprehensive income	-	-	2,097	2,097
Profit of the current year	-	13,013	-	13,013
Dividend payment	-	(4,000)	-	(4,000)
Other	-	1,936	-	1,936
Balance as of December 31, 2024	11,945	37,128	(514)	48,559
Issue of shares	-	-	-	-
The effects of changes in the fair value of securities that are measured through other comprehensive income	-	-	563	563
Profit of the current year	-	268	-	268
Dividend payment	-	-	-	-
Other	-	-	-	-
Balance as of December 31, 2025	11,945	37,396	49	49,390

Notes on the following pages are an integral part of these financial statements

Podgorica, April 8, 2026

Approved by and signed on behalf of Adriatic bank A.D., Podgorica:

 <hr/> Nemanja Marković President of the Management Board	 <hr/> Damir Krnić Member of Management Board	 <hr/> Miroslav Vuković Director of the Accounting, Reporting and Controlling Sector
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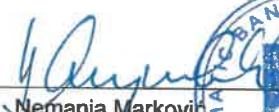


CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2025

In thousand EUR	2025	2024
Cash flows from business activities		
Interest inflows and similar income	14.132	17.044
Interest outflows and similar expenses	(1.333)	(1.301)
Inflows based on fees and commissions	4.084	10.638
Outflows based on fees and commissions	(2.530)	(4.241)
Outflows based on payments to employees and suppliers	(14.251)	(9.783)
Outflows based on the increase in loans and other assets	4.490	(42.439)
Outflows based on deposits and other liabilities	(118.694)	(55.479)
Tax paid	(3.357)	(2.704)
Other inflows	-	95
Net inflows/(outflows) of cash from business activities	(117.459)	(88.169)
Cash flows from investing activities		
Purchase of real estate and equipment	(566)	(1.404)
Purchase of intangible assets	(1.503)	(980)
Government bills and bonds	130.793	60.309
Inflows from the sale of tangible and fixed assets	-	26
Net inflows/(outflows) of cash from investing activities	128.723	57.951
Cash flows from financing activities		
Issue of ordinary shares	-	-
Inflows (outflows) from loans	(516)	(505)
Outflows for lease liabilities - principal	-	-
Outflows based on dividend payments	-	(4.000)
Net inflows/(outflows) of cash from financing activities	(516)	(4.505)
Exchange rate effects	751	12.826
Net increase in cash and cash equivalents	11.500	(21.896)
Cash and cash equivalents at the beginning of the period	126.518	148.414
Cash and cash equivalents at the end of the period (note 13 and 14.1)	138.017	126.518

Notes on the following pages are an integral part of these financial statements

Podgorica, April 8 2026

Approved by and signed on behalf of Adriatic bank A.D., Podgorica:

 Nemanja Marković President of the Management Board	 Damir Krnić Member of Management Board	 Miroslav Vuković Director of the Accounting, Reporting and Controlling Sector
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1. ESTABLISHMENT AND OPERATION OF THE BANK

Adriatic bank A.D., Podgorica (hereinafter: "the Bank") was established in 2016 with the issuance of a work permit by the Central Bank of Montenegro. Based on Article 44, paragraph 2, point 7 of the Law on the Central Bank (Official Gazette of the Republic of Montenegro No. 40/10, 46/10, 6/13 and 70/17) and Article 23, paragraph 2 of the Law on Banks (Official Gazette of the Republic of Montenegro No. 17/08, 44/10 and 40/11) The Council of the Central Bank of Montenegro, at the session held on February 26, 2016, passed a decision issuing a license to the Bank.

The bank was registered in the Central Register of Business Entities under number 4-0009471 on April 13, 2016 as Azmont Banka A.D., Podgorica. Under registration number 4-0009471/003, on September 9, 2016, the Bank was registered in the Central Register of Business Entities as Nova Banka A.D., Podgorica. Under registration number 4-0009471/012, on March 5, 2020, the Bank was registered in the Central Register of Business Entities as Adriatic bank A.D., Podgorica.

The bank was founded by the company Azmont Investments d.o.o., Herceg Novi, which has been operating in Montenegro since 2012, with the aim of building the luxury tourist complex "Portonovi" in Kumbor, municipality of Herceg Novi. On January 15, 2020, the purchase and sale of 299,511,761 ordinary shares of the Bank was carried out, which transferred all shares owned by Azmont Investment DOO with headquarters in Kumbor, Herceg Novi, to the buyer Adriatic Capital LLC with headquarters in Wilmington, Delaware, United States of America.

The Bank's activity includes credit, deposit and guarantee operations, as well as foreign payment operations, depot operations, safe deposit services, issuance, processing and recording of payment instruments. On March 12, 2021, the bank received a license to provide investment banking services from the Capital Market Commission. The headquarters of the Bank is in Podgorica, Bulevar George Washington no. 98/8.

In accordance with Article 7 of the Law on Accounting ("Official Gazette of Montenegro" No. 84/25), the Bank is classified in the category of medium-sized legal entities.

As of December 31, 2025, the Bank consists of a Head Office with headquarters in Podgorica and seven branches, one of which is located at Cetinjska 9/1, Podgorica, and the rest in Tivat, Budva, Bar, Herceg Novi and Luštica.

The Bank's governing bodies:

- Shareholders Assembly,
- Supervisory Board
- Board of Directors.

The working body of the Supervisory Board is the Risk and Audit Committee, while the working bodies of the Board of Directors include the Credit Committee, the ALCO Committee, the Information System Development and Management Committee, the Operational Risk Management Committee and the Risky Customers Monitoring Committee. The Bank obtained necessary approvals from the Central Bank of Montenegro for the members of the Supervisory Board and the Board of Directors

As of December 31, 2025, the Bank has 130 employees (December 31, 2024: 116 employees).

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Basis of preparation and presentation of the financial statements

The attached financial statements of the Bank for the year 2025 were compiled in accordance with the International Financial Reporting Standards ("IFRS"), issued by the Board for International Accounting Standards and the regulations of the Central Bank of Montenegro that regulate the financial reporting of banks.

The bank is obliged to keep business books, compile accounting documents, value assets and liabilities and compile and publish financial statements in accordance with the Law on Credit Institutions ("Official Gazette of Montenegro", no. 72/19, 82/20, 8/21 and 24/25), regulations adopted on the basis of this law and International Accounting Standards, i.e. International Financial Reporting Standards (hereinafter: IAS/IFRS). The bank is obliged to apply International Accounting Standards and International Financial Reporting Standards from the date set by the International Accounting Standards Board (IASB) as the date of commencement of their application, unless the Central Bank sets another date as the date of commencement of its application for a specific IAS/IFRS.

The Bank's financial statements were prepared in accordance with the Decision on the content, terms and method of preparing and submitting financial statements of banks ("Official Gazette of Montenegro", No. 34/22).

In compiling these financial statements, the Bank applied the accounting policies explained in Note 3, which are based on the accounting, banking and tax regulations of Montenegro.

The official currency in Montenegro and the functional and reporting currency of the Bank is the euro (EUR). Unless otherwise indicated, all amounts are in thousands of EUR.

2.2. Application of new standards and changes to existing ones

2.2.1 Changes and additions to standards whose entry into force and application are mandatory in the current year

a) Changes in accounting policies and disclosures

The adopted accounting policies are in accordance with those of the previous financial year, with the exception of the following IFRS and amended IFRS adopted by the Bank from 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. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS**2.2. Application of new standards and changes to existing ones (continued)****b) Standards that have been issued but have not yet entered into force and have not been previously 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.

• 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.

2.2.1 Amendments and additions to standards whose entry into force and application are mandatory in the current year (continued)**Annual Improvements to IFRS Accounting Standards – Volume 11**

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards — Volume 11. An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. The Annual Improvements to IFRS Accounting Standards - Volume 11, includes amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. These amendments aim to clarify wording, correct minor unintended consequences, oversights, or conflicts between requirements in the standards. The 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.

**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS
(continued)****2.2. Application of new standards and changes to existing ones (continued)**

- b) **Standards that have been issued but have not yet entered into force and have not been previously adopted**

2.2.1 Amendments and additions to standards whose entry into force and application are mandatory in the current year (continued)**• 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.

• IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The amendments require translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. If an entity's functional currency is the currency of a non-hyperinflationary economy, but its presentation currency is the currency of a hyperinflationary economy, its results and financial position are translated into the presentation currency by translating all amounts (i.e., assets, liabilities, equity items, income and expenses) and all comparatives at the closing rate at the date of the most recent statement of financial position. An entity whose functional currency and presentation currency are the currency of a hyperinflationary economy, restates the comparative amounts of a foreign operation, whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, to the foreign operation's comparative figures. The amendments also introduce certain additional disclosure requirements. The amendments have 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.

• Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The effects of this standard are not expected to have a significant impact on the Bank's financial statements.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**2.3. Impact of the Russian-Ukrainian conflict**

At the beginning of March 2022, there was increased instability in the world financial and commodity markets due to the escalation of the conflict in Ukraine, which was followed by the introduction of sanctions against certain Russian companies and individuals. As of December 31, 2025, the Bank had no exposure to Russian banks (as of December 31, 2024: there was no exposure to Russian banks). Exposure to Russian citizens on the reporting date refers to claims based on eleven credit cards in the amount of EUR 10.5 thousand and two mortgage loans in the amount of EUR 70 thousand. In its operations, the bank does not perform foreign currency transactions in Russian rubles.

The Bank regularly monitors and applies all international and national restrictive measures in accordance with the Law on Restrictive Measures. The Bank reports to the Central Bank of Montenegro once a week about the application of international restrictive measures resulting from the decisions of the Council of the European Union and the regulations of the European Union..

2.4. Use of estimates

The presentation of financial statements requires the Bank's management to make the best possible estimates and reasonable assumptions that affect the presented values of assets and liabilities, as well as the disclosure of contingent liabilities and receivables as of the date of the preparation of the financial statements, and the income and expenses arising during the accounting period. These estimations and assumptions are based on information available to us as at the financial statements' preparation date. However, the actual results may differ from the values estimated in this manner. The most significant estimates and assumptions are related to the following:

- Impairment of Financial Assets

Based on a credit risk assessment, all instruments are classified under level 1 (no significant credit risk changes since the date of the initial recognition of an asset), level 2 (a significant credit risk change since a loan was approved) and level 3 (impaired assets – non-performing customers). For the purpose of analysing significant credit risk changes, the Bank identified a number of indicators used for assessments and for comparison with the balance during the initial recognition of a financial instrument in line with IFRS 9. The Bank also identified a number of indicators in order to identify non-performing assets (level 3). Depending on the level of a single instrument, expected credit losses are calculated over the next 12 months for level 1 and expected credit losses over the useful life are calculated for levels 2 and 3. The Methodology for Impairment of Financial Assets is described in more detail in Note 3.8.

- Useful Lives of Intangible Assets, Property and Equipment

Determining the useful life of intangible assets, real estate, plant and equipment is based on previous experience with similar assets, as well as on anticipated technical development and changes that are influenced by a large number of economic or other factors. The adequacy of the specified useful life is reviewed on an annual basis or whenever there is an indication that there has been a significant change in the factors that were the basis for determining the useful life.

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

- Provisions for severance pay and unused vacation days

The cost of long-term employee benefits is determined based on internal calculations using actuarial assumptions: discount rates, future salary growth in line with the inflation rate and advancement, as well as salary growth based on past work, and changes in the number of employees who acquire the right to be paid a benefit. Given the long-term nature of these plans, estimates are subject to significant uncertainty. The bank also calculates provisions for unused annual leaves on the basis of the remaining annual leave days as of the balance sheet date and the amount of the employee's salary cost.

- Provisions for Litigations

The Bank's management assesses the provision for an outflow of funds needed for litigations by estimating the probability that the outflow will actually occur based on the contractual or legal obligation from past periods.

- Revenue from Escrow Deposit Fees

Income from the fees for opening escrow accounts based on an economic citizenship is recognised under fee and commission income in accordance with the estimated retention time of these deposits in Bank's accounts.

- Deferred Tax Assets/Liabilities

A 15% rate was used to calculate deferred tax assets/liabilities, since the Bank's profit is mainly subject to this rate.

- Fair Value of Financial Instruments

The fair value of financial instruments traded on an active market is based on quoted market prices. The fair value of financial instruments that are not quoted on an active market is determined using valuation techniques.

The actual results may differ from these estimates.

2.5. Going concern

The financial statements with the balance as of December 31, 2025 and for the year ended December 31, 2024, were prepared in accordance with the going concern principle.

The Bank's income statement for the year ended December 31, 2025 shows a profit in the amount of EUR 268 thousand, while the total accumulated profit on that day amounts to EUR 37,396 million, which is EUR 2,280 thousand lower than the amount foreseen in the Bank's business plan.

The bank's business plan foresees achieving positive financial results in the following period. The adequacy ratio of total capital as of December 31, 2025 is 20.35%, while the prescribed minimum is 17.55%, which represents an excess of capital of 2.80 percentage points above the regulatory minimum.

The daily liquidity ratio on December 31, 2025 is 1.52[LP1.1], which is significantly above the prescribed minimum of 0.9. (notes 4.7 and 22).

2.6. Reconciliation of outstanding balances with their counterparties

In accordance with the current legal regulations, the Bank reconciled mutual claims and obligations with the Bank's creditors and debtors as of December 31, 2025. The census report was adopted by the Management Board at the session held on February 27, 2026.

2.7. Comparative data

Comparative data, i.e. initial balances, represent the data contained in the financial statements for the year 2024.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Interest and fees income and expenses

Interest income and expenses

Interest income and expenses are calculated on an accrual basis and in accordance with the terms and conditions stipulated by contracts between the Bank and customers. Interest income and expense are recognized in profit or loss using the effective interest rate method. The effective interest rate is the rate that accurately discounts future cash flows over the expected life of a financial instrument to:

Gross carrying amount of a financial asset or
Amortized cost of a financial liability.

When calculating the effective interest rate for financial instruments, except for purchased or approved impaired loans, the Bank considers all contractual terms and conditions, but not ECL, in estimating future cash flows. For purchased or approved impaired financial assets, the adjusted effective interest rate is calculated taking into account expected cash flows, including ECL.

When calculating the effective interest rate, transaction costs and any fees charged or paid, which are part of the effective interest rate, are taken into account. Transaction costs are incremental costs that can be directly attributed to the issue or disposal of a financial asset or financial liability.

The amortized cost of a financial asset or financial liability is the amount by which the financial asset or financial liability is measured at the time of initial recognition decreased by principal repayments and increased or decreased by the cumulative amortization, calculated using the effective interest rate, differences between the initial amount and the amount at maturity, and for financial assets, adjusted for the expected credit loss.

The gross carrying amount of a financial asset is the amortized cost of the financial asset before deducting the expected credit loss.

The effective interest rate for financial assets and liabilities is calculated at initial recognition of the financial asset or liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (if the asset is not impaired) or the amortized cost of the liability. For floating-rate-financial instruments, the effective interest rate changes due to periodic cash flow assessments to reflect market movements in interest rates.

For financial assets that have become impaired after the initial recognition, interest income is calculated using the effective interest rate method on the amortized cost of the financial asset. If the financial asset is no longer impaired, interest income is recalculated on a gross basis, i.e. interest is calculated by applying the effective interest rate to the gross carrying amount of the financial asset.

For financial assets that are impaired at the time of initial recognition, interest income is calculated by applying the adjusted interest rate to the amortized cost of the financial asset. Interest income calculation is not returned to the gross basis even after the credit risk improves.

The fees for approved loans are deferred and amortized as interest income on a straight-line basis over the loan term. The fee deferral on a straight-line basis does not materially differ from the effective interest rate method.

Income and expenses based on fees

Fee and commission income and expenses arising from the provision or usage of banking services are recognised in the income statement when they occur, i.e. when the service was provided or received.

Fee and commission income and expenses that are a part of the effective interest rate on financial assets and liabilities are accrued and recognized as a part of the effective interest ratese razgraničavaju i priznaju kao dio efektivne kamatne stope.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.1. Interest and fees income and expenses (continued)**

Fee and commission income and expenses also include fees on issuing guarantees and letters of credit by the Bank, domestic and international payments and transactions in foreign currencies, intermediary and other Bank's services.

3.2. Foreign exchange

Transactions denominated in foreign currencies are translated into EUR at the official exchange rate at the date of each transaction.

Assets and liabilities denominated in a foreign currency are translated into EUR by applying the official exchange rate prevailing at the statement of financial position date. Net foreign exchange gains or losses arising upon the translation of transactions, and the assets and liabilities denominated in foreign currencies are credited or charged to the statement of comprehensive income.

Commitments and contingent liabilities denominated in foreign currencies are translated into EUR by applying the official exchange rates prevailing at the statement of financial position date.

Foreign exchange differences are translated each business day and a monthly effect of foreign exchange differences is a sum of daily effects.

3.3. Leasing

On the date of the contract conclusion the Bank estimates whether the contract is a lease contract, i.e. whether it contains lease elements. A contract constitutes a lease contract, i.e. contains lease elements, if it assigns the controlling right to use certain assets during a particular period for a fee.

On the lease commencement date, the Bank recognises right-of-use assets and lease liabilities. The exemption of lease recognition is related to lease contracts whose term is less than 12 months and contracts on the lease of low value assets. Right-of-use assets are initially recognised at cost that includes:

- The amount of an initially measured lease liability (IFRS 16, paragraph 26),
- All lease payments on the date or before the first day of the lease term, less all received lease incentives,
- All initial direct costs incurred by the Bank as the lease beneficiary, and
- An assessment of costs that the Bank will incur during the disassembly and removal of the leased assets, the reinstatement of the location containing the assets or brining the assets to the condition determined by the terms of the lease contract.

Right-of-use assets are depreciated over the lease contract term.

On the lease commencement date, the Bank recognises the lease liability at the present value of all lease payments that were not made on that date. These payments are discounted using the interest rate contained in the lease if such an interest rate can be easily determined. If it cannot be easily determined, the Bank's incremental borrowing interest rate is applied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4. Taxes and contributions

Income Taxes

Current Income Taxes

Profit tax is calculated and paid in accordance with the Law on Corporate Profit Tax ("Official Gazette of the Republic of Montenegro", No. 65/2021, 12/2002 and No. 80/2004 and "Official Gazette of Montenegro", and 40/2008, 86/2009, 14/2012, 61/2013, 55/2016, 146/2021, 152/2022, 28/2023, 125/2023 and no. 88/2024).

A taxable profit is determined based upon the income stated in its statutory income statement following certain adjustments to its income and expenses performed in a manner defined by the tax regulations. Income tax expense is calculated using progressive rates on taxable profit of legal entities in Montenegro in line with the Corporate Income Tax Law, as follows:

a tax rate of 9% is calculated for a tax base of up to 100,000.00 EUR;
a tax rate of 12% is calculated for a tax base from 100,000.01 EUR to 1,500,000.00 EUR;
a tax rate of 15% is calculated for a tax base over 1,500,000.01 EUR.

Capital losses may be set off against capital gains earned in the same year. In case there are outstanding capital losses even after the set-off of capital losses against capital gains earned in the same year, these outstanding losses are available for carry forward in the ensuing 5 years.

Montenegrin tax regulations do not envisage that any tax losses of the current period may be used to recover taxes paid within a specific carry back period. However, any current year losses reported in the annual corporate income tax returns may be carried forward and used to reduce or eliminate taxes to be paid in future accounting periods, but only for an ensuing period of a maximum of five years.

• ***Deferred Income Taxes***

Deferred income tax is determined using the balance sheet liability method, for the temporary differences arising between the tax bases of assets and liabilities, and their carrying values in the financial statements. The currently- enacted tax rates 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 the deductible temporary differences, and the tax effects of income tax losses and credits available for carry forward, to the extent that it is probable that future taxable profit will be available against which deferred tax assets may be utilized.

Deferred taxes related with to the re-estimation of the fair value of investments available-for-sale are calculated and accounted for directly against or in favour of capital and at the same time are recorded in the income statement along with deferred profits or losses.

Taxes, Contributions and Other Duties not Related to Operating Result

Taxes, contributions and other duties that are not related to the bank's operating result, include property taxes and other various taxes and contributions paid pursuant to state and municipal regulations.

3.5. Earnings per share

The Bank calculates and publishes earnings per share in accordance with IAS 33. Basic earnings per share are calculated by dividing the profit attributable to the Bank's shareholders by the weighted average number of ordinary shares for the period. The Bank has no other potentially dilutive common stock such as convertible debt and stock options.

3.6. Cash and cash equivalents

Cash and cash equivalents mean funds in the treasury (EUR and foreign currency), funds in the treasury (EUR and foreign currency), funds with the Central Bank of Montenegro, including mandatory reserves and funds in accounts with other banks in the country and abroad, as well as other highly liquid financial assets with maturities of up to three months.

Cash and cash equivalents are valued at amortized value in the balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.6. Cash and cash equivalents (continued)****3.6.1. Mandatory reserve**

The calculation, allocation and use of funds of the mandatory reserve at the Central Bank of Montenegro is prescribed by the Decision on the mandatory reserve of credit institutions at the Central Bank of Montenegro ("Official Gazette of Montenegro", no. 19/22 and 78/24) on the basis of which the mandatory reserve is calculated by applying a rate of 5.5% to the part of the base made up of demand deposits, deposits contracted with a maturity of up to 365 days, i.e. up to 366 days; 4.5% on the part of the base consisting of deposits contracted with a maturity of over 365 days, i.e. over 366 days. A rate of 5.5% is applied to deposits contracted with a maturity of over 365 days, i.e. 366 days, which have a clause on the possibility of canceling these deposits within a period shorter than 365 days, i.e. within a period starting from 366 days.

Banks allocate the calculated mandatory reserve to the account of the mandatory reserve in the country and/or to the accounts of the Central Bank abroad and cannot allocate it and keep it in another form. Banks can use up to 50% of the required reserve funds to maintain daily liquidity.

3.7. Financial assets**3.7.1. Classification**

IFRS 9 addresses three major parts of accounting for financial instruments: classification and measurement, impairment and hedging

The classification of financial assets at initial recognition is performed in accordance with the adopted business model and the result of the test of the characteristics of the contractual cash flows.

Classification categories in line with IFRS 9 are the following:

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

The Bank classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss, on the basis of:

- a) Bank's business model for financial asset management,
- b) the characteristics of contractual cash flows.

Business models for financial asset management

The business model is determined by the key management of the Bank, at a level that reflects how groups of financial assets are managed together and not for an individual financial instrument. The business model refers to the way in which the Bank manages financial assets in order to generate cash flows and determines whether cash flows will result from the collection of contracted cash flows, the sale of financial assets or both. If cash flows are realized in a manner different from the Bank's expectations at the date the Bank estimates the business model, this is not considered a prior period error and it does not change the classification of the remaining financial assets held in that business model. When assessing the business model for newly acquired financial assets, the Bank must consider information about the manner in which cash flows have been realized in the past, together with all other relevant information.

1. Hold-to-collect business model

The financial resources held under this model are managed in order to realize cash flows by collecting contracted payments during the life of the instrument. When determining whether cash flows will be realized by collecting contracted cash flows from financial assets, it is necessary to take into account: frequency, value and time of sales in previous periods, reasons for these sales and expectations related to future sales. Although the objective of the Bank's business model may be to hold financial assets to collect contracted cash flows, the Bank does not have to hold these instruments to maturity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7. Financial assets (continued)

3.7.1. Classification (continued)

Therefore, even within this business model, the sale of financial assets can occur or it is expected that the sale will occur in the future. The sale of assets due to an increase in credit risk does not contradict this model, and credit risk management activities aimed at minimizing potential credit losses due to credit deterioration are an integral part of this business model.

1. Business model: collection of contracted cash flows and sale of financial assets

The bank can hold financial assets in a business model, the goal of which is achieved both by collecting contracted cash flows and by selling financial assets. Compared to the previous model, this business model includes a higher frequency and value of sales.

2. Other business models

Financial assets are measured at fair value through the income statement if they are not held within the previous two models. In the business model that results in measurement at fair value through the income statement, financial assets are managed with the aim of realizing cash flows through the sale of assets. Decisions are made on the basis of fair value and funds are managed in order to realize those fair values, so the goal in this case will be active buying and selling, while the collection of contracted cash flows will be secondary.

Characteristics of contracted cash flows

The bank classifies a financial asset based on the characteristics of its contracted cash flows if the financial asset is held in a business model that aims to hold funds for the purpose of collecting contracted cash flows or within a business model whose goal is achieved by collecting contracted cash flows and selling financial assets. Therefore, the bank should determine whether the contracted cash flows of the financial asset are exclusively payments of principal and interest on the outstanding amount of principal. In the loan agreement, the most important elements of interest are the time value of money and credit risk, although interest may also include compensation for other lending risks (liquidity risk), administrative costs, profit margin, etc. Principal is the fair value of the financial asset at initial recognition.

The time value of money is an interest element that provides compensation only for the passage of time, so the time value of money element does not provide compensation for other risks associated with holding a financial asset. In order to assess whether compensation is provided only for the passage of time, judgment is applied and relevant factors such as the currency in which the financial asset is denominated and the period in which the interest rate is determined are considered.

Financial assets at amortized cost

Financial assets should be measured at amortized cost if the following conditions are met:

- a) financial assets are held within a business model whose goal is to hold business assets for the collection of contracted cash flows and
- b) the contractual terms provide for the payment of principal and interest only.

This business model may include some level of financial asset sales, but these are very rare.

Financial assets at fair value through other comprehensive income

Financial assets should be measured at fair value through other comprehensive income if the following conditions are met:

- a) financial assets are held within a business model whose goal is achieved by collecting contracted cash flows and selling financial assets and
- b) the contractual terms provide for the payment of principal and interest only.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7. Financial assets (continued)

3.7.1. Classification (continued)

For this business model, whose goal is both the collection of contractual cash flows and the sale of financial assets, it is typical to include more frequent sales as well as sales of higher value compared to the previous model.

Financial assets that are measured at fair value through the income statement

Financial assets should be measured at fair value through the income statement if they are not measured at amortized cost or at fair value through other comprehensive income.

This business model includes:

- a) management of assets with the aim of achieving cash flow from sales;
- b) portfolio management, the performance of which is assessed on the basis of fair value assessment;
- c) a portfolio that meets the requirement to be held for sale.

The bank reclassifies financial assets when it changes its business model, while financial liabilities are not reclassified.

The portfolio of loans and receivables, as well as part of the portfolio of bonds purchased before November 1, 2021, is held by the Bank for the purpose of collecting contracted cash flows - "hold to collect". Part of the portfolio of bonds that were purchased after November 1, 2021 and December 30, 2024, is held by the Bank both for the purpose of collecting contracted cash flows and for sale, so this asset is classified at fair value through other comprehensive income (FVOCI). Reclassification of financial assets under IFRS 9 is required only when the entity changes its business model for managing financial assets and is not allowed for financial liabilities; therefore, reclassification is expected to be very rare. In the area of classification and measurement, the Bank did not determine a significant risk that part of its loan portfolio would have to be measured at fair value through the income statement, considering the contractual characteristics of the cash flow of financial instruments in the Bank's portfolio (SPPI test).

Reclassification

The Bank reclassifies its financial assets after their initial recognition, in cases of a change in the business model, 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 corrected.

If, during reclassification, 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. All gains or losses arising as a difference between the previously amortized cost of the financial asset and the fair value are recognized in the income statement.

If, during reclassification, the Bank reclassifies financial assets 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, during reclassification, 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. All gains or losses arising as a difference between the previously amortized cost of the financial asset and the fair value are recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted due to the reclassification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.7. Financial assets (continued)****3.7.1. Classification (continued)***Reclassification (continued)*

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 deleted from equity and adjusted to fair value on the date of reclassification. Consequently, financial assets are measured at the date of reclassification as if they were always 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.

3.7.2. Recognition and measurement

The bank recognizes a financial asset in its financial statements when it becomes one of the contracting parties in the instrument itself.

Upon initial recognition, the Bank measures the financial asset at fair value adjusted for the resulting dependent transaction costs that can be directly attributed to the acquisition or issuance of the financial asset.

In accordance with IFRS 9, financial assets are subsequently valued at amortized value or at fair value. In the case of measurement at fair value, gains and losses are fully recognized in the income statement (fair value through the income statement) or are recognized in other comprehensive income (fair value through other comprehensive income).

Transaction price - i.e. the fair value of the consideration given or received for the financial instrument - usually represents the best evidence of the fair value of the financial instrument at initial recognition. However, there may be cases where the Bank may determine that the fair value at initial recognition is different from the transaction price. In that case, at the time of initial recognition, the Bank recognizes a gain or loss as the difference between the fair value at the time of initial recognition and the transaction price.

Subsequent measurement

Assets classified as assets measured at amortized cost

Amortized value represents the amount by which the financial asset is measured upon initial recognition with an increase or decrease in accumulated depreciation using the effective interest rate method for all differences between the initial amount and the amount at maturity, minus all payments and corrections based on calculated expected credit losses. Impairment losses are recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7. Financial assets (continued)

3.7.2. Recognition and measurement (continued)

The initial effective interest rate for the purposes of IFRS 9 is a rate that accurately discounts the estimated future cash payments or receipts during the expected term of the financial asset or financial liability to the gross book value of the financial asset or to the amortized value of the financial liability.

Assets classified as assets measured at fair value through other results

For assets that are measured at fair value through other results, interest income, expected credit losses and gains, or gains and losses based on exchange rate differences, are recognized through the profit/loss account. Other gains or losses related to the remeasurement of the instrument at fair value are recognized in other comprehensive income. At the moment of derecognition, the cumulative gain/loss recognized in other income is reclassified from equity to the account of gain or loss.

The Bank may initially irrevocably classify capital instruments that are not held for trading as assets measured at fair value through other results. For these financial instruments, the dividend is recognized through the income statement, while all other gains/losses are recognized through other results. At the moment of derecognition, amounts recognized in other income based on the instrument are not reclassified to the income statement.

Assets classified as assets that are measured at fair value through the income statement

If a financial instrument is measured at fair value through the income statement after initial recognition, the difference between the carrying amount and the fair value, if any, is recognized immediately through the profit or loss account.

3.7.3. Derecognition

The recognition of a financial asset ceases upon the expiration of the right to cash inflow from the financial asset, that is, when the Bank transfers all risks and benefits from the ownership of the assets.

The recognition of a financial obligation ends when the obligation is fulfilled, i.e. when the debt is paid, canceled or expired. Recognition of the book value of the financial liability written off on the basis of the conversion of debt to equity ends with the issuance of share capital in a value equivalent to the market value of the Bank's shares on the Montenegrin Stock Exchange.

3.7.4. Investments in equity instruments

During the initial recognition, the Bank may make an irrevocable choice to present subsequent changes in the fair value of investments in equity instruments, which are not held for trading, through other comprehensive income.

Investments in equity instruments and contracts related to those investments should be measured at fair value. However, in limited circumstances, purchase price may be an appropriate estimate of fair value. This may be the case if there is a lack of information from the recent past available for measuring fair value or if there is a wide range of possible fair value measurements and the purchase price represents the best estimate of fair value within that range.

3.8. Provisions and impairment of the value of uncollectible receivables

Calculation of impairment of financial assets and provisions for off-balance sheet items

In accordance with the Decision on the criteria and method of classification and calculation of provisions for potential credit losses of a credit institution ("Official Gazette of Montenegro", No. 127/20 of 29.12.2020, \140/21 of 30.12.2021), it is obliged to carry out impairments (for the assessment of balance sheet items) for balance sheet assets and off-balance sheet items on the basis of which it is exposed to credit risk, at least quarterly. i.e. estimation of probable loss (for off-balance sheet items). Items of assets on the basis of which the Bank is exposed to credit risk are loans, loans, interest, fees, deposits with banks and advances and other items of balance sheet assets where the Bank is exposed to the risk of non-fulfillment of the debtor's obligations, as well as off-balance sheet exposures: issued guarantees, given credit obligations, other guarantees, open letters of credit, as well as other off-balance sheet items that represent potential liabilities of the Bank.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8. Provisions and impairment of the value of uncollectible receivables (continued)

For the purpose of impairment assessment for balance sheet assets, ie assessment of probable loss for off-balance sheet items, the Bank has adopted the Methodology for the calculation of value correction in accordance with IFRS 9. The basis of the Methodology is historical migration matrices. The bank has created a time series of data. Migration matrices refer to the entire portfolio, and PDs (probability of default) are calculated by observing the annual migrations of clients from the bucket of days of delay: 0 - 30, 31 - 60, 61 - 90 to the category of default (over 90 days of delay) for the period from January 31, 2020 to December 31, 2023. On December 31, 2024, the Bank applied PD values based on the 2020-2023 migration matrices.

At the initial recognition of financial instruments, impairment is recognised in the amount that equals expected 12- month credit losses (financial instruments under Level 1).

The total expected loss will be recognized for all instruments whose credit risk has increased after the initial recognition. Therefore, impairment is recognized in the amount equal to expected credit losses over the life of the asset if the credit risk for that financial instrument has increased significantly since initial recognition or objective evidence of impairment has been identified (financial assets under Levels 2 and 3).

Based on a credit risk assessment, all instruments are classified under:

Level 1: No significant changes in credit risk since the date of initial recognition of the asset (expected credit losses for the next 12 months are calculated),

Level 2: A significant change in credit risk since the loan was granted (expected credit losses are calculated over the useful life),

Level 3: Impaired assets (non-performing clients, expected credit losses are calculated over the useful life).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.8. Provisions and impairment of the value of uncollectible receivables (continued)****Calculation of Impairment of Financial Assets and Provision for Off-balance Sheet Items (Continued)**

For the purposes of the analysis, the Bank has identified a number of criteria that it uses for assessment purposes and that it uses for comparison with the situation at the moment of initial recognition of the financial instrument in accordance with IFRS 9 and this Methodology. The identification of one or more of the above indicators may indicate that there has been a significant increase in credit risk:

- Classifying the client into the next, higher classification group or subgroup
- Materially significant delay longer than 30 days and up to 90,
- Restructuring due to financial difficulties, which includes distress reprogramming or distress refinancing, i.e. situations when the threshold of reduced financial obligations is below 1%, all in accordance with the types defined by the Methodology for managing restructured exposures,
- Account blocking by the Bank or other creditors for more than 30 days.
- Intervention based on the issued guarantee or other off-balance sheet exposures,
- Failure to deliver the contracted security instruments within the terms in accordance with the contracts, unless the reasons are beyond the scope of the client.

A significant increase in credit risk for the segment of exposure to countries and financial institutions was determined as a drop in the rating category (from A to B, B to C and C to D), viewed in relation to the rating scale of renowned external rating agencies (Moody's, Fitch, S&P).

The bank has also identified a list of indicators with the aim of identifying non-performing assets:

- Classification of the client into C, D and E classification groups,
- Materially significant delay longer than 90 days,
- Account blocking by the Bank or other creditors for more than 90 days continuously if the debtor is 30 or more days in arrears,
- Restructuring due to financial difficulties, that is, restructuring when the calculated threshold of reduced financial obligations is above 1%, which is defined by the Methodology for managing restructured exposures,
- Unilateral termination of the contract by the Bank,
- Deletion of debtors from CRPS,
- Mark in bankruptcy or liquidation from CRPS,
- Death of a client.

The assessment of the calculation of the value adjustment in accordance with the Methodology for exposures located in level 3 is performed for:

- all exposures with an identified default status, i.e. default status;
- all financial instruments that meet the definition of POCI in accordance with IFRS 9;
- all exposures for which the Bank has defined an individual approach taking into account the specificity of the specific financial asset.

The Bank assesses the impairment of balance sheet items and probable loss based on off-balance sheet items on an individual basis for:

- financial instruments in level 3, which exceed the materiality threshold of EUR 300,000;

The assessment of impairment of balance sheet assets and probable loss based on off-balance sheet items on an individual basis is performed on the basis of several possible collection scenarios when assessing the expected future cash flows on the basis of which the expected credit losses are defined. The bank recognizes the existence of several possible billing scenarios when assessing expected future cash flows. On that occasion, the scenarios that are taken into account are the realization of collateral (separately judicial and extrajudicial), restructuring, bankruptcy, sale of claims, settlement and everything else that he considers relevant.

When determining the probability percentages of certain scenarios, the Bank is guided by the history of realization and collection of problematic cases, but also by the specifics of individual financial instruments and accordingly assigns them appropriate weights, which in the sum of all scenarios must amount to 100%.

For all other exposures in level 3, a group approach is applied depending on the number of days in arrears.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.8. Provisions and impairment of the value of uncollectible receivables (continued)****Calculation of Impairment of Financial Assets and Provision for Off-balance Sheet Items (Continued)**

For debtors who are in arrears for up to 3 years, the calculation of expected credit losses is performed by comparing the aggregated gross book value of all instruments within a certain group with the weighted average of the realized value obtained from the following scenarios:

- with a probability of 85%, the scenario of collection from all available collateral by discounting with the average weighted initial effective interest rate, as well as taking into account the collection beyond the collateral on the remaining amount (1-LGD unsecured),
- with a probability of 10% a settlement scenario in the amount of 5% of the gross book value,
- with a probability of 5%, the scenario of selling receivables at 2% of the gross book value.

For debtors who are in arrears for more than 3 years, the calculation of expected credit losses is performed by comparing the aggregated gross book value of all instruments within a certain group with the weighted average of the realized value obtained from the following scenarios:

- with a probability of 85% the collection scenario from all available collateral,
- with a probability of 10% a settlement scenario in the amount of 5% of the gross book value,
- with a probability of 5%, the scenario of selling receivables at 2% of the gross book value.

The bank calculates the impairment on a quarterly basis in accordance with the Methodology for calculating the value adjustment in accordance with IFRS 9 in an amount equal to the expected credit losses during the lifetime, if the financial instrument is in level 2 or 3, i.e. in an amount equal to the expected twelve-month credit losses for all financial instruments in level 1.

The bank records the calculated amount of impairment of balance sheet asset items in the bookkeeping account as an expense, and in favor of the impairment of those asset items. The calculated amount of probable loss based on off-balance sheet items is recorded by the Bank as an expense, and in favor of provisions for losses on off-balance sheet items.

In accordance with IFRS 9, the basis for calculating the value adjustment includes the calculated interest, i.e. calculation of evident interest, which is calculated between the regular accounting due dates of receivables using the proportional method.

In accordance with the Decision on the criteria and method of classification and calculation of provisions for potential credit losses of credit institutions ("Official Gazette of Montenegro", no. 127/20 of 29.12.2020, 140/21 of 30.12.2021, 94/25 of 12.08.2025), the bank is obliged to classify on a monthly basis balance sheet assets and off-balance sheet items by to which it is exposed to credit risk and to calculate provisions for estimated losses. The decision defined the criteria for the classification of assets and off-balance sheet items, as well as the method of determining provisions for potential losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.8. Provisions and impairment of the value of uncollectible receivables (continued)****Calculation of Provision for Potential Losses**

According to the Decision, loans and other risk exposed assets are classified under the following classification groups:

- group A (good assets) – which classifies loans strongly corroborated by evidence that they will be fully collected in line with the contractual terms and conditions;
- group B (assets with a special note) with subgroups B1 and B2, for loans for which there is a low probability of loss, but which require special attention, as the potential risk, if not adequately monitored, could result in less collectability;
- group C (sub-standard assets) – with subgroups C1 and C2, for loans for which there is high probability of loss due to the clearly identified weaknesses that affect collectability;
- group D (doubtful assets) – loans whose full collection is highly unlikely taking into consideration the creditworthiness of the borrower and value and quality of the collateral realisation;
- group E (loss) – – loans that are fully irrecoverable or will be collectible in an insignificant amount.

The classification of off-balance sheet items on the basis of which the credit institution is exposed to credit risk is carried out by applying the criteria used in the classification of loans. The classification of contracted but unused credit is done if the Bank is irrevocably obliged to fulfill outstanding obligations under that credit arrangement.

Based on the classification of balance sheet assets and off-balance sheet items, on a monthly basis, the Bank calculates provisions for potential losses, applying percentages from the following table:

Risk Category	As of December 31, 2025		As of December 31, 2024	
	% Provisions	Days of delay	% Provisions	Days of delay
A	0,5	<30	0,5	<30
B1	2	31-60	2	31-60
B2	7	61-90	7	61-90
C1	20	91-150	20	91-150
C2	40	151-270	40	151-270
D	70	271-365	70	271-365
E	100	>365	100	>365

The bank is obliged to determine the difference between the amount of calculated provisions for estimated and potential losses, calculated in accordance with the above table and the sum of the amount of impairment for balance sheet assets and probable provision for off-balance sheet items, calculated in accordance with the provisions of the Decision prescribing the method of valuation of asset items by applying IFRS 9 at the contract level.

The positive difference between the amount of calculated provisions for estimated and potential losses and the sum of the amount of impairment for balance sheet assets and probable loss for off-balance sheet items represents the required or missing reserves for estimated and potential losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.9. Property, plant, equipment and intangible assets***Property, plant and equipment*

Real estate, plant and equipment are stated at purchase value less accumulated depreciation and impairment. The acquisition value includes expenses directly attributable to the acquired asset.

The purchase value is the value according to the supplier's invoice, increased by the dependent costs based on the purchase and the costs of bringing the asset to a state of functional readiness.

Depreciation is calculated evenly on the purchase value of the assets, with the aim of fully depreciating them during their useful life. Investments in other people's real estate are amortized in accordance with the duration of the lease agreement. The calculation of depreciation begins when the assets are put into use.

	%
Property	3.3
Computer equipment	20.0
Furniture and other equipment	15.0
Air conditioning system	10.0
Vehicles	15.0

The depreciation period starts from the first of the month following the month in which the funds are available for use. Gains and losses based on the disposal of assets are determined as the difference between the cash inflow and the book value and are reported in the income statement under 'Other income/(expenses)'.

Intangible assets

Intangible assets are stated at cost less accumulated depreciation and impairment. Depreciation is recognized in the income statement using the proportional method over the estimated useful life.

	%
Intangible assets	20.0-33.3

3.10. Impairment of tangible and intangible assets

On the balance sheet date, the Bank's management analyzes the values by which the intangible and tangible assets of the Bank are presented. If there is an indication that an asset is impaired, the recoverable amount of that asset is estimated to determine the amount of the impairment. If the recoverable amount of an asset is estimated to be lower than the value at which that asset is shown, the existing value of that asset is reduced to the amount of the recoverable amount.

The loss based on the depreciation of the value of the property is recognized as an expense of the current period and is reported as part of other business expenses. If the situation subsequently arises that the loss due to impairment recognized in earlier years does not exist or has decreased, the value of the asset is increased up to the revised estimate of its recoverable amount, but so that the increased value at which the asset is carried does not exceed the value at which the asset would have been carried if the established loss due to the impairment of assets had not been recognized in previous years.

3.11. Acquired assets

An acquired asset is an asset that becomes the property of the Bank by taking over collateral for placements that are secured by that asset. Ownership of the acquired asset is acquired in enforcement proceedings, bankruptcy proceedings, liquidation or reorganization proceedings of the debtor, a bilateral agreement with the debtor or another type of transfer of collateral to a credit institution. Acquired assets can include financial and non-financial assets and should include all acquired collateral regardless of their accounting classification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.11. Acquired assets (continued)**

The bank initially recognizes the taken security assets at the value determined in the acquisition process, basically at the lower of the net book value of the receivables and the market value of the security assets minus the costs of sale. Acquired assets are subsequently valued at the lower of the book and market value of the property.

In accordance with the Decision on the minimum standards for investments of credit institutions in real estate and fixed assets ("Sužbeni list Crne Gore", no. 126/20 of 25.12.2020), the total investments of the credit institution in real estate and fixed assets must not exceed the amount of the regular share capital of the credit institution.

Exceptionally, a credit institution may have investments in real estate and fixed assets above the level of regular fixed capital, if the following conditions are met:

- 1) the amount of investment in real estate and fixed assets that exceeds the amount of regular basic capital, the credit institution treats as a deductible item when calculating the regular basic capital of the credit institution;
- 2) after the reduction of the regular core capital of the credit institution carried out in accordance with point 1, the level of regulatory capital and the coefficient of adequacy of the total capital of the credit institution exceed the legally prescribed minimum.

For real estate acquired by the credit institution in exchange for claims in the debt restructuring process, in the bankruptcy process, in the liquidation process of the debtor of the credit institution, in the reorganization process of the debtor in accordance with the regulations governing bankruptcy, or in the execution process for the settlement of claims, the credit institution is obliged to include the value of that real estate in the calculation, at least in the following percentages:

- 1) 0%, if no more than four years have passed since the date of acquisition of the immovable property;
- 2) 30%, if more than four but not more than five years have passed since the acquisition of the immovable property;
- 3) 50%, if five, but not more than six, years have passed since the acquisition of the immovable property;
- 4) 75%, if more than six years have passed since the date of acquisition of the immovable property.

As of December 31, 2024, the Bank has no acquired assets.

3.12. Accruals

Prepaid, ie invoiced costs and expenses are deferred in time and included in expenses in proportion to the period to which they relate.

Revenues of the current period that could not be invoiced, and for which costs were incurred in the current period, are accrued over time, and are reported as receivables when they are invoiced.

In accruals, accrued income and expenses of the current period for which a document has not been received or when the payment obligation arises in the future period are reported.

3.13. Inventories

Inventories are valued at purchase prices at the time of acquisition. The FIFO method is used to value inventory consumption.

Small inventory, packaging, car tires, work uniforms and other material at the moment of actual putting into use charge the costs of the accounting period in the total amount of 100%.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.14. Capital**

The Bank's share capital represents the amount of cash paid by shareholders for all ordinary shares. The Bank's share capital consists of ordinary shares and is recorded as a separate item in the balance sheet.

Dividends from shares are recorded as a liability in the period in which the decision on their payment was made. Dividends approved for a year subsequent to the balance sheet date are disclosed in a note on events subsequent to the balance sheet date.

In accordance with IFRS, capital is not assessed. In accordance with the regulations of the Central Bank of Montenegro, the Bank's capital adequacy is calculated quarterly.

For internal needs, the Bank calculates the capital adequacy ratio on a monthly basis.

3.15. Provisions

Provisions are recognized when the Bank has a valid legal or derivative obligation resulting from past events, when it is more likely that an outflow of funds will be required to settle the obligation, and when the amount of the obligation can be reliably estimated.

Provisions are measured according to the present value of the expenses required to settle the obligations.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best current estimate. If it is no longer likely that the outflow of funds that generate economic benefits will be required to settle the given obligation, the provision is canceled in favor of the income statement.

3.16. Employee benefits**Contributions for Social Security of Employees**

In accordance with the regulations applied in Montenegro, the Bank is obliged to pay contributions to state funds that provide social security for employees. These obligations include contributions for employees at the expense of the employer in amounts calculated at the rates prescribed by the relevant legal regulations. The bank is also obliged to withhold contributions from the employees' gross salaries and to pay them to these funds on behalf of the employees. Contributions at the expense of the employer and contributions at the expense of the employee are recorded at the expense of the expenses of the period to which they relate.

Liabilities based on severance pay or other long-term benefits to employees

In accordance with the General Collective Agreement ("Official Gazette of the Republic of Montenegro" No. 150/22), the Bank is obliged to pay an employee a severance pay in the amount of 3 minimum net wages upon retirement. The right to the said compensation is usually conditional on the employee's remaining working age until retirement and/or completion of the minimum period of work. The expected costs of those benefits were incurred in the period from employment.

In the Bank's financial statements as of December 31, 2025, a provision was made for severance payments based on the estimated present value of funds for severance payments to employees for retirement after fulfilling the conditions.

Remuneration policy

The Bank applies the Remuneration Policy, which defines the types of remuneration, principles and rules for the determination, approval and payment of remuneration, as well as the methodology of variable remuneration and their alignment with the Bank's risk profile. The policy was updated in 2025 in order to align with the current regulatory framework, and was formally adopted by the Board of Directors on March 25, 2026.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.17. Financial liabilities**

Financial liabilities are initially recognized at fair value less incurred transaction costs. Financial liabilities are subsequently stated at amortized value using the effective interest rate method. The difference between the realized inflow (minus the transaction costs) and the value of repayments is recognized in the income statement in the period of loan utilization using the effective interest rate method.

3.18. Financial guarantees

In regular business, the Bank provides financial guarantees, which consist of guarantees, performance guarantees and promissory notes. Financial guarantees are initially recognized in the financial statements at fair value, with consideration received. Subsequent valuation of the bank's liability for each guarantee is carried out at the higher of the amortized fee and the best estimate of the cost required to settle the obligation that may arise as a result of the given guarantee.

Any increase in the liability based on financial guarantees is transferred to the income statement. The compensation received is recognized in the income statement using the straight-line method, during the entire period for which the guarantee was given.

3.19. Fair value**Fair value of financial instruments**

Determining the fair value of financial assets and liabilities for which there is no observable market price requires the use of various valuation techniques. For financial instruments that are not frequently traded and that have low price transparency, fair value is less objective and requires certain degrees of variation in estimation that depend on liquidity, concentration, uncertainty of market factors, price assumptions and other risks affecting a particular instrument.

According to the Bank's management, the book value of financial assets and financial liabilities disclosed in the financial statements approximates the fair value on the balance sheet date, due to the fact that the financial assets and financial liabilities were created after the start of the Bank's operations, which represents a relatively short period.

The principles of fair value measurement of financial instruments aim to regulate the measurement of:

- financial assets for which, in accordance with international accounting standards and international financial reporting standards, measurement at fair value is required;
- financial assets for which, in accordance with international accounting standards and international financial reporting standards, measurement at fair value is not required for presentation in the Bank's financial statements, but for which disclosure of the fair value of those instruments is required.

The key term in the entire measurement process is "fair value" - it is the price (value) that would be obtained for the sale of assets or the price (value) that would be paid for the transfer of liabilities in regular transactions between market participants on the valuation date.

In applying IFRS 13, the Bank adheres to the following sequence of activities:

- a) Determine whether a specific financial instrument is subject to measurement at fair value - this activity involves identifying the characteristics of the instrument, the unit of measure and the market and market participants,
- b) Choose the appropriate approach (method) and techniques for valuation - market (quoted prices on the active market), income (discounted cash flow) and cost (replacement cost),
- c) Define the inputs for fair value measurement - classifying the instrument by levels (level 1 - quoted prices for an identical instrument on the active market, level 2 - quoted prices for a similar instrument on the active market, level 3 - discounted cash flow),
- d) Measure fair value
- e) Disclose information on fair value measurement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.20. Management and custody of client assets (Custody)**

The bank provides property management and custody services to legal and natural persons and invests clients' funds in various financial instruments at their behest. Since these funds are not assets of the Bank, they are not recognized in the financial statements, in contrast to the funds received from these clients, which are presented as part of the Bank's liabilities. On the basis of services from these jobs, the Bank recognizes income from fees.

3.21 Related party transactions

For the purposes of these financial statements, legal entities are treated as related if one legal entity has the ability to control another legal entity or exerts significant influence on the financial and business decisions of another entity, which is defined in IAS 24 "Related Party Disclosures".

Relations between the Bank and its related parties are regulated on a contractual basis. Balances of receivables and liabilities on the reporting date, as well as transactions during the reporting periods with related parties are disclosed separately (Note 27).

When a credit institution provides or uses the services of persons associated with the credit institution, it may not provide services to those persons on terms that are more favorable than the conditions on which it provides those services to other persons, nor may it use the services of persons associated with the credit institution on terms that are less favorable than the conditions on which other persons would provide those services to the credit institution.

Persons associated with the credit institution are:

1. Shareholders of a credit institution that have a 5% or more of interest in the credit institution's equity or shares and a voting right;
2. Members of the Supervisory Board or the Board of Directors and procurators of credit institutions;
3. Persons responsible for the operation of control functions, an authorised person for anti-money laundering, a person responsible for business transactions with corporate customers, a person responsible for business transactions with retail customers;
4. Other persons that have signed an employment contract with a credit institution, whose provisions indicate a notable influence of those persons on the operations of the credit institution, i.e. provisions that prescribe a reward for the performance of such persons under specific criteria that differ from the terms and conditions for persons that have concluded standard employment contracts, but who are not persons referred to under previous items;
5. A legal entity in which a credit institution, a member of the Supervisory Board or the Board of Directors or a procurator of the credit institution have a significant influence;
6. A legal entity whose member of its governing body is also a member of the Supervisory Board or the Board of Directors or a procurator of a credit institution;
7. A legal entity whose member of its governing body has a 10% or more of shares of a credit institution and a voting right;
8. A member of a governing body of a company which is, directly or indirectly, the parent company or a subsidiary of a credit institution;
9. A person who acts on behalf of the persons referred to under items 1 to 7 of this paragraph in connection with transactions that would result in or increase the credit institution's exposure;
10. A person that is a related party to the persons referred to under items 1 to 8;

A member of the immediate family of natural persons referred to under items 1 to 8;

A member of the immediate family of a person is considered:

1. A spouse or a person with whom the aforesaid person lives in a union that is equal to marriage according to the law;
2. Children and adopted children of that person and the person referred to under the previous item;
3. A person who does not have full business capacity and who is under guardianship of the aforesaid person.

Conducting business transactions with parties related to a credit institution is governed by the Central Bank of Montenegro.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Outsourcing

The outsourcing policy defines the basic principles and conditions for engaging persons from outside the Bank to perform tasks for the Bank, rules for managing risks associated with outsourcing, as well as requirements related to access to data and documentation, supervision by the Bank, as well as the minimum content of the contract with the service provider. Outsourcing is defined as an arrangement of any kind with a service provider under which the service provider performs a process, service or activity for the Bank that, if the outsourcing had not been performed, the Bank would have performed independently.

Before making a decision on outsourcing, a decision on changing the service provider, the Bank is obliged to:

- carry out a detailed analysis of the potential service provider related to its ability to provide the service, financial condition and business reputation;
- in the event that the potential service provider has its seat or performs outsourced operations outside of Montenegro, determine whether the regulations of the country or countries in which that service provider operates enable the Central Bank of Montenegro to unimpeded control of the service provider in accordance with the Law;
- assess the possible difficulties and time needed to choose another service provider or to perform tasks independently in case of termination of outsourcing and to determine the feasibility (easy, moderate, difficult or impossible);
- assess the impact of outsourcing on:
 - business continuity and reputation of the credit institution,
 - costs, financial result, liquidity, capital and solvency of the credit institution,
 - the quality of services that the credit institution provides to clients,
 - risk profile of the credit institution,
 - reporting.

Also, in the outsourcing process, the Bank is obliged to establish additional criteria, in order to identify and assess the risks arising from outsourcing and manage those risks, as well as other important elements, before making the final decision on outsourcing.

The bank is obliged to monitor the implementation of the outsourced service and its quality in accordance with the concluded contract and the compliance of the external service provider with standards at the national and international level. The director of the organizational unit that initiates the engagement of an external service provider is responsible for timely identification and regular reporting of all potential risks. It is also obliged to ensure on a continuous basis that outsourcing arrangements, especially for critical and significant tasks, meet the standards of performance and quality of performance of the outsourced work, which are defined in the Bank's internal acts.

All directors of organizational units who initiate the engagement of an external service provider on an annual basis are obliged to submit up-to-date documentation to the Risk Control Sector for the needs of the regular annual reassessment of the risk of externalization. The risk control department, on the basis of the collected documentation and a set of analyzes on the external analysis risk assessment, reports the results of the assessment to decision-making branches.

The policy holder (Risk Control Sector) is obliged to submit a report on the monitoring of outsourced activities to the bank's Management Board on an annual basis.

The bank maintains a detailed and up-to-date register of outsourced business, in which information is entered on all realized critical and significant externalizations, as well as on externalizations that are not critical and significant.

4. FINANCIAL INSTRUMENTS**4.1. Risk management**

The bank identifies the risks to which it is exposed or may be exposed in its operations. For all identified risks, the Bank determines their significance, which is based on a comprehensive assessment of the risks that are specific to individual businesses, products, activities and processes of the Bank. The bank has separated the business of contracting transactions from the business of risk control as well as business support, in such a way that it has clearly defined competencies and responsibilities in the risk management process in the policies for managing individual risks.

In its operations, the Bank is most exposed to credit risk, and thus the greatest focus is given to the management and continuous development and improvement of credit risk management, but the influence of other risks to which the Bank is exposed in its operations, such as liquidity risk, operational risk, market risk, country risk, concentration risk and other risks to which the Bank is exposed or could be exposed in its operations, is not neglected.

The risk management strategy is a comprehensive general document regulating the area of risk management in the Bank. The strategy aims to establish a general framework for precautionary and continuous management of risks to which the Bank is exposed or may be exposed in its operations. In order to manage risks more efficiently, at the operational level, the Bank has developed special policies and procedures for risk management that are designed to identify and analyze risks, to define appropriate limits and controls for risk management, as well as to monitor the Bank's exposure to certain risks. Pursuant to the Law on Credit Institutions, the Bank is obliged to periodically, and at least once a year, review the adequacy of adopted policies and procedures for the management of certain risks.

The Supervisory Board approved the following risk management policies:

- Credit policy
- Propensity to take risks
- Credit risk management policy
- Operational risk management policy
- Country risk management policy
- Liquidity risk management policy
- Market risk management policy
- Interest rate risk management policy from non-traded positions
- Market risk management policy
- Concentration risk management policy
- Externalization policy
- Internal capital adequacy assessment policy

The strategy, policies and procedures define the basic principles for taking over and managing risks: establishing clear rules for risk management; collection of complete, timely and true data important for risk management and provision of adequate capacities for data storage and processing; making business decisions based on qualitative and quantitative analyses; using a number of methods for identifying and measuring risks; comprehensiveness of risk management; effectiveness of risk management; cyclicity of risk management.

The Bank's tendency to take risks represents the definition of the maximum acceptable level of risk, which ensures that the overall level of risk is in line with the expectations of all stakeholders.

The Bank identifies non-performing loans (NPL) and non-performing exposures (NPE) in accordance with the criteria defined in the Credit Risk Management Policy. Monitoring and control of credit risk implies the establishment of control mechanisms in the form of limit values for indicators by means of which the Bank monitors credit risk defined by the Risk Control Sector, and monitoring compliance with the defined limit values of those indicators. The Bank has also defined the procedures/measures that must be followed if the indicators reach values higher than the limit values for the green zone.

The Supervisory Board has overall responsibility for establishing and overseeing the risk management framework.

The Risk Control Department is responsible for monitoring the Bank's exposure to certain risks, which is reported monthly to the Board of Directors.

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk and risks associated with credit risk

Credit risk in a narrow sense

Credit risk represents the possibility of negative effects on the Bank's financial results and capital due to the debtor's failure to fulfill its obligations to the Bank. The bank approves loans in accordance with the business strategy, harmonizing the maturity dates of the approved loans and the interest rate policy with the purpose of the loan and the creditworthiness of the debtor.

The credit risk management policy is based on the Bank's legal obligation prescribed by the Law on Credit Institutions and by-laws, but also on generally accepted international principles for credit risk management and positive practices for credit risk assessment.

The goal of the policy is the successful implementation of the Credit Policy and Risk Management Strategy in a way that the areas in which credit risk sources are identified, methods for identification, methods and time frames for credit risk measurement, limits and procedures for controlling individual and total exposure to credit risk while respecting the size of the Bank and the complexity of the product, the method and dynamics of reporting and informing the Supervisory Board and the Board of Directors about credit risk management, as well as the methods and time frames of the subsequent quality control of credit risk management will be determined as precisely as possible.

Management of exposure to credit risk is carried out by regular analysis of the ability of loan beneficiaries and potential loan beneficiaries to repay obligations based on interest and principal.

Credit risk management includes all aspects of risk assessment before approving the placement, as well as monitoring the placement until final repayment.

The Bank has separated the business of contracting transactions from the business of risk control as well as business support, in such a way that in the Credit Risk Management Policy it has clearly defined the competencies and responsibilities in the credit risk management process.

The credit risk decision-making system is part of a comprehensive risk management system. The procedure for approval of individual exposures includes the proposal of the Department for Asset Management / Department for Business with Individuals and Entrepreneurs / Department for Business with Small and Medium Enterprises / Department for Business with Corporate Clients and Public Administration Financing / Department for Management of Problem Placements and Claims Collection. The department for credit analysis gives a position/opinion for the approval of the placement, which is submitted to the competent authorities for making a decision on the approval of the same. The level of decision-making is defined by the Rulebook on the work of credit committees and the Rulebook on the work of the Board for monitoring non-performing and restructured exposures.

The bank established a monitoring system with the aim of timely identification of credit quality deterioration at the level of individuals and legal entities, and kept records of exposures with increased credit risk. The bank has defined qualitative and quantitative warning indicators with which it monitors exposure to credit risk at the level of individual exposures.

The bank considers indicators that indicate a low probability of the debtor's payment of obligations to determine the occurrence of the debtor's non-payment status, in addition to the days of delay.

There are two types of indicators that indicate debtor's low PDs:

- Hard indicators that will automatically cause default status after their identification, without the need for additional analysis.
- Soft indicators are indicators of the potential deterioration of the debtor's financial or economic position or the debtor's ability to fully repay his obligation, which require additional analysis to assess whether the status of default has occurred.

The bank monitors the overall structure and quality of the loan portfolio, i.e. the credit risk arising from the overall portfolio, as well as the risks related to individual loans and transactions. Loans that fall into arrears or loans that are classified in one of the categories of non-performing assets are the subject of special attention. Risk monitoring is organized in such a way as to enable appropriate measures to be taken in a timely manner to reduce credit risk in the event of a deterioration in the debtor's creditworthiness.

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk and risks associated with credit risk (continued)

For the purpose of implementing restructuring measures, the Bank tries to detect indications of potential future financial difficulties at an early stage. In this regard, an assessment of the debtor's financial position is not only limited to exposures with obvious signs of financial difficulties, but also to exposures based on which the borrower does not face apparent financial difficulties, but for which market conditions have significantly changed so that they could affect the debtor's repayment ability.

Risks associated with credit risk

Residual Risk

When assessing internal capital adequacy, the Bank conducts an impact analysis of residual risk, starting from the assumption that the collaterals received are impaired.

Country Risk

The Bank assesses the risk exposure of countries in which its borrowers have head offices/residence. The Bank ranks countries using long-term credit rating of a debtor's country, determined by internationally recognized external institutions. According to the rating assigned by internationally recognized rating agencies, the Bank classifies each of the countries under one of four risk categories. Country risk management is governed by Bank's corporate by-laws.

Interest-induced and Currency-induced Credit Risk

The Bank has introduced appropriate management systems related to loss risks arising from fluctuating interest rate exposures (interest-induced credit risk) and from exposures denominated in or linked to foreign currencies (currency-induced credit risk), which entail managing these risks at the level of individual exposures and the overall portfolio. The management of these risks is defined in more detail by corporate credit risk by-laws.

Concentration Risk

The Bank has introduced an identification system for a timely and comprehensive analysis of all factors in order to identify concentration risk that the Bank is or might be exposed to in its operations. Concentration risk is measured/assessed by adequately estimating the identified concentration risk exposure to individuals, a group of related parties, an industry or a product. The concentration risk management is governed by corporate by-laws.

4.2.1. Credit risk management

Credit risk management covers two main aspects of credit activities:

- 1.) Previous risk assessment to be assumed – based on a prior analysis formalized by the creation of a credit file approved by the competent body;
- 2.) Regular monitoring of placements or the assumed risk. After the placement is approved, the Bank is exposed to risks that are constantly evolving depending on the client's standing or other internal or external factors. Therefore, it is necessary to regularly monitor risks in order to protect Bank's interests.

The Bank has established a system for monitoring placements at individual and portfolio level, as well as a system for adequate provisioning and extracting impairment allowances for credit risk. In this way, potentially non-performing loans are identified on time and timely collection actions can be assumed.

Loan Commitments and Contingent Liabilities

The primary purpose of these instruments is to ensure that funds are available to the client on demand. Guarantees and letters of credit represent an irrevocable written obligation of the Bank to make a payment to a third party in the event that the client cannot fulfill its obligations, and therefore carry the same credit risk as loans.

4. FINANCIAL INSTRUMENTS (continued)**4.2. Credit risk and risks associated with credit risk (continued)****4.2.1. Credit risk management (continued)**

Documentary and commercial letters of credit - which represent a written statement of the Bank's obligation assumed on behalf of the client, and which authorizes a third party to draw bills of exchange with the Bank up to the amount agreed upon under special conditions - are secured by the basic delivery of the goods to which they refer, and therefore carry less risk than a direct loan.

4.2.2. Provisions for Impairment Losses in accordance with IFRS 9

Pursuant to the Decision on Classification and Calculation Criteria and Method of Provisions for Potential Credit Losses of Credit Institutions ("Official Gazette of Montenegro", no. 127/20 of 29 December 2020 and 140/21 of 30 December 2021), the Bank is required to assess balance sheet assets and off-balance sheet items, based on which it is exposed to credit risk, at least on a quarterly basis for impairment (items of balance sheet assets) and for the probability of loss (off-balance sheet items). For the purpose of estimating the impairment of balance sheet items and a probable loss for off-balance sheet items, the Bank has adopted the Methodology for the Calculation of Impairment Allowance in accordance with IFRS 9.

The Bank calculates impairment on a quarterly basis based on the Methodology for the Calculation of Impairment Allowance in accordance with IFRS 9 in the amount equal to the expected credit losses over the useful life of the asset, if the credit risk for that financial instrument has significantly increased since initial recognition or there is identified objective evidence of impairment (financial assets under Levels 2 and 3), and at the amount equal to the expected twelve-month credit losses for all financial instruments in which credit risk has not significantly increased since the initial recognition (financial assets under Level 1).

For analysis purposes, the Bank identified a set of criteria that it uses to assess and compare to with the situation at the moment of the initial recognition of a financial instrument in accordance with IFRS 9 and this Methodology. Identification of one or more listed criteria, may indicate that there has been a significant increase in credit risk.

4.2.3. Credit risk reporting

The Bank has introduced a credit risk reporting system in order to support a decision-making process. Credit risk reporting includes regulatory and internal reporting. Regulatory reporting implies monthly and quarterly submission of credit exposure forms to the Central Bank of Montenegro defined by the Decision on Reports submitted to the Central Bank of Montenegro. Regulatory reporting is carried out by the Department for Accounting, Controlling and Reporting and the Risk Management Department of the Bank.

Internal reporting entails regular communication (reporting) between the Risk Management Department and organisational units assuming risks and monthly reporting to the Board of Directors and the Audit and Risk Committee, i.e. quarterly reporting to the Supervisory Board of the Bank.

4 FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk and risks associated with credit risk (continued)

4.2.4. Maximum exposure to credit risk by balance and off-balance sheet items

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

In thousand EUR	December 31, 2025		December 31, 2024	
	Gross	Net	Gross	Net
Balance sheet items				
Cash and deposit accounts with central banks	56,465	56,465	84,045	84,043
Loans and placements to credit institutions	85,958	85,583	53,870	53,654
Loans and placements to customers	142,706	136,473	142,499	137,772
Securities at amortised cost	64,823	64,584	148,325	147,998
Securities at fair value through other comprehensive income	20,664	20,664	67,707	67,707
Investments in associates, subsidiaries and joint ventures under the equity method	150	1	150	7
Other financial assets	1,995	1,995	11	11
Deferred financial assets	113	113	114	114
Other assets	1,097	829	1,009	801
	373,971	366,707	497,730	492,107
Off balance sheet items				
Payment guarantees	7,742	7,440	10,636	10,334
Performance guaranties	13,509	13,329	10,320	10,140
Other guaranties	1,621	1,614	595	588
Undrawn credit facilities	16,171	16,006	4,763	4,716
	39,043	38,389	26,314	25,778
Maximum credit risk exposure	413,014	405,096	524,044	517,885

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

Exposure to credit risk is partially controlled by obtaining security instruments and guarantees from legal and natural persons. The use and management of collateral is one of the basic components of credit risk management. Together with the consideration of the debtor's financial condition, collateral is considered a very important determinant for determining exposure to credit risk because exposure to credit risk is partially controlled by obtaining collateral instruments and guarantees of legal and natural persons.

The types of security instruments are:

- deposits;
- the right of mortgage on real estate;
- lien on equipment, securities, stocks, vehicles and receivables;
- promissory notes;
- authorizations;
- administrative prohibitions;
- guarantors and joint guarantors;
- guarantees and sureties;
- insurance policies.

ADRIATIC BANK A.D., PODGORICA

Notes to the financial statements for the year ended December 31, 2025

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.5. Quality of financial placements

LOANS AND RECEIVABLES FROM BANKS AND CLIENTS

December 31, 2025.	S1	S2	S3	Total	Impairment S1	Impairment S2	Impairment S3	Total impairment	Net
Loans and receivables from banks	85,958	-	-	85,958	(375)	(0)	-	(375)	85,583
Housing and mortgage loans	23,657	982	5,758	30,397	(165)	(13)	(6)	(184)	30,213
Cash loans	2,239	32	23	2,294	(59)	(2)	(15)	(76)	2,218
Consumer loans	94	2	-	96	(2)	(0)	-	(2)	94
Overdrafts	6	-	-	6	(0)	-	-	(0)	6
Cards – retail customers	90	-	-	90	(1)	-	-	(1)	89
Private SME loans	52,882	32,147	7,657	92,686	(548)	(498)	(4,512)	(5,558)	87,128
Loans to state companies	6,008	363	-	6,371	(27)	(11)	-	(38)	6,333
Loans to large private companies	4,805	5,959	2	10,766	(52)	(321)	(0)	(373)	10,393
Loans and receivables from customers	89,781	39,485	13,440	142,706	(846)	(846)	(4,533)	(6,233)	136,473
Total	175,739	39,485	13,440	228,664	(1,229)	(846)	(4,533)	(6,608)	222,056

KREDITI I POTRAŽIVANJA OD BANAKA I KLIJENATA

December 31, 2024	S1	S2	S3	Total	Impairment S1	Impairment S2	Impairment S3	Total impairment	Net
Loans and receivables from banks	53,868	2	-	53,870	(216)	(0)	-	(216)	53,654
Housing and mortgage loans	32,378	429	107	32,914	(121)	(5)	(9)	(135)	32,779
Cash loans	12,187	31	312	12,529	(66)	(3)	(110)	(179)	12,350
Consumer loans	298	-	32	330	(9)	-	(26)	(35)	296
Overdrafts	6	-	-	6	-	-	-	-	6
Cards – retail customers	87	-	-	87	-	-	-	-	87
Private SME loans	37,921	30,138	7,130	75,189	(638)	(1,202)	(1,998)	(3,837)	71,351
Loans to state companies	9,217	-	414	9,631	(41)	-	(33)	(74)	9,557
Loans to large private companies	11,401	-	412	11,813	(256)	-	(210)	(466)	11,347
Loans and receivables from customers	103,494	30,598	8,406	142,499	(1,131)	(1,210)	(2,386)	(4,727)	137,772
Total	157,362	30,601	8,406	196,369	(1,347)	(1,210)	(2,386)	(4,943)	191,426

ADRIATIC BANK A.D., PODGORICA

Notes to the financial statements for the year ended December 31, 2025

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.5. Quality of the financial placements (continued)

SECURITIES

December 31, 2025	S1	S2	S3	Total	Impairment S1	Impairment S2	Impairment S3	Total impairment	Net
Securities at amortized cost	64,823	-	-	64,823	(239)	-	-	(239)	64,5
Government bonds - Montenegro	51,517	-	-	51,517	(230)	-	-	(230)	51,2
Government bonds - Non-residents	8,210	-	-	8,210	(8)	-	-	(8)	8,2
Securities at fair value through other comprehensive income	5,096	-	-	5,096	(1)	-	-	(1)	5,0
Government bonds - Montenegro	20,664	-	-	20,664	(87)	-	-	(87)	20,5
Government bonds - Non-residents	19,354	-	-	19,354	(87)	-	-	(87)	19,2
Government bonds - Non-residents	1,310	-	-	1,310	-	-	-	-	1,3
Total	85,487	-	-	85,487	(326)	-	-	(326)	85,1
* Value correction for securities valued at fair value through other comprehensive income is recorded in equity as of 12/31/2025. year are EUR 87.									
December 31, 2024	S1	S2	S3	Total	Impairment S1	Impairment S2	Impairment S3	Total impairment	Net
Securities at amortized cost	148,325	-	-	148,325	(327)	-	-	(327)	147,
Government bonds - Montenegro	69,707	-	-	69,707	(311)	-	-	(311)	69,
Government bonds - Non-residents	8,243	-	-	8,243	(7)	-	-	(7)	8,
Securities at fair value through other comprehensive income	70,374	-	-	70,374	(9)	-	-	(9)	70,
Government bonds - Montenegro	67,707	-	-	67,707	-	-	-	-	67,
Government bonds - Non-residents	28,189	-	-	28,189	-	-	-	-	28,
Government bonds - Non-residents	39,519	-	-	39,519	-	-	-	-	39,
Total	216,032	-	-	216,032	(327)	-	-	(327)	215,
* Value correction for securities valued at fair value through other comprehensive income is recorded in equity as of 12/31/2024. year are EUR 130.									

ADRIATIC BANK A.D., PODGORICA

Notes to the financial statements for the year ended December 31, 2025

4. FINANCIAL INSTRUMENTS (continued)**4.2. Credit risk (continued)****4.2.5. Quality of the financial placements (continued)****OFF-BALANCE SHEET ITEMS**

December 31, 2025	S1	S2	S3	Total	Impairment S1	Impairment S2	Impairment S3	Total impairment	Net
Off-balance sheet items	34,999	4,041	3	39,043	(449)	(43)	(1)	(493)	38,550
Guarantees	19,004	3,868	0	22,872	(287)	(42)	-	(329)	22,543
Undrawn credits	15,995	173	3	16,171	(162)	(1)	(1)	(164)	16,007
Total	34,999	4,041	3	39,043	(449)	(43)	(1)	(493)	38,550

OFF-BALANCE SHEET ITEMS

December 31, 2024	S1	S2	S3	Total	Impairment S1	Impairment S2	Impairment S3	Total impairment	Net
Off-balance sheet items	24,085	2,194	35	26,314	(435)	(95)	(5)	(536)	25,778
Guarantees	19,785	1,731	35	21,551	(396)	(88)	(5)	(490)	21,062
Undrawn credits	4,300	463	0	4,763	(39)	(7)	-	(46)	4,717
Total	24,085	2,194	35	26,314	(435)	(95)	(5)	(536)	25,778

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.5. Quality of the financial placements (continued)

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY DAYS PAST DUE - STAGE 1

December 31, 2025	Not past due	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and receivables from banks	85,958	-	-	-	-	85,958
Housing and mortgage loans	23,657	-	-	-	-	23,657
Cash loans	2,219	20	-	-	-	2,239
Consumer loans	94	-	-	-	-	94
Current account deficits	6	-	-	-	-	6
Cards of natural persons	72	7	11	-	-	90
Loans given to medium and small private companies	52,686	195	-	-	-	52,882
Loans given to state enterprises	6,008	-	-	-	-	6,008
Loans given to large private companies	4,066	740	-	-	-	4,806
Loans and receivables from clients	88,808	962	11	-	-	89,781
of which: restructured:	502	-	-	-	-	502

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY DAYS PAST DUE - STAGE 2

December 31, 2025	Not past due	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and receivables from banks	-	-	-	-	-	-
Housing and mortgage loans	287	-	694	-	-	982
Cash loans	21	-	-	10	-	32
Consumer loans	2	-	-	-	-	2
Current account deficits	-	-	-	-	-	-
Cards of natural persons	-	-	-	-	-	-
Loans given to medium and small private companies	23,939	8,137	-	72	-	32,147
Loans given to state enterprises	364	-	-	-	-	363
Loans given to large private companies	5,959	-	-	-	-	5,959
Loans and receivables from clients	30,572	8,137	694	82	-	39,485
of which: restructured:	6,151	484	-	-	-	6,635

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY DAYS PAST DUE - STAGE 3

December 31, 2025	Not past due	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and receivables from banks	-	-	-	-	-	-
Housing and mortgage loans	-	-	-	32	5,725	5,758
Cash loans	-	-	-	-	24	23
Consumer loans	-	-	-	-	-	-
Current account deficits	-	-	-	-	-	-
Cards of natural persons	-	-	-	-	-	-
Loans given to medium and small private companies	1,479	1,044	31	4	5,099	7,657
Loans given to state enterprises	-	-	-	-	-	-
Loans given to large private companies	-	-	-	-	2	2
Loans and receivables from clients	1,479	1,044	31	36	10,850	13,440
of which: restructured:	410	42	-	-	4,854	5,305

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.5. Quality of the financial placements (continued)

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY DAYS PAST DUE - STAGE 1

December 31, 2024	Not past due	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and receivables from banks	53,868	-	-	-	-	53,868
Housing and mortgage loans	31,256	1,122	-	-	-	32,378
Cash loans	11,899	288	-	-	-	12,187
Consumer loans	288	10	-	-	-	298
Current account deficits	6	-	-	-	-	6
Cards of natural persons	84	3	-	-	-	87
Loans given to medium and small private companies	36,713	1,208	-	-	-	37,921
Loans given to state enterprises	9,217	-	-	-	-	9,217
Loans given to large private companies	7,256	4,144	-	-	-	11,401
Loans and receivables from clients	96,719	6,775	-	-	-	103,494
of which: restructured:	-	-	-	-	-	-

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY DAYS PAST DUE - STAGE 1

December 31, 2024	Not past due	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and receivables from banks	2	-	-	-	-	2
Housing and mortgage loans	429	-	-	-	-	429
Cash loans	30	-	0	-	-	31
Consumer loans	-	-	0	-	-	-
Current account deficits	-	-	-	-	-	-
Cards of natural persons	-	-	-	-	-	-
Loans given to medium and small private companies	26,984	1,377	1,748	29	-	30,138
Loans given to state enterprises	-	-	-	-	-	-
Loans given to large private companies	-	-	-	-	-	-
Loans and receivables from clients	27,443	1,377	1,749	29	-	30,598
of which: restructured:	7,819	293	-	-	-	8,112

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY DAYS PAST DUE - STAGE 3

December 31, 2024	Not past due	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and receivables from banks	-	-	-	-	-	-
Housing and mortgage loans	105	-	-	-	2	107
Cash loans	27	285	-	-	-	312
Consumer loans	-	-	-	-	32	32
Current account deficits	-	-	-	-	-	-
Cards of natural persons	-	-	-	-	-	-
Loans given to medium and small private companies	5,780	32	17	555	745	7,130
Loans given to state enterprises	414	-	-	-	-	414
Loans given to large private companies	-	-	-	-	412	412
Loans and receivables from clients	6,326	317	17	555	1,191	8,406
of which: restructured:	4,642	8	-	-	454	5,104

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.5. Quality of the financial placements (continued)

SECURITIES BY DAYS OVERDUE

The entire amount of securities on December 31, 2025 and December 31, 2024 was classified in STAGE 1 and no delay was identified.

OFF-BALANCE SHEET ITEMS BY DAYS OVERDUE

December 31, 2025	Not past due	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Off-balance sheet items						
Guarantees	10,590	12,282	-	-	-	22,872
Undrawnd credits	13,268	2,889	11	3	-	16,171
Total	23,858	15,171	11	3	-	39,043

OFF-BALANCE SHEET ITEMS BY DAYS OVERDUE

December 31, 2024	Not past due	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Off-balance sheet items						
Guarantees	11,234	9,267	1,050	-	-	21,551
Undrawnd credits	4,181	579	3	-	-	4,763
Total	15,415	9,846	1,053	-	-	26,314

ADRIATIC BANK A.D., PODGORICA

Notes to the financial statements for the year ended December 31, 2025

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.5. Quality of the financial placements (continued)

SHARE OF NON-PERFORMING LOANS AND ADVANCES TO BANKS AND CUSTOMERS – STAGE 3 IN TOTAL LOANS

December 31, 2025	Gross exposure	Impairment	S3 receivables	Impairment S3	Restructured S3 receivables	Impairment of the restructured S3 receivables	Share of S3 receivables in gross exposure
Loans and receivables from banks	53,870	(216)	-	-	-	-	0
Housing and mortgage loans	30,397	(184)	5,758	(5)	75	(5)	19
Cash loans	2,294	(76)	23	(15)	-	-	1
Consumer loans	96	(2)	-	-	-	-	0
Current account deficits	6	-	-	-	-	-	0
Cards of natural persons	90	(1)	-	-	-	-	0
Loans given to medium and small private companies	92,686	(5,558)	7,657	(4,512)	11,999	(4,251)	8
Loans given to state enterprises	6,371	(38)	-	-	367	(10)	0
Loans given to large private companies	10,766	(373)	2	-	2	(0)	0
Loans and receivables from clients	142,706	(6,233)	13,440	(4,533)	12,443	(4,266)	9

December 31, 2024	Gross exposure	Impairment	S3 receivables	Impairment S3	Restructured S3 receivables	Impairment of the restructured S3 receivables	Share of S3 receivables in gross exposure
Loans and receivables from banks	53,870	(216)	-	-	-	-	0
Housing and mortgage loans	32,914	(135)	107	(9)	93	(7)	19
Cash loans	12,529	(179)	312	(110)	-	(2)	1
Consumer loans	330	(35)	32	(26)	-	-	0
Current account deficits	6	-	-	-	-	-	0
Cards of natural persons	87	-	-	-	-	-	0
Loans given to medium and small private companies	75,189	(3,837)	7,130	(1,998)	4,185	(637)	8
Loans given to state enterprises	9,631	(74)	414	(33)	414	(33)	0
Loans given to large private companies	11,813	(466)	412	(210)	412	(210)	0
Loans and receivables from clients	142,499	(4,727)	8,406	(2,386)	5,104	(888)	9

ADRIATIC BANK A.D., PODGORICA

Notes to the financial statements for the year ended December 31, 2025

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.5. Quality of the financial placements (continued)

SHARE OF NON-PERFORMING LOANS AND ADVANCES TO BANKS AND CUSTOMERS – STAGE 3 IN TOTAL LOANS (CONTINUED)

	Gross December 31, 2024	New S3 clients	Reduction in S3 clients	Other changes	Gross December 31, 2025	Net December 31, 2025
Loans and receivables from banks	-	-	-	-	-	-
Housing and mortgage loans	396	5,586	225	-	5,758	5,752
Cash loans	54	12	43	-	23	8
Consumer loans	-	-	-	-	-	-
Current account deficits	-	-	-	-	-	-
Cards of natural persons	-	-	-	-	-	-
Loans given to medium and small private companies	7,130	5,361	4,834	-	7,657	3,145
Loans given to state enterprises	414	-	414	-	-	-
Loans given to large private companies	412	23	433	-	2	2
Loans and receivables from clients	8,406	10,982	5,948	-	13,440	8,907

	Gross December 31, 2023	New S3 clients	Reduction in S3 clients	Other changes	Gross December 31, 2024	Net December 31, 2024
Loans and receivables from banks	-	-	-	-	-	-
Housing and mortgage loans	137	636	377	-	107	98
Cash loans	53	472	471	-	312	202
Consumer loans	-	1	1	-	32	6
Current account deficits	-	-	-	-	-	-
Cards of natural persons	-	-	-	-	-	-
Loans given to medium and small private companies	5,654	7,654	6,178	-	7,130	5,131
Loans given to state enterprises	460	414	460	-	414	381
Loans given to large private companies	570	2	159	-	412	202
Loans and receivables from clients	6,874	9,179	7,647	-	8,406	6,020

ADRIATIC BANK A.D., PODGORICA

Notes to the financial statements for the year ended December 31, 2025

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.5. Quality of the financial placements (continued)

SHARE OF NON-PERFORMING OFF-BALANCE SHEET EXPOSURES – STAGE 3 IN TOTAL OFF-BALANCE SHEET EXPOSURES

	Gross December 31, 2024	New S3 clients	Reduction in S3 clients	Other changes	Gross December 31, 2025	Net December 31, 2025
Off-balance sheet items	35	63	95	-	3	2
Guarantees	35	60	95	-	-	-
Undrawn credits	-	3	-	-	3	2
Total	35	63	95	-	3	2

	Gross December 31, 2023	New S3 clients	Reduction in S3 clients	Other changes	Gross December 31, 2024	Net December 31, 2024
Off-balance sheet items	225	49	239	-	35	30
Guarantees	225	49	239	-	35	30
Undrawn credits	-	-	-	-	-	-
Total	225	49	239	-	35	30

ADRIATIC BANK A.D., PODGORICA

Notes to the financial statements for the year ended December 31, 2025

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.5. Quality of the financial placements (continued)

The quality of loans and receivables from banks and clients exposed to credit risk is shown as follows:

	Neither impaired, nor past due	Not impaired, but past due	Collectively assessed	Individually assessed	Total gross	Total impairment	Total
Housing and mortgage loans	-	-	23,226	109	23,335	103	23
Cash loans	-	-	2,555	-	2,555	107	2
Consumer loans	-	-	64	-	64	1	-
Current account deficits	-	-	3	-	3	-	-
Loans given to medium and small private companies	-	-	48,767	7,301	56,068	3,326	52
Loans given to state enterprises	-	-	12,492	460	12,952	137	12
Loans given to large private companies	-	-	4,553	570	5,123	75	5
Cards of natural persons	-	-	23	-	23	-	-
Loans and receivables from banks	-	-	47,364	-	47,364	467	46
Off-balance sheet assets	-	-	16,626	-	16,626	196	16
December 31, 2025	-	-	155,673	8,440	164,113	4,412	159
Housing and mortgage loans	-	-	32,822	92	32,914	135	32
Cash loans	-	-	12,529	-	12,529	179	12
Consumer loans	-	-	330	-	330	35	-
Current account deficits	-	-	6	-	6	0	-
Loans given to medium and small private companies	-	-	68,453	6,736	75,189	3,837	71
Loans given to state enterprises	-	-	9,217	414	9,631	74	9
Loans given to large private companies	-	-	11,401	412	11,813	466	11
Cards of natural persons	-	-	87	-	87	-	-
Loans and receivables from banks	-	-	53,870	35	53,870	216	53
Off-balance sheet assets	-	-	26,279	-	26,314	536	25
December 31, 2024	-	-	214,994	7,689	222,683	5,479	217

4. FINANCIAL INSTRUMENTS (continued)**4.2. Credit risk (continued)****4.2.5. Quality of the financial placements (continued)****a) Due but not impaired loans and placements**

In its portfolio, the bank did not identify due but non-impaired loans and placements.

Fair value of the collaterals

	December 31, 2025	December 31, 2024
Deposit	4,578	25,942
Mortgages	259,118	206,627
Pledge	7,333	8,077
Insurance policies	153	326
Total	271,181	240,972

Real estate that is taken as collateral are residential premises, family residential buildings, business premises, industrial facilities, construction land and other land depending on the location and its future purpose.

Generally accepted valuation approaches

There are three generally accepted approaches to the valuation of assets (intangible and tangible assets) and capital, which are defined within the International Standards for Valuation:

- market access;
- yield approach and
- cost approach.

The most frequently applied market approach is based on a direct comparison of sales prices and/or offered prices on the market for properties with similar characteristics. The market approach is based on the principle of substitution, which assumes that an informed buyer will not pay more for a particular asset than he would pay for an asset with the same or similar characteristics. In the event that the valuation report analyzes the prices offered on the market for property that is similar to the property that is the subject of the valuation, it is necessary to calculate an additional correction for the difference between the offered and realized prices on the market.

The yield approach to valuation is based on the principle of anticipation. In accordance with this principle, a typical investor/buyer in the market will invest only in those assets from which he expects future inflows, i.e. future benefits.

The cost approach is based on the principle of substitution, based on the assumption that a rational buyer will not pay a higher price for a specific property than it would be necessary to acquire a new property that would have the same use value as the assessed property. The cost approach is used in cases where there is not enough data for the reliable application of the yield and market approach, that is, when the subject is an assessment of specific characteristics and there is no active market for such assets and reliable comparable data for assets of similar characteristics and usefulness.

As a rule, the bank uses the market approach to estimate the value of collateral.

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.5. Quality of the financial placements (continued)

Methods of valuation of tangible assets that serve as collateral

Before deciding which valuation method is applicable for a specific material asset that is the subject of valuation, the authorized valuer is obliged to perform the following:

- identification of the subject of assessment and all rights and obligations related to the subject of assessment, along with a list of sources of data and documentation on the basis of which the assessment is made;

- analysis of property-legal documentation and all rights, forms of ownership and scope of shares in the subject of assessment. On the basis of the performed analysis, the authorized appraiser should state the limitations concerning property-legal relations and the way of using the material assets in question, which are of importance and may have an impact on the estimated value of the material asset in question

Based on the analysis performed in this way, the authorized appraiser applies one or more generally accepted approaches:

I. within the market approach - method of direct price comparison

The first step in the application of direct price comparison methods is the identification of the asset that is the subject of evaluation and its characteristics such as: location, size, age, quality, purpose. In the next phase, information is collected on the completed transactions and/or the offered prices of identical or comparable assets, which have similar characteristics, as well as the asset that is the subject of the assessment. In the event that the valuation report analyzes the prices offered on the market for the property, it is necessary to take into account the correction related to the difference between the prices offered on the market and the realized purchase prices. Data obtained by collecting on the market rarely refer to assets that are identical to the asset being assessed. Accordingly, it is necessary to make corrections that will minimize the differences between the value of transactions of comparable assets and the value of the asset that is the subject of the assessment:

- age, surface, structure, technical characteristics;
- restrictions on the use of the subject of assessment in the planned use and purpose (expropriation, restitution, conversion, repurposing, etc.);
- limitations of the assessment subject (technical, property or legal limitations);
- microlocation, as well as regulatory and/or economic environment;
- specific conditions in comparatives, if they exist;
- degree of marketability;
- qualitative characteristics.

In situations where there is insufficient data on adequate comparable assets and when there are significant differences between the comparable assets and the subject of the appraisal, the authorized appraiser cannot rely only on the appraisal using direct price comparison methods within the market approach. In that case, the authorized appraiser is obliged to verify the obtained result by applying other possible approaches and methods.

II. within the yield approach - the direct capitalization method, the discounted cash flow method and/or the residual method

The method of direct capitalization is most often used in the assessment of the value of real estate that is held in ownership for the purpose of realizing benefits, i.e. generating cash flows, in a situation where the property in question has reached a stable level of net operating income and when there is a sufficient number of real estate on the market with comparable income, expenses, physical and locational characteristics and future expectations.

4. FINANCIAL INSTRUMENTS (continued)**4.2. Credit risk (continued)****4.2.5. Quality of the financial placements (continued)**

This method is used by the authorized appraiser in the process of assessing the value of business facilities, facilities that are leased, etc. The economic benefit from the ownership of such real estate is reflected through the present value of the profit that the owner of the construction object would realize if he were to lease it during its useful life. In the process of applying this method, it is necessary for the authorized appraiser to determine the unique net operating income from the rental of real estate and to capitalize it by applying the capitalization rate.

Appraised value = Net operating income generated from the lease/Capitalization rate.

The discounted cash flow method ("DNT method" or "DNT method") is a method within the yield approach of valuation that is most often applied in the process of real estate valuation, and less often for equipment valuation. The DNT method defines the property value as an amount equal to the present value of the future benefits that belong to the owner of the property that is the subject of the assessment. The starting point for the application of DNT methods in the assessment procedure of tangible assets is their useful life, and the authorized appraiser performs the assessment under the assumption of their continuous use. Bearing in mind that the economic useful life of the assets is time-limited, it is necessary for the authorized appraiser to discount the cash flow that he projects in the estimated average remaining useful life of the assets in question during which the assets are in use. In addition to the economic life, the authorized appraiser can also project cash flows based on the known length of the lease. At the end of the economic useful life, the property in question still has a certain value (terminal or liquidation value) that the authorized appraiser must also calculate, while at the end of the lease term, the authorized appraiser should calculate the residual value of the property.

The residual method is most often used to assess the value of development projects, and in the assessment procedure, the authorized appraiser starts from the development potential of the location - land, respecting the principle of the best possible use. On the basis of the development potential of the subject of assessment, the authorized appraiser projects the future benefit that a potential investor would have from such a location and/or the construction of a new construction facility at such a location.

I. within the cost approach - the amortized replacement cost method and the reproduction cost method.

The method of amortized replacement costs in assessing the value of tangible assets starts from identifying the current costs of replacing the asset that is the subject of the assessment with a new asset of similar characteristics, and then deducting the loss of value caused by physical, functional and economic (external) obsolescence.

The reproduction cost method is based on the same principle as the amortized replacement cost method, i.e. on the principle of substitution, with the fact that it is based on the current cost of reproducing a new replica of the material asset in question with identical characteristics and utility on the day of the assessment.

The Bank avoids the cost approach to collateral value assessment, which is used in cases where there is not enough data for the reliable application of the yield and market approach, i.e. when the subject of the assessment is specific characteristics and there is no active market for such assets and reliable comparable data for assets with similar characteristics and utility.

c) Restructured loans and placements

Restructuring is considered a concession by a credit institution towards a debtor who has difficulties meeting his financial obligations or is likely to have them. Such a concession refers to one of the following measures:

changing the conditions of the debtor's obligation, if such a change would not have been approved if the debtor had not had difficulties in fulfilling his financial liabilities;

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.5. Quality of the financial placements (continued)

c) Restructured loans and placements (continued)

An exposure is not treated as restructured if the client is not or would not be in financial difficulty. In this sense, the Bank treats and designates clients who do not meet this criterion, i.e., are not in financial difficulties, and have a request for changes to contractual conditions due to commercial needs, as Business changes to contractual conditions. Changes due to reasons that clearly indicate the deterioration of the financial condition are treated and marked as restructured.

Exposure refers to balance sheet assets and off-balance sheet items.

The management of restructured exposures is part of the credit risk management process, therefore there is full compliance with the general principles established in the Credit Risk Management Policy.

Financial difficulties of the debtor

The assessment of financial difficulties is assessed at the client level, taking into account all exposures to the client and not taking into account collateral or any guarantees issued by the client or a third party.

It is considered that the creditworthiness of the client has deteriorated when one of the following criteria is met:

- there was a delay in the settlement of due obligations by the client for more than 30 days during the three months before the change or refinancing
- there would be a delay in the settlement of due obligations by the client for more than 30 days without the approval of restructuring measures,
- blocking of the client's account
- The client is on the warning lists.

For the purposes of implementing restructuring measures, the Bank tries to detect indications of possible future financial difficulties at an early stage. In this regard, the assessment of the debtor's financial condition is not limited only to exposures with obvious signs of financial difficulties, but also to exposures in respect of which the debtor is not facing obvious financial difficulties, but for which market conditions have changed significantly so that they could affect the debtor's ability to repay, such as loans with a one-time repayment of the principal whose repayment depends on the sale of real estate or loans in foreign currency.

4. FINANCIAL INSTRUMENTS (continued)**4.2. Credit risk (continued)****4.2.5. Quality of the financial placements (continued)****c) Restructured loans and placements (continued)**

When approving restructuring measures for performing exposures, the Bank assesses whether these measures lead to the need to reclassify these exposures as non-performing.

When assessing whether to classify restructured exposures as non-performing, an assessment is made:

- whether the exposures are supported by inadequate repayment plans (initial or subsequent, as the case may be) which include, among other things, repeated non-compliance with the repayment plan, changes to the repayment plan to avoid violations or reliance of the repayment plan on expectations that do not support macroeconomic forecasts or clear assumptions about the borrower's ability to repay or willingness to pay;
- whether the exposures include contractual conditions that delay the regular repayment of the annuity (installment) of the specified exposure, thus making it difficult to assess the correct classification of the exposure.

The bank classifies exposures in the category of non-quality restructured exposures:

- 1) which before the restructuring met the conditions to be classified in the category of low-quality,
- 2) exposures that, at the time of restructuring, were classified as non-performing,
- 3) restructured exposures from the non-quality category that were classified into the quality category
- 4) in accordance with the conditions for the same, and for which the Bank gave additional advantage to the debtor during the trial period, i.e. if the debtor settles the obligations on that claim with a delay of more than 30 days,
- 5) which at the time of restructuring were classified in the quality category, for which the Bank gave additional benefits to the debtor after the second restructuring of the same exposure.

The bank distinguishes between the following types of restructuring:

- Reprogramming – implies a situation when the default status does not occur, and the claim is classified in Level 1 or Level 2 (Stage 1/Stage 2). It is about the modification of the initial loan agreement, in such a way as to create an annex to the agreement.
- Refinancing - implies a situation when the status of non-payment of obligations does not occur, and the claim is classified in Level 1 or Level 2. These are cases when it is necessary to prepare a new loan agreement, in such a way that by opening a new batch, previous claims are closed.
- Distress reprogramming – implies a situation when the default status does not occur, and the migration from Level 1 to Level 2 (Stage 2) is recognized. Within this type of restructuring, the Bank recognized a significant increase in credit risk, which caused the migration from Level 1 to Level 2. Distress reprogramming implies modification of the initial loan agreement, in such a way as to create an annex to the agreement.
- Distress refinancing - implies a situation when the status of non-payment of obligations does not occur, and the migration from Level 1 to Level 2 is recognized. Within this type of restructuring, the Bank recognized a significant increase in credit risk, which caused the migration from Level 1 to Level 2. Distress refinancing implies the preparation of a new loan agreement, in such a way that a new lot of placement is opened, which closes the previous claims.
- Business-related reprogramming – implies a situation when the default status does not occur, and the claim is classified in Level 1. The emergence of this type of restructuring is conditioned by the business needs of the client, which does not require a change to Level 2, assuming that an annex to the loan agreement needs to be completed. In this situation, the Bank did not recognize a significant increase in credit risk.
- Business conditional refinancing - implies a situation when the default status does not occur, and the claim is classified in Level 1. The emergence of this type of restructuring is conditioned by the business needs of the client, which does not require a change to Level 2, assuming that it is necessary to open a new batch of placement, which closes the previous claims. In this situation, the Bank did not recognize a significant increase in credit risk.

4. FINANCIAL INSTRUMENTS (continued)**4.2. Credit risk (continued)****4.2.5. Quality of the financial placements (continued)****c) Restructured loans and placements (continued)**

• Forebearance may imply a post-default situation, when the claim is classified in Level 3. When the Bank recognizes the specified type of claim, it is necessary to calculate the threshold of reduced financial obligation (E). If the threshold of reduced financial obligation is above 1%, it is considered that the debtor will not fully settle his obligations, which is why it is necessary to classify the exposure in Level 3. If the threshold of reduced financial obligation is below 1%, it is considered that the debtor can meet his obligations and such exposure is kept in Level 2. The threshold of reduced financial obligation is calculated as follows:

$$E = (NPV0 - NPV1) / NPV0$$

Wich is:

- E - reduced financial obligation,
- NPV0 - net present value of cash flows (including unpaid amounts of interest and fees), expected on the basis of contractual obligations before changes to the terms and conditions of the contract, discounted by applying the client's initial interest rate,
- NPV1 - net present value of cash flows, expected based on the new arrangement, discounted by applying the client's initial interest rate.

In addition to the above, the Bank will check whether the UTP criteria (eng. unlikeness to pay) are met, which defines that the debtor will not settle his obligations in full on time, in accordance with the new arrangement, and if they are met, regardless of the amount of the calculated threshold of reduced financial obligations, such exposure will be classified as Level 3. The UTP criteria are described in more detail in the Methodology for identifying the status of non-payment of obligations.

The bank distinguishes between short-term and long-term restructuring measures.

Short-term restructuring measures are aimed at solving temporary problems, while long-term measures must be taken if the client's financial situation requires a medium to long-term improvement.

The Bank considers the application of restructuring measures for a maximum period of two years (one year in the case of financing projects and construction of commercial real estate) if the debtor is in a situation caused by an event that caused temporary difficulties, the debtor fulfilled his contractual obligations before the event, and the debtor clearly demonstrated his willingness to cooperate with the Bank.

The measures that the Bank approves for debtors due to deterioration of creditworthiness are as follows:

- 1) Payment of interest only;
- 2) Reduced payments;
- 3) Period of delay/moratorium on payment;
- 4) Unpaid due obligations/interest capitalization;
- 5) Reduction of the interest rate;
- 6) Extension of maturity/duration;
- 7) Additional collateral;
- 8) Sale based on agreement;
- 9) Rescheduled repayment;
- 10) Currency conversion;
- 11) Refinancing/new credit lines;
- 12) Debt consolidation.
- 13) Acquisition of mortgaged real estate for debt settlement
- 14) Forgiveness of part of the debt or the entire debt (permanent write-off).

As of December 31, 2025, the bank has 19 (nineteen) restructured exposures with a total value of EUR 11,950 (as of December 31, 2024 (twenty-one) restructured exposures with a total value of EUR 12,210 thousand).

ADRIATIC BANK A.D., PODGORICA

Notes to the financial statements for the year ended December 31, 2025

4. FINANCIAL INSTRUMENTS (continued)**4.2. Credit risk (continued)****4.2.5. Quality of the financial placements (continued)****d) Geographical concentration**

The geographical concentration of the Bank's net exposure to credit risk for loans and receivables from clients and the bank is shown in the following table:

In thousand EUR	Montenegro	Russia	Bosnia And Herzegovina	Switzerland	Serbia	USA	EU	Canada	Great Britain	Other	Total
Loans and receivables from banks	19,835	-	11,893	8,843	15,018	-	16,079	-	-	13,915	85,583
Loans and receivables from clients	108,540	81	(91)	-	13,366	685	7,086	3,057	2,386	1,363	136,473
Held-to-maturity securities	51,286	-	-	-	2,031	5,095	4,116	-	-	2,055	64,584
Securities at fair value through other comprehensive income	19,354	-	-	-	-	-	1,310	-	-	-	20,664
December 31, 2025	199,015	81	11,802	8,843	30,415	5,780	28,592	3,057	2,386	17,333	307,304
Loans and receivables from banks	14,312	-	6,519	3,185	2,204	821	17,183	-	314	9,116	53,654
Loans and receivables from clients	104,682	63	(48)	-	2,707	685	17,214	5,910	827	5,732	137,772
Held-to-maturity securities	69,396	-	-	-	2,038	10,485	64,013	-	-	2,066	147,998
Securities at fair value through other comprehensive income	28,189	-	-	-	-	1,283	38,235	-	-	-	67,707
December 31, 2024	216,579	63	6,471	3,185	6,949	13,274	136,645	5,910	1,141	16,914	407,131

ADRIATIC BANK A.D., PODGORICA

Notes to the financial statements for the year ended December 31, 2025

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.5. Quality of the financial placements (continued)

e) Industrial concentration

The concentration by activity of the Bank's net exposure to credit risk for loans and receivables from banks and clients is shown in the following table:

	Finance	Processed industrial	Electricity supply	Water supply	Construction	Trade	Traffic	Hospitality	Administration	ICT	Real estate	Public administration	Services	Agriculture	Retail	Total
indicates from	85,583	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85,583
indicates from	4,121	3,704	1,196	-	21,935	7,695	3,554	15,967	3,872	5,649	22,757	5,981	7,059	363	32,620	136,473
ber 31,	<u>89,704</u>	<u>3,704</u>	<u>1,196</u>	<u>-</u>	<u>21,935</u>	<u>7,695</u>	<u>3,554</u>	<u>15,967</u>	<u>3,872</u>	<u>5,649</u>	<u>22,757</u>	<u>5,981</u>	<u>7,059</u>	<u>363</u>	<u>32,620</u>	<u>222,056</u>
indicates from	53,654	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,654
indicates from	5,375	438	1,366	48	24,200	7,438	5,528	14,667	4,861	6,323	6,045	9,175	6,376	415	45,517	137,772
ber 31,	<u>59,029</u>	<u>438</u>	<u>1,366</u>	<u>48</u>	<u>24,200</u>	<u>7,438</u>	<u>5,528</u>	<u>14,667</u>	<u>4,861</u>	<u>6,323</u>	<u>6,045</u>	<u>9,175</u>	<u>6,376</u>	<u>415</u>	<u>45,517</u>	<u>191,426</u>

4. FINANCIAL INSTRUMENTS (continued)

4.2. Credit risk (continued)

4.2.6. Off balance sheet items

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

	<u>Undrawn credit lines</u>	<u>Guarantees</u>	<u>Total</u>
Up to 1 year	3,026	3,222	6,248
From 1 to 2 years	5,728	14,363	20,091
Over 2 years	7,417	5,287	12,704
December 31, 2025	16,171	22,872	39,043
Up to 1 year	1,475	4,056	5,531
From 1 to 2 years	1,110	11,637	12,747
Over 2 years	2,178	5,858	8,036
December 31, 2024	4,763	21,551	26,314

Risks associated with credit riskCountry risk

The bank measures the risk exposure of the country where its debtors have their registered office/residence. Country risk management is regulated by internal acts.

Realized values of indicators on December 31, 2024:

Exposure to low-risk countries with a weighting of 50% is 37.13%.
 Exposure to low-risk countries with a weighting of 100% is 34.49%.
 Exposure to medium risk countries with a weighting of 150% is 0.00%.
 Exposure to medium risk countries with a weighting of 200% is 0.31%.

Interest induced credit risk and currency induced credit risk

The bank has established appropriate risk management systems for losses arising from exposures related to variable interest rates (interest-induced credit risk) and from losses arising from exposures denominated in foreign currency or related to foreign currency (currency-induced risk), which include managing these risks at the level of individual exposures as well as at the level of the overall portfolio. The management of these risks is regulated in more detail by internal acts related to credit risk.

Realized values of indicators on December 31, 2025:

The ratio of gross exposures related to variable interest rates/Total gross value of exposure, excluding exposure to the financial and government sectors, is 0.00%.
 The ratio of gross exposures denominated in foreign currency or linked to foreign currency/Total gross value of exposure, excluding exposure to the financial and government sectors, is 0.00%.

4. FINANCIAL INSTRUMENTS (continued)**4.2. Credit risk (continued)****4.2.6. Off balance sheet items (continued)**Concentration risk

The Bank has established an identification system that includes a timely and comprehensive analysis of all factors in order to identify the risk of concentration to which the Bank is exposed or may be exposed in its operations. Concentration risk management is regulated by internal acts.

Realized values of indicators on 31.12.2025:

Exposure to one person or a group of related persons 24.66%

Indicator of sector concentration 13.13%

Loan exposure in the grace period 36.19%

Single maturity loan exposure 4.07%

Exposure of non-resident clients 18.57%.

During 2025, the Bank revised the classification of placements in the grace period, harmonizing the internal records with the agreed definition of the grace period, which was reflected in the value of the specified indicator.

4.3. Market risks

The bank is exposed to market risks. Market risks occur in the case of open positions and changes in the exchange rate.

The bank has identified activities that expose it to market risks: placement of funds, acquisition of funds and currency transactions, demarcated and prescribed clear responsibilities in this process. Organizational units in charge of assuming market risk are obliged to act in accordance with the standards prescribed by internal acts. On the other hand, the control and monitoring of exposure to market risks is reserved for the Risk Control Department, which has identified criteria and mechanisms for monitoring exposure in accordance with prescribed limits.

4.3.1. Foreign exchange risk

Foreign exchange risk management is defined by the Risk Management Strategy and Market Risk Management Policy. These acts define the way in which the bank identifies, measures, controls, mitigates and supervises foreign exchange risk. Foreign exchange risk is measured using GAP analysis for foreign exchange risk, while control is established through a system of limiting long, short and net positions individually by currency and aggregated, as well as using Var analysis and stress testing. On a daily basis, the Asset Management Department monitors and manages currency positions, taking into account the amount and character of currency positions. The Risk Control Sector reports to the Bank's Management Board on a monthly basis.

Indicator of foreign exchange risk, which represents the ratio of the total value (long or short) of the net open position and the Bank's regulatory capital, as of 12/31/2025. achieved a value of 0.08%.

The achieved values are within the internally prescribed limits.

The Bank's financial position and cash flows are exposed to the effects of currency exchange rate changes. Exposure to foreign exchange risk is regularly monitored through compliance with the limits prescribed by the Central Bank of Montenegro.

4. FINANCIAL INSTRUMENTS (continued)

4.3. Market risk (continued)

4.3.1. Foreign exchange risk (continued)

Exposure to the risk of currency exchange rate changes is shown in the following table:

<i>In thousand EUR</i>	<u>USD</u>	<u>CHF</u>	<u>GBP</u>	<u>Other</u>	<u>Total</u>
Foreign currency	15,895	235	954	1,344	18,426
Liabilities in foreign currency	15,880	956	216	1,342	18,394
Net open position:					
- December 31, 2025	<u>15</u>	<u>(721)</u>	<u>738</u>	<u>2</u>	<u>34</u>
- December 31, 2024	<u>93</u>	<u>-</u>	<u>30</u>	<u>(2)</u>	<u>(121)</u>
% share capital:					
- December 31, 2025	<u>0.03%</u>	<u>(1.64%)</u>	<u>1.68%</u>	<u>0.00%</u>	<u>0.08%</u>
- December 31, 2024	<u>0.22%</u>	<u>0.00%</u>	<u>0.07%</u>	<u>0.00%</u>	<u>0.29%</u>
Aggregate open position:					
- December 31, 2025	<u>34</u>				
- December 31, 2024	<u>121</u>				

Management of foreign exchange risk exposure, in addition to the analysis of the Bank's receivables and liabilities expressed in foreign currency, also includes the analysis of sensitivity to changes in the exchange rate. The following table shows the scenario of exchange rate changes ranging from +10% to -10% in relation to EUR.

	<u>Amount in Foreign currency</u>	<i>In thousand EUR</i> <u>exchange rate change</u>	
		<u>10%</u>	<u>-10%</u>
Assets			
Cash and deposit accounts with central banks	1,034	103	(103)
Loans and receivables from banks	11,562	1,156	(1,156)
Securities	5,095	510	(510)
Other assets in other currencies	<u>737</u>	<u>74</u>	<u>(74)</u>
Total assets	<u>18,428</u>	<u>1,843</u>	<u>(1,843)</u>
Liabilities			
Liabilities based on custody of affairs	<u>3,583</u>	<u>358</u>	<u>(358)</u>
Client deposits	<u>14,811</u>	<u>1,481</u>	<u>(1,481)</u>
Total liabilities	<u>18,394</u>	<u>1,839</u>	<u>(1,839)</u>
Net exposure to foreign exchange risk:			
- December 31, 2025		<u>4</u>	<u>(4)</u>
- December 31, 2024		<u>12</u>	<u>(12)</u>

4. FINANCIAL INSTRUMENTS (continued)**4.3. Market risk (continued)****4.3.1. Currency risk (continued)**

On December 31, 2025, assuming that all other parameters are unchanged by a change in the EUR exchange rate against other currencies by +10% or -10%, the Bank's profit would decrease or increase by the amount of EUR 3 thousand (December 31, 2024, EUR 12 thousand). The reason for the Bank's moderate exposure to the risk of exchange rate changes is the fact that most of the Bank's receivables and liabilities are denominated in EUR and that the Bank takes care of the alignment of assets and liabilities by currency, including the use of currency swaps, i.e. contracts on the purchase of foreign currencies as hedging instruments.

4.3.2. Risk of interest rate changes

The risk of changes in interest rates represents the risk that the future cash flows of the financial instrument will be subject to fluctuations due to changing interest rates on the market. Fair value interest risk represents the risk that the value of a financial instrument will be subject to fluctuations due to fluctuating interest rates on the market. The bank is exposed to the effects of changes in current interest rates on the market, based on the risk of changes in interest rates on cash flows. As a consequence of such changes, there may be an increase in interest margins, however, they may reduce profits or lead to losses in case of unexpected developments. Interest rates are based on market rates, so the Bank regularly re-determines prices.

The economic value of capital represents the present value of the expected cash flows of assets less the present value of expected cash flows based on liabilities, corrected for the present value of expected cash flows based on off-balance sheet items. The bank calculates the economic value of capital in order to determine the change in the economic value of the banking book as a result of different scenarios of changes in interest rates in relation to regulatory capital, which on 31.12.2025. year is 19.80%. The bank has defined measures to keep the risk under control.

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

In thousand EUR	Interest bearing	Non-interest bearing	Total
ASSETS			
Cash and deposit accounts with central banks	44,340	12,125	56,465
Loans and receivables from banks	85,583	-	85,583
Loans and receivables from clients	136,473	-	136,473
Securities at amortized value	64,584	-	64,584
Securities at fair value through other comprehensive income	20,664	-	20,664
Investments in associates, subsidiaries and joint ventures under the equity method	-	1	1
Other financial assets	-	1,995	1,995
Deferred tax assets	-	113	113
Other assets	-	829	829
Total assets	351,644	15,063	366,707
LIABILITIES			
Bank and central bank deposits	-	6,867	6,867
Client deposits	159,638	83,312	242,950
Loans from non-bank clients	7	-	7
Other liabilities	1,815	1,351	3,166
Total liabilities	-	71,031	71,031
LIABILITIES	161,460	162,561	324,021
Exposure to the risk of changes in interest rates			
- December 31, 2025	190,184	(147,498)	42,686
- December 31, 2024	212,666	(165,790)	46,876

4. FINANCIAL INSTRUMENTS (continued)

4.3. Market risk (continued)

4.3.2. Risk of interest rate changes (continued)

The exposure to the risk of changes in interest rates as of December 31, 2024 is shown in the following table:

In thousand EUR

	up to one month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	Over one year	Total
Interest-sensitive assets						
Cash and deposit accounts with central banks	44,340	-	-	-	-	44,340
Loans and receivables from banks	79,183	-	-	6,400	-	85,583
Securities at amortized value	5,095	-	-	-	59,489	64,584
Securities at fair value through other comprehensive income	-	-	-	-	20,664	20,664
Loans and receivables from clients	30,009	5,322	7,685	16,918	76,539	136,473
Other assets	-	-	-	-	-	-
Total	158,627	5,322	7,685	23,318	156,692	351,644
% from total interest bearing assets	45.11%	1.51%	2.19%	6.63%	44.56%	100.00%
Interest-sensitive liabilities						
Interest-bearing customer deposits	126,679	6,798	7,121	10,320	8,720	159,638
Interest-bearing loans from non-bank clients	194	-	-	181	1,447	1,822
Total	126,873	6,798	7,121	10,501	10,167	161,460
% from total interest bearing liabilities	78.58%	4.21%	4.41%	6.50%	6.30%	100.00%
Exposure to the risk of changes in interest rates:						
- December 31, 2025	31,754	(1,476)	564	12,817	146,525	190,184
- December 31, 2024	(64,209)	68,456	(717)	28,414	180,722	212,666
Cumulative GAP:						
- December 31, 2025	31,754	30,278	30,842	43,659	190,184	
- December 31, 2024	(64,209)	4,247	3,530	31,944	212,666	

4. FINANCIAL INSTRUMENTS (continued)

4.4. Liquidity risk (continued)

Liquidity risk includes the risk of the Bank being unable to provide cash to settle liabilities upon maturity, or the risk that the Bank will have to obtain funds at reasonable prices and in a timely manner to be able to settle its matured liabilities.

The matching and controlled mismatching between the maturities and interest rates of assets and of liabilities are fundamental to the management of the Bank. It is uncommon for banks to have completed matching since business transactions are often made for indefinite term and are of different types. A mismatched position potentially enhances profitability, but also increases the risk of losses.

In order to ensure that the components of liquid assets included in the liquidity buffer are adequately diversified at all times, the Decision on Liquidity Risk Management establishes appropriate limits.

The Bank fulfils its business obligations from the following sources:

- Current cashflows
- Inflows from the sale of liquid instruments
- Borrowed funds from the market

For the purposes of calculating the indicator of liquid coverage, the credit institution uses the market value of its liquid assets. The market value of liquid assets is reduced, where prescribed, by corrective factors in accordance with the Decision on Liquidity Risk Management.

LCR - Basel III short-term liquidity coverage ratio, which shows whether the Bank has enough high-quality assets to cover liquidity needs in the event of a stressful liquidity scenario for 30 days and on December 31, 2024, was 320% (on December 31, 2023, it was 385%).

The set internal limit of highly liquid assets / net cash outflow is a minimum of 110%.

The Bank ensures the currency compatibility of its liquid assets with the currency distribution of its net outflows based on liquidity, and ensures that, at the request of the Central Bank, the currency mismatch is limited by establishing a limit for the participation of net outflows based on liquidity in a certain currency that can be covered during periods of stress by holding liquid assets which is not expressed in that currency.

The maturities of assets and liabilities and the ability of the Bank to obtain sources of funding upon maturity of liabilities at an acceptable cost are an important factor in assessing the liquidity of the Bank and its exposure to changes in interest rates and foreign exchange rates.

As of December 31, 2025, the Bank managed liquidity risk in accordance with the adopted Risk Management Strategy, Liquidity Risk Management Policy and other acts regulating liquidity risk management. The Bank uses GAP analysis and stress testing to measure liquidity risk. In addition to daily monitoring, liquidity risk is monitored on a ten-day and monthly basis through the supervisor's reporting system, the Asset and Liability Management Committee and the Liquidity Management Committee.

4. FINANCIAL INSTRUMENTS (continued)

4.4. Liquidity risk (continued)

The maturity compliance of financial assets and financial liabilities according to the remaining contractual maturity with the balance as of December 31, 2025 is shown in the following overview:

thousand EUR	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Tot
and cash equivalents:							
and cash equivalents	42,919	-	-	-	-	-	42,919
set aside as mandatory reserves	6,779	-	-	-	-	6,779	13,598
st claims and impairment	(12)	-	-	-	-	-	(12)
financial assets at amortized cost:							
ables from banks	79,297	-	-	-	6,400	-	85,797
ables from clients	31,525	5,591	8,073	17,773	59,824	19,532	142,328
ities	5,103	-	-	-	58,895	2,000	65,098
financial resources	1,995	-	-	-	-	-	1,995
st receivables, accruals and value adjustments*	(1,609)	(230)	(332)	(538)	(3,923)	(742)	(7,474)
financial assets at fair value							
Other total results:							
ities	-	-	-	-	20,000	1,500	21,500
st receivables, accruals and adjustments*	-	-	-	-	(647)	(190)	(837)
assets	782	1	2	10	31	-	826
	168,400	5,592	8,075	17,783	145,150	29,811	374,811
financial liabilities at amortized cost							
sits of banks and central banks	6,867	-	-	-	-	-	6,867
deposits	210,761	5,115	7,721	10,270	6,511	1,640	241,028
s from non-bank clients	7	-	-	-	-	-	7
st and accruals*	195	27	41	278	2,175	450	3,166
liabilities	55	95	103	99	579	2	1,033
	64,136	78	124	319	1,665	923	67,345
Liquidity mismatch	281,966	5,220	7,886	10,867	10,351	3,013	319,463
December 31, 2025	(113,566)	372	189	6,916	134,799	26,798	55,508
December 31, 2024	(227,935)	65,313	20,820	3,863	79,330	115,705	57,296
relative GAP:							
December 31, 2025	(113,566)	(113,194)	(113,005)	(106,089)	28,710	55,508	
December 31, 2024	(227,935)	(162,622)	(141,802)	(137,939)	(58,609)	57,096	
in the total source of assets							
December 31, 2025	(25.59%)	(35.45%)	(35.39%)	(33.23%)	8.99%	17.38%	
December 31, 2024	(51.79%)	(36.95%)	(31.96%)	(31.09%)	(13.21%)	12.87%	

*Interest receivables, accruals and value adjustments are shown separately and do not add up in the table for maturity matching of financial assets and financial liabilities according to the remaining contracted maturity, in accordance with reporting to the Central Bank of Montenegro.

4. FINANCIAL INSTRUMENTS (continued)

4.4. Liquidity risk (continued)

The maturity compliance of financial assets and financial liabilities by expected maturity with the balance as of December 31, 2025 is shown in the following overview:

thousand EUR	up to one month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	Over 5 years	Total
Financial assets:							
Cash and cash equivalents:							
Cash and cash equivalents	42,919	-	-	-	-	-	42,919
Assets set aside as mandatory reserves	6,779	-	-	-	-	6,779	13,558
Interest claims and value adjustments	(12)	-	-	-	-	-	(12)
Financial assets at amortized value:							
Receivables from banks	79,297	-	-	-	6,400	-	85,697
Receivables from clients	31,525	5,591	8,073	17,773	59,824	19,532	142,318
Securities	5,103	18,000	4,000	-	36,895	2,000	65,998
Other financial resources	1,995	-	-	-	-	-	1,995
Interest receivables, accruals and value adjustments*	(1,609)	(230)	(332)	(538)	(3,923)	(742)	(7,374)
Financial assets at fair value							
rough other total results:							
Securities	-	21,500	-	-	-	-	21,500
Interest receivables, accruals and impairment*	-	-	-	-	(647)	(190)	(837)
Other assets	782	1	2	10	31	-	826
Total	168,400	45,092	12,075	17,783	103,150	28,311	374,811
Financial liabilities that are stated at amortized value:							
Bank and central bank deposits	6,867	-	-	-	-	-	6,867
Deposits from clients and banks	77,003	64,485	11,629	17,983	69,290	1,628	242,018
Loans from banks and central banks	7	-	-	-	-	-	7
Loans from non-bank clients	195	27	41	278	2,175	450	3,166
Interest and accruals*	55	95	103	99	579	2	933
Other liabilities	64,136	78	124	319	1,665	923	67,245
Total	148,208	64,590	11,794	18,580	73,130	3,001	319,302
Maturity mismatch							
December 31, 2025	20,192	(19,498)	281	(797)	30,020	25,310	55,508
December 31, 2024	782	(327)	(384)	300	21	56,704	57,096
Cumulative GAP:							
December 31, 2025	20,192	694	975	178	30,198	55,508	
December 31, 2024	782	455	71	371	392	57,096	
from the total source of assets							
December 31, 2025	6.32%	0.22%	0.31%	0.06%	9.46%	17.38%	
December 31, 2024	0.18%	0.10%	0.02%	0.08%	0.09%	12.87%	

*Interest receivables, accruals and value adjustments are shown separately and do not add up in the table for maturity matching of financial assets and financial liabilities according to the remaining contracted maturity, in accordance with reporting to the Central Bank of Montenegro.

4. FINANCIAL INSTRUMENTS (continued)
4.4. Liquidity risk (continued)

The maturity compliance of financial assets and financial liabilities according to the remaining contractual maturity with the balance as of December 31, 2024 is shown in the following overview:

thousand EUR	up to one month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	Over 5 years	Total
Financial assets:							
Cash and cash equivalents:							
Cash and cash equivalents	60,529	-	-	-	-	-	60,529
Assets set aside as mandatory reserves	11,758	-	-	-	-	11,758	23,516
Investment claims and value adjustments	(2)	-	-	-	-	-	(2)
Financial assets at amortized value:							
Receivables from banks	47,342	-	-	-	6,400	-	53,742
Receivables from clients	27,921	3,543	6,613	18,568	56,266	29,601	142,512
Securities	-	70,532	-	-	18,330	60,895	149,757
Other financial resources	11	-	-	-	-	-	11
Interest receivables, accruals and value adjustments*	(1,025)	(285)	(220)	(617)	(1,507)	(2,934)	(6,588)
Financial assets at fair value through other total results:							
Securities	-	-	25,000	-	13,500	31,500	70,000
Interest receivables, accruals and impairment*	-	-	(142)	-	(124)	(2,027)	(2,293)
Other assets	716	2	3	10	-	27	758
Financial assets	148,277	74,077	31,616	18,578	94,496	133,781	500,825
Financial liabilities:							
Financial liabilities that are stated at amortized value:							
Deposits and central bank deposits	4,142	-	-	-	-	-	4,142
Deposits from clients and banks	368,338	5,331	7,070	14,301	11,515	16,407	422,962
Loans from banks and central banks	181	40	40	276	2,333	819	3,689
Loans from non-bank clients	55	89	101	98	564	17	924
Interest and accruals*	3,551	3,393	3,686	138	1,318	850	12,936
Financial liabilities	376,212	8,764	10,796	14,715	15,166	18,076	443,729
Interest mismatch:							
December 31, 2024	(227,935)	65,313	20,820	3,863	79,330	115,705	57,096
December 31, 2023	(170,432)	51,483	(9,946)	15,567	112,578	48,410	47,660
Relative GAP:							
December 31, 2024	(227,935)	(162,622)	(141,802)	(137,939)	(58,609)	57,096	
December 31, 2023	(170,432)	(118,949)	(128,895)	(113,328)	(750)	47,660	
Proportion of the total source of assets:							
December 31, 2024	(51,79%)	(36,95%)	(31,96%)	(31,09%)	(13,21%)	12,87%	
December 31, 2023	(34,45%)	(24,05%)	(26,06%)	(22,91%)	(0,15%)	9,63%	

* Interest receivables, accruals and value adjustments are shown separately and do not add up in the table for maturity matching of financial assets and financial liabilities according to the remaining contracted maturity, in accordance with reporting to the Central Bank of Montenegro.

4. FINANCIAL INSTRUMENTS (continued)

4.4. Liquidity risk (continued)

The maturity compliance of financial assets and financial liabilities by expected maturity with the balance as of December 31, 2024 is shown in the following overview:

thousand EUR	up to one month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	Over 5 years	Total
Financial assets:							
Cash and cash equivalents:							
Cash and cash equivalents	60,529	-	-	-	-	-	60,529
Assets set aside as mandatory reserves	11,758	-	-	-	-	11,758	23,516
Interest claims and value adjustments	(2)						(2)
Financial assets at amortized value:							
Receivables from banks	47,342	-	-	-	6,400	-	53,742
Receivables from clients	27,921	3,543	6,613	18,568	56,266	29,601	142,517
Securities	-	70,532	-	-	45,830	33,395	149,757
Other financial resources	11	-	-	-	-	-	11
Interest receivables, accruals and value adjustments*	(1,025)	(285)	(220)	(617)	(1,507)	(2,934)	(6,588)
Financial assets at fair value							
rough other total results:							
Securities	-	33,500	11,600	11,000	13,900	-	70,000
Interest receivables, accruals and impairment*	-	(142)	-	(124)	(2,027)	-	(2,293)
Other assets	716	2	3	10	-	27	758
Total	148,277	107,577	18,216	29,578	122,396	74,781	500,825
Financial liabilities that are stated at amortized value:							
Bank and central bank deposits	4,142	-	-	-	-	-	4,142
Deposits from clients and banks	139,621	104,471	14,874	28,864	118,724	16,408	422,962
Loans from banks and central banks	181	40	40	276	2,333	819	3,689
Loans from non-bank clients	55	89	101	98	564	17	924
Interest and accruals*	3,551	3,393	3,686	138	1,318	850	12,936
Total	147,495	107,904	18,600	29,278	122,375	18,076	443,729
Maturity mismatch							
December 31, 2024	782	(327)	(384)	300	21	56,704	57,096
December 31, 2023	41,869	(34,771)	(1,557)	1,834	(6,615)	46,900	47,660
Immulative GAP:							
December 31, 2024	782	455	71	371	392	57,096	
December 31, 2023	41,869	7,098	5,541	7,375	760	47,660	
from the total source of assets							
December 31, 2024	0.18%	0.10%	0.02%	0.08%	0.09%	12.87%	
December 31, 2023	8.46%	1.43%	1.12%	1.49%	0.15%	9.63%	

* Interest receivables, accruals and value adjustments are shown separately and do not add up in the table for maturity matching of financial assets and financial liabilities according to the remaining contracted maturity, in accordance with reporting to the Central Bank of Montenegro.

4. FINANCIAL INSTRUMENTS (continued)

4.4. Liquidity risk (continued)

When calculating individual maturity gaps, and therefore cumulative gaps, the following are not taken into account: interest claims, interest obligations, accruals and value adjustments. Bearing in mind that the table shows cash inflows and outflows (cash flow), value corrections and accruals could negatively affect the picture of the term alignment of assets and liabilities by individual maturity periods, so for the reasons mentioned, these positions are excluded.

The Bank's liquidity, as its ability to fulfill due obligations on time, depends on the one hand on the balance sheet structure, and on the other hand, on the coordination of the flows of inflows and outflows of funds.

4.5. Operational risk

Operational risk is the risk of possible negative effects on the financial result and the Bank's equity due to omissions (intentional and unintentional) in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems in the Bank, and the occurrence of unpredicted external events. Operational risk includes legal risk, but excludes strategic and reputational risk. Legal risk is the risk when the Bank may incur losses that may arise due to non-compliance and violation of laws and other regulations, conduct of unlawful actions, actions that are not in accordance with the agreed terms, non-implementation of recommendations and good banking practice, as well as ethical standards.

The Bank has adopted a set of operational risk management documents: Operational Risk Management Policy, Operational Risk Data Collection Procedure, and Procedure for allocating operating loss provisions, Risk Assessment and Control Self-Assessment Process, Scenario Analysis Process, and Continuous Supervision Procedures.

In accordance with the Capital Adequacy Decision, the Bank uses simplified method to calculate the required capital for operational risk.

The Operational Risk Management Committee reports quarterly to the Board of Directors on the activities undertaken to manage operational risk.

The realized annual gross loss based on operational risk as of December 31, 2025 was EUR 214 thousand (December 31, 2024: EUR 4,360 thousand).

4. FINANCIAL INSTRUMENTS (continued)

4.6. Fair value of financial assets and liabilities

As of December 31, 2025, the Bank has financial assets initially classified at fair value and refer to securities acquired in November 2021. The fair value of financial assets and liabilities as of December 31, 2025 is shown in the following table:

In thousand EUR

	Book value		Fair value	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Financial assets				
Cash and deposit accounts with central banks	56,465	84,043	56,465	84,043
Loans and receivables from banks	85,583	53,654	85,583	53,654
Loans and receivables from clients	136,473	137,772	136,473	137,772
Securities at amortized cost	64,584	147,998	64,584	147,998
Securities at fair value through other comprehensive income	20,664	67,707	20,664	67,707
Investments in companies, subsidiaries and joint ventures using the equity method	1	7	1	7
Other financial assets	1,995	11	1,995	11
Deferred tax assets	113	114	113	114
Other assets	829	801	829	801
Financial liabilities				
Client deposits	242,950	423,885	242,950	423,885
Loans from non-bank clients	3,166	3,689	3,166	3,689
Other liabilities	71,031	13,516	71,031	13,516

Financial assets that are not valued at fair value, according to the hierarchy of fair value, are given in the following table:

December 31, 2025	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and other deposits to CBM	-	56,465	-	56,465
Loans and placements to banks	-	85,583	-	85,583
Loans and placements to customers	-	-	136,473	136,473
Securities at amortised cost	64,584	-	-	64,584
Investments in associates, subsidiaries and joint ventures under the equity method	1	-	-	1
Other financial assets	-	1,995	-	1,995
Deferred tax assets	-	-	113	113
Other assets	-	-	829	829
Total	64,585	144,043	137,415	346,043

4. FINANCIAL INSTRUMENTS (continued)

4.6. Fair value of financial assets and liabilities (continued)

December 31, 2024	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and other deposits to CBM	-	84,043	-	84,043
Loans and placements to banks	-	53,654	-	53,654
Loans and placements to customers	-	-	137,772	137,772
Securities at amortized cost	147,998	-	-	147,998
Investments in associates, subsidiaries and joint ventures under the equity method	7	-	-	7
Other financial assets	-	11	-	11
Deferred tax assets	-	-	114	114
Other assets	-	-	801	801
Total	148,005	137,708	138,687	424,400

In estimating the fair value of the Bank's financial instruments, the following methods and assumptions were used:

a) *Loans and Placements to Banks*

Loans and placements to banks include inter-bank loans and placements and items in the course of collection.

The fair values of floating rate investments and overnight deposits approximate their carrying amounts at the statement of financial position date.

b) *Loans and Placements to Customers*

In order to determine the fair value of loans and placements to customers with fixed interest rate measured at amortized cost, the Bank compared the its interest rates on loans and placements to customers to the available information on the current market interest rates in the banking sector of Montenegro, i.e., weighted average market rates by business activities.

As the Bank's management states, the Bank's interest rates do not differ significantly from prevailing market interest rates in the banking sector of Montenegro, which means that the fair value of loans to customers calculated as the present value of future cash flows, discounted using the current market rates, i.e. the average weighted interest rates of the banking sector, does not deviate significantly from the carrying value of the loan as at the statement of financial position preparation date.

d) *Deposits*

For demand deposits and deposits with a remaining maturity of less than one year, it is assumed that the estimated fair value does not significantly differ from their carrying amounts.

4. FINANCIAL INSTRUMENTS (continued)**4.6. Fair value of financial assets and liabilities (continued)**

The estimated fair value of interest-bearing deposits with a fixed interest rate and a remaining maturity of over one year, without the stated market price, is based on the discounted cash flow by applying the current interest rate to new liabilities with a similar remaining maturity. According to the management's opinion, the Bank's interest rates are in line with current market interest rates, and accordingly, the amounts in the financial statements reflect the real value, which in the given circumstances most reliably reflects the fair value of the said financial instruments.

4.7. Capital management

The Bank's capital management objectives are:

- to comply with the capital requirements set by the regulator;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns to shareholders and ensure benefits for other stakeholders; and
- to maintain a strong capital base to support further growth of its business.

The Bank's management controls capital adequacy by applying the methodology and limits prescribed by the Central Bank of Montenegro ("Official Gazette of Montenegro", no. 3128/20 and 140/21). In accordance with the regulations, the Bank submits quarterly reports on the balance and structure of capital to the Central Bank of Montenegro.

The Bank's own funds are comprised of:

- Tier 1 capital;
- Tier 2 capital.

Tier 1 capital consists of:

- Common Equity Tier 1 capital (CET 1)
- Supplementary capital (CET 2)

Regular share capital (CET 1) consists of paid-in share capital in the amount of EUR 11,945 thousand:

- increased by undistributed profit from previous years in the amount of EUR 37,128 thousand and gains resulting from the re-valuation [MV9.1] of HOV which are valued at fair value through other comprehensive income in accordance with IFRS 9 in the amount of EUR 49 thousand;
- and reduced by the adjustment of valuation due to the requirement for prudential valuation (AVA) according to the simple approach in the amount of EUR 21 thousand, intangible assets in the amount of EUR 2,552 thousand and missing reserves in the amount of EUR 2,550 thousand.

The amount of own funds must be equal to or greater than:

- a) minimum financial portion of initial capital amounting to EUR 7,500 thousand, as stipulated by the Law on Credit Institutions,
- b) 8% of the total capital ratio (Common Equity Tier 1 capital ratio (CET1) - min 4.5%, Tier one capital ratio - min 6%),
- c) total amount of required capital for all risks.

4. FINANCIAL INSTRUMENTS (continued)**4.7. Capital management (continued)**

Risk-weighted assets are comprised of items of assets and loan equivalents of off-balance sheet items exposed to risk. The loan equivalents of off-balance sheet assets are computed by multiplying the carrying value of off-balance sheet items with the prescribed conversion factors. Total risk-weighted assets are comprised of assets and loan equivalents of off-balance sheet items exposed to risk (the Bank's risk-weighted assets) classified in certain categories and multiplied by adequate prescribed risk weights.

In accordance with the regulations of the Central Bank of Montenegro, the Bank is obliged to maintain a minimum degree of capital adequacy, expressed by the capital adequacy ratio of 17.55%. The bank is obliged to harmonize the volume of its operations with the prescribed indicators, that is, to harmonize the volume and structure of its risky placements with the Law on Credit Institutions and the regulations of the Central Bank of Montenegro. As of December 31, 2025, the total capital ratio calculated by the Bank in the financial statements is 20.35%.

The combined buffer requirement is the Tier 1 capital required to meet the capital conservation buffer requirement, plus the following buffers, as applicable:

- Countercyclical capital buffer,
- Capital buffer for globally systemically important credit institutions,
- Capital buffer for other systemically important credit institutions,
- Systemic risk buffer

The compounded buffer applied to the credit institution was 6.50% on December 31, 2025, and the buffers that make it up had the following values:

ITEM	Amount %
Capital conservation buffer	2.50%
Countercyclical capital buffer (specific rate)	0.50%
Systemic risk buffer	1.50%
Capital buffer for globally systemically important credit institutions	-
Capital buffer for other systemically important credit institutions	2.00%
Combined buffer	6.50%

The combined buffer applied to the credit institution was 3.88% as of December 31, 2024, and the buffers that make it up had the following values:

ITEM	Amount %
Capital conservation buffer	1.88%
Countercyclical capital buffer (specific rate)	0.00%
Systemic risk buffer	1.50%
Capital buffer for globally systemically important credit institutions	-
Capital buffer for other systemically important credit institutions	2.00%
Combined buffer	3.88%

5. INTEREST INCOME, INTEREST EXPENSES AND SIMILAR INCOME AND EXPENSE**5.1. Interest income and similar Income**

In thousand EUR	<u>2025</u>	<u>2024</u>
Deposits at:		
- foreign banks	609	704
Loans:		
- privately-owned companies	5,444	3,705
- financial institutions	116	54
- Government of Montenegro	435	593
- state-owned companies	18	23
- entrepreneurs	-	-
- individuals	1,995	1,842
	<u>8,008</u>	<u>6,217</u>
Loan approval fees	358	265
Interest income on impaired financial assets (Note 14.2)	597	399
	<u>8,963</u>	<u>6,881</u>
Securities:		
Securities at amortized cost	2,781	8,229
Securities at fair value through other comprehensive income	1,736	1,159
	<u>4,517</u>	<u>9,388</u>
	<u>14,089</u>	<u>16,973</u>

5.2. Interest expenses and similar expenses

In thousand EUR	<u>2025</u>	<u>2024</u>
Assets on balance:		
- Other banks	28	-
	<u>28</u>	-
Deposits:		
- Investment and development fund (IRF)	-	16
- state-owned companies	1	3
- private companies	61	152
- natural persons	1,105	1,225
	<u>1,167</u>	<u>1,396</u>
Leasing - IFRS 16:		
- Bank headquarters and branch office	69	56
- Vehicles	3	2
- Branches	21	9
	<u>93</u>	<u>67</u>
Loans:		
- Investment and development fund (IRF)	53	58
	<u>53</u>	<u>58</u>
	<u>1,341</u>	<u>1,521</u>

6. FEE AND COMMISSION INCOME AND EXPENSES

6.1. Fee and commission income

In thousand EUR	2025	2024
Domestic payments	1,238	2,297
International payments	1,669	6,811
Approved guarantees	319	164
Cards	762	1,076
Investment banking	83	120
Other	56	299
	4,127	10,767

6.2. Fee and commission expenses

In thousand EUR	2025	2024
Fees and commissions payable to the Central Bank	66	72
Fees and commissions for international payment transactions	417	888
Deposit protection premium fees	920	1,004
Fees and commissions for card operations	721	705
Fees and commissions for e-banking	96	87
Investment banking	7	13
Contribution to the rehabilitation of banks	127	225
Brokerage fee	113	1,166
	2,465	4,160

7. NET FOREIGN EXCHANGE RATES

In thousand EUR	2025	2024
Realized foreign exchange gains, net	706	12,843
Unrealized foreign exchange gains, net	45	(17)
	751	12,826

8. PERSONNEL EXPENSES

In thousand EUR	2025	2024
	3,765	2,978
Net salaries	331	344
Supervisory Board Remuneration	1,168	1,119
Taxes and contributions on salaries	7	15
Other employee benefits, net	16	2
Service contract	104	76
Business travel costs and per diems	54	53
Provision for unused vacations (note 19)	35	39
Provisions for retirement benefits (note 19)	65	23
	5,545	4,649

9. GENERAL AND ADMINISTRATIVE EXPENSES

In thousand EUR	2025	2024
Rental costs	182	137
Security services	138	77
Electricity, utilities and fuel costs	55	47
Cleaning services	60	40
License costs and software maintenance	907	658
Objects, equipment, IT equipment, ATM maintenance costs	250	183
Legal fees	6	4
Insurance costs	57	41
External control expenses	430	443
Consultant fees	2,133	1,451
Phone charges	19	20
Communication network costs	78	57
Office supplies	24	29
Entertainment costs	48	23
Advertising and marketing	556	362
Contribution to the banking association	19	16
Subscription costs	55	49
Vehicle maintenance and registration costs	7	11
Securities-related costs	99	200
Intermediary fees	42	3,482
Operational risk costs	215	4,360
Other	107	233
	5,487	11,923

10. IMPAIRMENT COSTS

In thousand EUR	2025	2024
Property and equipment (Note 15)	412	255
Intangible assets (Note 16)	545	299
Right-of-use assets (Note 15)	403	244
	1,360	798

11. NET IMPAIRMENT GAINS/LOSSES ON FINANCIAL ASSETS WHICH ARE NOT VALUED THROUGH PROFIT OR LOSS

In thousand EUR	2025	2024.
Net increase in provisions based on:		
- loans and receivables from loans (note 14.2)	2,513	1,047
-Loans to Banks	-	-
-Loans at banks - settlement	9	(12)
- Loans and receivables from Banks	148	(245)
- Securities (note 14.3)	(130)	(16)
- approved guarantees	(197)	309
- approved unused loans	118	31
- fees	192	76
- other assets	-	(1)
	2,653	1,188

12. INCOME TAXES**12.1. Components of Income Tax**

In thousand EUR	2025	2024
Current income tax	(120)	(3,356)
Deferred income taxes	68	16
	(52)	(3,340)
	2025	2024
Pre-tax profit	320	16,353
Income tax calculated at a statutory tax rate	(31)	(2,405)
Recognized/Unrecognized tax credit on tax losses	-	-
Tax effects of expenses that are not recognized for tax purposes	(43)	(843)
Funds invested in stakes of start-ups	-	-
Tax paid in a foreign country	(35)	(88)
Tax effects of transfer pricing	(10)	(20)
Other	(120)	(3,356)
	(5)	-
Effects of different treatment to fixed assets for tax purposes	68	16
Deferred income tax	68	16
Tax reported in the income statement	(52)	(3,340)
Effective tax rate	16.27%	20.42%

12. INCOME TAXES (continued)

The tax rates for 2025 are progressive and are applied to the taxable profit of companies in Montenegro, in accordance with the Corporate Tax Law, as follows:

- for the tax base up to EUR 100,000.00, tax is calculated at the rate of 9%;
- for the tax base from EUR 100,000.01 to EUR 1,500,000.00, tax is calculated at the rate of 12%;
- for the tax base over EUR 1,500,000.01, tax is calculated at the rate of 15%.

12.2. Deferred tax

In thousand EUR	<u>Tax asset</u>	<u>Tax liability</u>	<u>Net asset /(liability)</u>
Balance as of 31 December 2024	114	(26)	88
Tax liability based on temporary difference between book and tax value of property, equipment and intangible assets	-	4	4
Accrued tax liability as a result of recorded unrealized gains on securities at fair value through other comprehensive income	63	-	63
Tax liability based on temporary difference between book and tax value of property, equipment and intangible assets	(64)	(43)	(107)
Balance as of 31 December 2025	113	(65)	48

In accordance with the Law on Profit Tax of Montenegro, losses arising from business relationships, except those resulting in capital gains and losses, may be carried forward to profit from future accounting periods, but not longer than five years.

13. CASH AND DEPOSITS ACCOUNTS HELD WITH CENTRAL BANKS

In thousand EUR	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Cash on hand:		
- in EUR	3,231	2,228
- in foreign currencies	1,032	421
Giro account::		
- in EUR	36,415	56,296
Obligatory reserves held with the Central Bank of Montenegro	13,559	23,516
Funds in the collection process	-	-
Other	2,240	1,584
Impairment settlement accounts	(12)	(2)
	56,465	84,043

On the overnight deposits on transaction account with the Central Bank of Montenegro, ECB Deposit facility interest rate is applied and reduced by 10 basis points, on an annual basis, by applying a rate of not higher than zero to the balance at the beginning of the next business day in RTGS system.

13. CASH AND DEPOSITS ACCOUNTS HELD WITH CENTRAL BANKS (continued)

The mandatory reserve with the balance as of December 31, 2025 was set aside in accordance with the Decision of the Central Bank of Montenegro on the Mandatory Reserve of Credit Institutions at the Central Bank of Montenegro ("Official Gazette of Montenegro 19/22 and 78/24"), which prescribes that banks set aside the mandatory reserve by applying a rate of:

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

The rate of 5.5% is also applied to deposits with contractually defined maturities of over a year i.e., 365/366 days with contractual clause on early withdrawal option.

The obligatory reserve is to be calculated by applying the aforesaid rates to the average amount of deposits during the previous month, two days before the expiry of the maintenance period.

The Bank sets aside the calculated reserves to the obligatory reserve accounts held with the Central Bank of Montenegro in the country and/or abroad. Pursuant to the Decision, 50% of the obligatory reserve is Interest bearing asset which the Central Bank pays a fee calculated at a rate of 0 (zero) by the eighth of the month for the previous month. The mandatory reserve is allocated in EUR.

14. FINANCIAL ASSETS AT AMORTIZED COST

14.1. LOANS AND RECEIVABLES FROM BANKS

In thousand EUR	December 31, 2025	December 31, 2024
Correspondent accounts with foreign banks	59,268	27,923
Time deposits with foreign banks	6,649	11,523
Accounts with local banks	20,029	14,425
Loans to financial institutions	-	-
Impairment	(363)	(217)
	85,583	53,654

Term deposits with foreign banks in the amount of EUR 6,400 thousand refer to: deposit with ASA Bank Our strong and strong D.D. Sarajevo in the amount of EUR 6,400 thousand at an interest rate of 2.00% with a term of 501 days. The calculated overdue interest amounts to EUR 249 thousand.

As of December 31, 2025, the Bank has open custodial and cash accounts for trading and safekeeping of HOV, with the following domestic banks: Hipotekarna banka, Crnogorska komercijalna and Erste banka. Deposits with domestic banks as of December 31, 2025 amount to EUR 2,998 thousand (December 31, 2024: EUR 842 thousand) and represent avista deposits.

In accordance with the requirements of IFRS 9, the bank calculated the correction of the value of loans and receivables from banks in the amount of EUR 364 thousand.

Change in the accounts of the correction of the value of loans and receivables from banks:

In thousand EUR	Balance as of December 2024	Impairment	Reversal of impairment during the year	Balance as of December 31, 2025
Changes on impairment of loans and receivables from Banks	217	609	(462)	363

In thousand EUR	Balance as of December 2023	Impairment	Reversal of impairment during the year	Balance as of December 31, 2024
Changes on impairment of loans and receivables from Banks	453	652	(888)	217

14. FINANCIAL ASSETS AT AMORTIZED COST (continued)

14.2. LOANS AND RECEIVABLES FROM CLIENTS

In thousand EUR	December 31, 2025	December 31, 2024
Matured loans:		
- privately-owned companies	8,078	21,621
- non-resident companies	152	968
-state-owned companies	-	-
-other financial institutions	-	285
- entrepreneurs	-	-
- retail customers	1,515	2,384
Short-term loans:		
- privately-owned companies	15,252	6,370
- privately-owned companies non-residents	87	950
- other financial institutions	715	300
- retail	186	20
Long-term loans:		
-privately-owned companies	65,838	51,738
-state-owned companies	369	615
- -Government of Montenegro, Ministry of Finance	6,000	9,207
- privately-owned companies non-residents	11,958	3,810
- retail customers	-	-
- retail customers	30,853	43,363
- other financial institutions	1,315	878
	142,317	142,509
Interest receivables:		
- loans	637	161
Accruals and prepayments:		
- interest on loans	361	391
- loan origination fees	(611)	(562)
	388	(10)
Total	142,705	142,499
Minus:		
Impairment losses on loans	(6,232)	(4,727)
Total	136,473	137,772

14. FINANCIAL ASSETS AT AMORTIZED COST (continued)
14.2. LOANS AND RECEIVABLES FROM CLIENTS (continued)

The tables below show trends in loans and receivables from clients by Stages in 2025 and 2024, for the amounts of principal receivables and expected credit losses.

The change in loans and receivables by risk levels is shown in the table below:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross loans and receivables from clients as of December 31, 2024	103,494	30,599	8,406	142,499
New receivables	50,616	22,424	353	73,393
Decrease/repayment of receivables	(47,584)	(20,209)	(5,394)	(73,187)
Moved to stage 1	4,492	(4,492)	-	-
Moved to stage 2	(21,089)	21,606	(517)	-
Moved to stage 3	(148)	(10,443)	10,591	-
Other movements	-	-	-	-
Gross loans and receivables from clients as of December 31, 2025	89,781	39,484	13,440	142,705

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross loans and receivables from clients as of December 31, 2023	109,389	21,857	8,167	139,413
New receivables	12,358	6,295	3,689	22,342
Decrease/repayment of receivables	(10,756)	(4,936)	(3,564)	(19,256)
Moved to stage 1	860	(860)	-	-
Moved to stage 2	(8,357)	8,669	(312)	-
Moved to stage 3	-	(426)	426	-
Other movements	-	-	-	-
Gross loans and receivables from clients as of December 31, 2024	103,494	30,599	8,406	142,499

The change in the allowance for loans and receivables by risk levels is shown in the table below:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Impairment as of December 31, 2024	1,131	1,210	2,386	4,727
New receivables	816	393	7	1,216
Decrease/repayment of receivables	26	(1090)	1,353	289
Moved to stage 1	33	(33)	-	-
Moved to stage 2	(1,055)	1,062	(7)	-
Moved to stage 3	(97)	(697)	794	-
Other movements	-	-	-	-
Impairment as of December 31, 2025	855	845	4,533	6,233

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Impairment as of December 31, 2023	1,127	543	2,382	4,052
New receivables	313	213	549	1,075
Decrease/repayment of receivables	268	(93)	(577)	(402)
Moved to stage 1	6	(6)	-	-
Moved to stage 2	(584)	587	(3)	-
Moved to stage 3	-	(35)	35	-
Other movements	-	-	-	-
Impairment as of December 31, 2024	1,131	1,210	2,386	4,727

14. FINANCIAL ASSETS AT AMORTIZED COST (continued)**14.2. LOANS AND RECEIVABLES FROM CLIENTS (continued)**

Short-term loans to companies are mostly approved for working capital with an interest rate of 4.50% to 9.00% per annum. Long-term loans are approved for a period of 13 to 120 months and mainly refer to the state administration, commercial companies in the field of trade, processing industry and accommodation and catering services, construction, etc. Long-term loans to companies are most often granted with a nominal interest rate of 2.30% to 9.50% per year.

Short-term loans to the population are approved for a period of 6 to 12 months with an interest rate ranging from 6.50% to 8.50% on an annual basis. Long-term loans to the population include cash loans, loans for housing construction, adaptation of housing, financing the purchase of consumer goods and other purposes, approved for a period of 13 to 304 months with an annual interest rate ranging from 3.5% to 10.95%.

The changes in the accounts of loan allowances and receivables from customers are shown in the table below:

Balance on 1 January 2024	3,748
Impairments (note 11)	5,400
Reversal of impairment for the year (note 11)	(4.353)
Interest calculated on devalued placements	(68)
Balance on 31 December 2024	4,727
Impairments (note 11)	9,425
Reversal of impairment for the year (note 11)	(6.912)
Interest calculated on devalued placements	(1.008)
Balance on 31 December 2025	6,232

14. FINANCIAL ASSETS AT AMORTIZED COST (continued)

14.2. LOANS AND RECEIVABLES FROM CLIENTS (continued)

The geographical concentration of loans to customers in the Bank's loan portfolio relates to clients domiciled in the territory of Montenegro.

In thousand EUR	December 31, 2025	December 31, 2024
Montenegro	108,540	104,682
Serbia	13,366	2,707
Bosnia and Hercegovina	(91)	(48)
Russia	81	63
USA	687	685
EU	7,085	17,214
Canada	3,057	5,910
Great Britain	2,385	827
Other	1,363	5,732
	136,473	137,772

The concentration of loans and receivables to clients per industry was as follows:

In thousand EUR	December 31, 2025	December 31, 2024
State administration	5,981	9,175
Trade	7,695	7,438
Construction	21,935	24,200
Manufacturing	3,704	438
Accommodation and nutrition services	15,967	14,667
Electricity supply	1,196	1,366
Water supply	-	48
Traffic and storage	3,554	5,528
Information and communication	5,649	6,323
Professional, scientific and technical activities	3,872	4,861
Other service activities	7,059	6,376
Real estate	22,757	6,045
Financial activities	4,121	5,375
Agriculture	363	415
Sport	32,620	45,517
	136,473	137,772

14. FINANCIAL ASSETS AT AMORTIZED COST (continued)

14.3. SECURITIES

As of December 31, 2025, the balance of securities valued at amortized cost amounts to EUR 64,584 thousand (December 31, 2024, EUR 147,998) and consists of the following:

In thousand EUR	December 31, 2025	December 31, 2024
Treasury bills	52,895	71,225
Long-term debt instruments – EUR bonds of the Ministry of Finance of the Government of Montenegro	8,000	8,000
Long-term debt instruments – EUR bonds – non-residents	5,103	70,532
Short-term debt instruments - non-residents	(1,506)	(2,077)
Unamortized premium / discount	97	(21)
Unamortized premium / discount – non-residents	235	666
Interest receivable	(240)	(327)
	64,584	147,998

Change in the accounts of the correction of the value of securities at amortized cost:

In thousand EUR	Balance as of December 31 2024	Impairment	Reversal of impairment of the year	Balance as of December 31, 2025
Changes in impairment	327	-	(87)	240

In thousand EUR	Balance as of December 31 2023	Impairment	Reversal of impairment of the year	Balance as of December 31, 2024
Changes in impairment	357	-	(30)	327

Eurobonds of the Ministry of Finance of the Government of Montenegro in the nominal amount of EUR 52,895 thousand (2024: EUR 71,225 thousand) refer to bonds whose maturity date is in the period from 2027 to 2029, with a coupon interest rate of 2.875% for the series maturing in 2027 and 2.55% for the series maturing in 2029. year.

Euro bonds of non-residents in the nominal amount of EUR 8,000 thousand (2024: EUR 8,000 thousand) refer to bonds whose maturity date is in the period from 2027 to 2032 with an interest rate ranging from 1.125% to 4.375%.

Short-term debt instruments - non-residents in the nominal amount of EUR 5,103 (2024: EUR 70,532) refer to US government bills with a yield rate of 3.59%.0

14. FINANCIAL ASSETS AT AMORTIZED COST (continued)**14.3. SECURITIES (continued)**

On December 31, 2025, the balance of securities valued through other total results amounts to EUR 20,664 thousand (December 31, 2024: EUR 67,707) and consists of the following:

U hiljadama EUR	December 31, 2025	December 31, 2024
Long-term debt instruments - Eurobonds of the Ministry of Finance of the Government of Montenegro FVOCI	20,000	30,000
Long-term debt instruments - Euro bonds - non-residents FVOCI	1,500	40,000
Unamortized premium/discount FVOCI MNE	(746)	(1,922)
Unamortized premium/discount - non-resident FVOCI	(190)	(511)
Calculated interest FVOCI	100	139
	20,664	67,707

14.3. SECURITIES (continued)

Euro bonds of the Ministry of Finance of the Government of Montenegro in the nominal amount of EUR 20,000 thousand (2024: EUR 30,000 thousand) refer to bonds whose maturity date is in the period from 2027 to 2029, with a coupon interest rate of 2.875% for the series maturing in 2027 and 2.55% for the series maturing in 2027 in 2029.

Euro bonds of non-residents in the nominal amount of EUR 1,500 thousand (2024: EUR 40,000 thousand) refer to bonds due in 2031 with an interest rate of 0%.

In accordance with the requirements of IFRS 9, the Bank calculated the value correction on securities that are valued at amortized cost and through other total results.

Change in the accounts of the correction of the value of securities that are valued through the other total result:

In thousand EUR	Balance as of December 31, 2024	Increase/(Decrease)	Balance as of December 31, 2025
Impairment of securities at fair value through other comprehensive income	130	(43)	87

In thousand EUR	Balance as of December 31, 2023	Increase/(Decrease)	Balance as of December 31, 2024
Impairment of securities at fair value through other comprehensive income	115	15	130

15. PROPERTY, PLANT AND EQUIPMENT

Movements on property and equipment and other assets during 2025 are presented in the following table:

In thousand EUR	Investment in leased facilities	Assets in progress	Furniture and other equipment	Total
Cost				
Balance as of January 1, 2024	207	252	1,478	1,937
Additions	537	1,473	617	2,627
Decreases	-	(1,222)	(74)	(1,296)
Balance as of December 31, 2024	744	503	2,021	3,268
Additions	217	506	615	1,338
Decreases	-	(772)	(18)	(790)
Balance as of December 31, 2025	961	237	2,618	3,816
Impairment				
Balance as of January 1, 2024	38	-	780	818
Depreciation (Note 10)	47	-	208	255
Decreases	-	-	(73)	(73)
Balance as of December 31, 2024	85	-	915	1,000
Depreciation (Note 10)	89	-	322	412
Decreases	-	-	(18)	(18)
Balance as of December 31, 2025	174	-	1,219	1,393
Current value:				
- December 31, 2025	787	237	1,399	2,423
- December 31, 2024	659	503	1,106	2,268

As of December 31, 2025, the Bank has no assets under pledge to secure repayment of loans and other obligations.

As of December 31, 2025, the value of real estate, plant, equipment and property with right of use (note 15 b) amounts to EUR 2,784 thousand (2024: EUR 2,047 thousand).

15. PROPERTY, PLANT AND EQUIPMENT (continued)

b) Right of use assets

Lease agreements relate to the leasing of business and residential premises. The Bank has treated business premises leased after 1 January 2020 in accordance with the requirements of new IFRS Assets with the right of use and long-term liabilities under business premises lease agreements are shown in the table below:

Right-of-use assets (in thousands of EUR)

	<u>2025</u>	<u>2024</u>
Balance as of January 1	2,047	720
Additions	1,140	1,571
Depreciation	(403)	(244)
Balance as of December 31,	<u>2,784</u>	<u>2,047</u>

Lease liabilities (in thousands of EUR)

	<u>2025,</u>	<u>2024,</u>
Balance as of 1 January	2,065	754
Additions	1,124	1,571
Interest expense	92	66
Lease payments	(431)	(326)
Balance as of December 31	<u>2,850</u>	<u>2,065</u>

An analysis of the maturity of liabilities in accordance with IFRS 16, paragraph 58, is presented in the table below:

	<u>Up to one month</u>	<u>From 1-3 months</u>	<u>From 3-6 months</u>	<u>From 6-12 months</u>	<u>From 1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Maturities of liabilities	<u>39</u>	<u>78</u>	<u>107</u>	<u>242</u>	<u>1,461</u>	<u>923</u>	<u>2,850</u>
Total	<u>39</u>	<u>78</u>	<u>107</u>	<u>242</u>	<u>1,461</u>	<u>923</u>	<u>2,850</u>

16. INTANGIBLE ASSETS

Intangible assets are mostly comprised of licenses and software. The movements on intangible assets in 2025 were as follows:

In thousand EUR	December 31, 2025	December 31, 2024
Cost		
Balance as of January 1,	2,635	1,655
Additions during the period	1,504	980
	4,139	2,635
Impairment		
Balance as of January 1,	1,041	742
Amortization (note 10)	545	299
	1,587	1,041
Net Book Value as at	2,552	1,594

Intangible assets in the amount of EUR 2,552 thousand consist of: computer programs (software) in the amount of EUR 1,298 thousand, other intangible assets in the amount of EUR 938 thousand and intangible assets in preparation in the amount of EUR 317 thousand.

17. OTHER ASSETS

In thousand EUR	December 31, 2025	December 31, 2024
Prepaid expenses	589	569
Inventories of plastic cards	13	9
Receivables from funds (maternity leave)	-	4
Receivables from employees	12	6
Payment transaction fees receivables	445	402
Other receivables	38	18
Impairment of other assets	(268)	(207)
	829	801

Movements on impairment accounts of other assets:

In thousand EUR	Balance as of December 31, 2024	Impairment of the year	Reversal of impairment for the year	Balance as of December 31, 2025
Changes in impairment	207	134	(73)	268

18. FINANCIAL LIABILITIES AT AMORTIZED COST

18.1. DEPOSITS TO CLIENTS

In thousand EUR	December 31, 2025	December 31, 2024
Demand deposits:		
-banks, other depository and financial institutions	6,870	4,143
- privately-owned companies	61,318	140,362
- state-owned companies	697	110
- IRF	386	5,444
- entrepreneurs	1,105	900
- insurance companies	3	2
- non-profit organizations	45	40
- other financial institutions	94	182
- retail	144,386	217,055
	214,904	368,238
Short-term deposits:		
- privately-owned company	289	1,960
- retail customers	8,836	8,989
	9,125	10,950
Long-term deposits:		
- privately-owned company	3,686	6,703
- retail customers	21,169	41,212
	24,855	47,915
	248,884	427,102
Interest and other liabilities		
Accrued interest	933	924
	933	924
	249,817	428,026

No interest is calculated on demand deposits of natural persons, while interest is calculated on demand deposits of legal entities in cases where this has been agreed with an individual client. Short-term and long-term time deposits of natural persons in EUR are deposited with an interest rate ranging from 0.5% to 3.7% per year, and in USD with an interest rate of 3.0%, while for legal entities it ranges from 0.5% to 3.5%.

In the course of 2025, a temporary suspension of the payment of funds by the state authorities of Montenegro, in the amount of EUR 57.9 million, was introduced to the accounts of a certain number of Bank clients. On February 24, 2026, the decision of the competent court lifted the temporary suspension of payment for the majority of covered clients, which freed up funds in the total amount of EUR 54.3 million and made them available to clients.

18. FINANCIAL LIABILITIES AT AMORTIZED COST
18.2. LOANS FROM CLIENTS OTHER THAN BANKS

Liabilities for borrowed funds from non-bank clients represent liabilities to domestic creditors and refer to borrowed funds from the Development Bank of Montenegro (RBCG) that are granted to the Bank for financing projects approved by RBCG, whereby the Bank charges its margin for assuming credit risk as well as funds from the Ministry of Finance that serve to support micro, small and medium-sized companies and entrepreneurs affected by the Covid-19 pandemic. These liabilities as of December 31, 2025 consist of credit liabilities to RBCG and the Ministry of Finance in the amount of EUR 3,166 thousand (December 31, 2024: EUR 3,689 thousand).

In thousand EUR

Creditor	Approved amount	Approval date	Maturity date	Interest rate	Balance as of December 31, 2025
IRF	495	March 11, 2022	March 31, 2032	1.50%	351
IRF	1,150	August 25, 2023	July 31, 2033	4.50%	1,008
Ministry of Finance of Montenegro	2,532	July 8, 2021	July 5, 2030	0.00%	1,807
	4,176				3,166

In thousand EUR

Creditor	Approved amount	Approval date	Maturity date	Interest rate	Balance as of December 31, 2024
IRF	495	March 11, 2022	March 31, 2032	1.50%	351
IRF	1,150	August 25, 2023	July 31, 2033	4.50%	1,008
Ministry of Finance of Montenegro	2,532	July 8, 2021	July 5, 2030	0.00%	1,807
	4,176				3,689

Principal maturities by years are shown in the tables for liquidity risk (note 4.4). The bank does not have established covenants for credit arrangements.

19. PROVISIONS

In thousand EUR	December 31, 2025	December 31, 2024
Provisions for employee benefits (note 8)	156	125
Provisions for unused holidays (Note 8)	214	160
Provisions for litigation	3	10
Other provisions	8	13
<i>Off-balance sheet items</i>		
Provisions on approved guarantees	329	488
Provisions on approved, unused credit lines	165	47
	875	843

19. PROVISIONS (continued)

Changes in provisions during 2025 are shown in the following table:

	Retirement benefits	Unused holidays	Litigations	Off-balance sheet items	Other	Total
Opening balance	124	160	10	535	14	843
Increase	36	54	-	646	7	743
Decrease	(4)	-	(7)	(687)	(13)	(711)
Utilized amount	-	-	-	-	-	-
Balance as of December 31, 2025	156	214	3	494	8	875

Movements in provisions in 2024 are presented in the following table:

	Retirement benefits	Unused holidays	Litigations	Off-balance sheet items	Other	Total
Opening balance	85	107	7	195	13	407
Increase	40	53	3	340	-	436
Decrease	-	-	-	-	-	-
Utilized amount	-	-	-	-	-	-
Balance as of December 31, 2024	125	160	10	535	13	843

20. OTHER LIABILITIES

In thousand EUR	December 31, 2025	December 31, 2024
Liabilities based on custody of affairs	2,535	3,752
Liabilities based on unallocated inflows	143	78
Lease liabilities (note 15 b)	2,850	2,065
Obligations to suppliers in the country	104	94
Obligations to suppliers abroad	141	570
Prepaid revenues	105	83
Calculated costs	1,015	4,867
Liabilities - allocated funds according to the decision of the state authority	57,900	-
Liabilities on closed accounts	1,265	-
Other liabilities	4,973	2,007
	71,031	13,516

21. EQUITY

The Bank's equity includes:

	December 31, 2025	December 31, 2024
Share capital – ordinary shares (a)	11,945	11,945
Accumulated profit/loss (b)	37,128	24,115
Revaluation reserves (c)	49	(514)
Profit for the year	268	13,013
Balance as of	49,390	48,559

- a) As of December 31, 2025, the share capital of the Bank consists of 298,625,000 ordinary shares, individual nominal value EUR 0.04 and there were no changes compared to the previous year.

The Bank's ownership structure as of December 31, 2025 is as follows:

Name of the company	December 31, 2025		
	No of shares	Amount in EUR	% ownership
Adriatic Capital LLC, Wilmington, Delaware, USA	298,625,000	11,945,000.00	100%
	298,625,000	11,945,000.00	100%

The ownership structure of the Bank as at 31 December 2024 is as follows

Name of the company	December 31, 2024		
	No of shares	Amount in EUR	% ownership
Adriatic Capital LLC, Wilmington, Delaware, USA	236,125,000	9,445,000.00	100%
	236,125,000	9,445,000.00	100%

- b) The accumulated result includes the accumulated undistributed profit from previous years that resulted from the difference between income and expenses. Profit from the current period represents the difference between income and expenses less income tax, increased or decreased by the gain or loss on the basis of deferred taxes.

	December 31, 2025
Previous years gains	37,199
Effects of first-time application of IFRS 9	(72)
Accumulated result	37,128
Profit for the year	268
Total	37,396

21. EQUITY (continued)

- c) Revaluation reserves were created as a result of reconciling the value of debt instruments with the market value.

Changes in revaluation reserves of debt instruments at other comprehensive income are presented as follows:

	December 31, 2025	December 31, 2024
Opening balance as of 1 January	514	2,611
Increase/decrease in revaluation reserves	(670)	(2,458)
Decreases based on deferred taxes	107	361
Balance as of	49	514

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

In accordance with the regulations of the Central Bank of Montenegro, the Bank is obliged to maintain a minimum degree of adequacy of the total capital of 17.55%. The bank is obliged to harmonize the volume of its operations with the prescribed indicators, that is, to harmonize the volume and structure of its risky placements with the Law on Credit Institutions (Official Gazette of the Republic of Montenegro No. 72/19, 82/20, 8/21 and 24/25) and the regulations of the Central Bank of Montenegro.

As of December 31, 2025, the Bank's total capital adequacy ratio was 20.35%.

As of December 31, 2025, the level of the Bank's own funds is above the prescribed minimum of EUR 7.5 million and amounts to EUR 43,998 thousand (December 31, 2024, EUR 41,463 thousand).

The Law on Credit Institutions ("Official Gazette of Montenegro" No. 72/19, 82/20, 8/21 and 24/25) defines the initial amount of bank capital, which cannot be lower than 7.5 million.

As of December 31, 2025, the Bank's capital is above the prescribed minimum.

No	Description	December 31, 2025	Decembe r 31, 2024
1	Regulatory capital	43,998	41,463
2	Tier 1 capital	43,998	41,463
3	Common Equity Tier 1 (CET 1)	43,998	41,463
4	Common Equity Tier 1 capital ratio (CET1) - min 4.5%	20.35%	26.49%
5	Tier 1 capital ratio (Tier 1) - min 6%	20.35%	26.49%
6	Total capital ratio (TCR) - min 8%	20.35%	26.49%
7	Financial leverage ratio – min 3%	11.24%	8.10%
8	Sum of large exposures	332.94%	182.57%
9	Bank's exposure to one party or a group of related parties (more than 10% of Tier 1 capital)	22.59%	18.25%
10	Total exposure to Bank's related parties	22.51%	58.54%
11	Amounts of risk-weighted exposure to credit risk, counterparty credit risk and free delivery	166,192	123,055
12	The total amount of exposure to position, currency and commodity risk	-	-
13	The total amount of exposure to operational risk	49,996	33,492
14	Liquid coverage ratio (%)	335%	320%
15	Daily liquidity ratio as of 31 December (minimum value 0.9)	1.52	1.50
16	Decade liquidity ratio for the decade ended 31 December (minimum value 1)	1.66	2.00
17	Total balance in all foreign currencies	34	121

22. COMPLIANCE WITH THE REGULATIONS OF THE CENTRAL BANK OF MONTENEGRO (continued)

As of December 31, 2025, the Bank has no exposure to one person or a group of related persons that exceeds 25% of its own funds, which is in accordance with Article 10 of the Decision on Large Exposures of Credit Institutions, which defines that exposure to a single person or group of related persons may not exceed 25% of its own funds.

23. OFF-BALANCE SHEET ITEMS

In thousand EUR	December 31, 2025	December 31, 2024
Risk weighted off-balance sheet assets		
Irrevocable commitments to grant loans	16,171	4,763
Issued guarantees	22,872	21,551
	39,043	26,314
Other off-balance sheet items		
Recorded interest	-	320
Receivables written off from internal records	1,559	-
Collateral on receivables	271,362	240,883
Other off-balance sheet exposures of the bank	8,121	14,281
	320,085	281,798

24. RELATED PARTY TRANSACTIONS

Parties related to the Bank are the Bank's shareholders, management representatives and Bank employees.

In thousand EUR	December 31, 2025	December 31, 2024
<i>Other assets:</i>		
- Adriatic Bank AD Beograd	326	874
	326	874
<i>Loans and receivables from clients:</i>		
-retail loans - employees and management	3,010	588
- cards – employees	5	8
- Adriatic Capital Management LLC	153	659
- 2098963 Ontario LLC	-	2,659
- Retail	4,799	3,398
	7,966	7,312
<i>Other receivables:</i>		
- Employees and management	12	6
- Twenty4Enterprises Limited	1	-
- Adriatic Bank AD Beograd	-	3
- Adriatic Capital Management LLC	1	1
- Other	1	-
	14	10
Total receivables:	8,306	8,196
Liabilities		
<i>Client deposits</i>		
<i>Avista deposits</i>		
-retail deposits – employees and management	598	689
- Adriatic Bank AD Beograd	6,848	4,142
- Twenty4 Enterprises Limited	572	597
- 2098963 Ontario Inc	19	581
- Retail	91	230
- Tepsolin Limited	3	3
- Desacron Limited	3	3
	8,134	6,245
<i>Term deposits</i>		
- retail deposits – employees and shareholders	1,643	18,290
- Adriatic Capital Management LLC	-	353
	1,643	18,643
<i>Other liabilities:</i>		
- custody operations - Twenty4 Enterprises Limited	1	8
--employees and management	8	-
- accrued interest liabilities on employee deposits	4	21
- accrued interest liabilities on deposits - Adriatic Capital LLC	-	1
	13	30
<i>Approved unused credit:</i>		
- Employees and management	10	10
	10	10
Total liabilities:	9,801	24,928
Receivables/(liabilities), net	(1,494)	(16,732)

Loans to employees refer to approved short-term and long-term loans with interest rates ranging from 4.50% to 8.50% per annum. As of 31 December 2025, there is an off-balance sheet exposure of EUR 26 thousand, which relates to the approved limit to related parties and employees of the bank on credit cards and approved unused loans.

24. RELATED PARTY TRANSACTIONS (continued)

Income and expenses arising from transactions with related parties during 2025 and 2024 are as follows:

In thousand EUR

	December 31, 2025	December 31, 2024
<i>Interest income and similar income:</i>		
- Adriatic Capital Management LLC	22	26
- 2098963 Ontario Inc	79	64
- Retail	644	119
- Adriatic Bank AD Beograd	16	101
- Employees and management	40	26
Total income:	800	336
<i>Interest expenses and similar expenses:</i>		
- Adriatic Capital Management LLC	5	8
- Retail	4	-
- Employees and management	522	678
	532	686
<i>Costs of other services:</i>		
- 2098963 Ontario Inc	-	100
Total expenses:	532	786
Income/(expenses), net	268	(450)

In thousand EUR

	December 31, 2025	December 31, 2024
<i>Fees and commissions income:</i>		
- Adriatic Bank AD Beograd	1	1
- Texas Global Financial Services	-	1
- Twenty4 Enterprises Limited	2	4
- 2098963 Ontario Inc	1	4
- Retail	1	-
- Employees and management	6	13
- Fulgham Earl Daniel	-	1
- Tepsolin Limited	-	2
- Desacron Limited	-	3
- Adriatic Capital Management LLC	2	-
Total income:	12	29

24. RELATED PARTY TRANSACTIONS (continued)

In thousand EUR

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<i>Net gains from exchange differences</i>		
Positive exchange rate differences:		
- individuals – employees and members of the Bank's management bodies	755	2,949
- Adriatic Bank AD Beograd	308	2,236
- Twenty4 Enterprises Limited	326	264
- 2098963 Ontario Inc	11	8
-Tepsolin Limited	-	2
- Desacron Limited	-	2
Total income:	<u>1,401</u>	<u>5,461</u>
Negative exchange rate differences:		
- individuals – employees and members of the Bank's management bodies	574	3,536
- Adriatic Bank AD Beograd	226	5,386
- Twenty4 Enterprises Limited	250	313
- 2098963 Ontario Inc	7	4
- Desacron Limited	-	1
Total expenses:	<u>1,058</u>	<u>9,240</u>
Income/(expenses), net	<u>343</u>	<u>(3,779)</u>

Remuneration to senior management based on gross salaries and benefits in 2025 amounts to EUR 2,461 thousand (2024, EUR 1,933 thousand).

25. LITIGATIONS

As of December 31, 2025, two misdemeanor proceedings were initiated against the Bank by the Central Bank of Montenegro. Namely, with the request to initiate misdemeanor proceedings, the CBCG initiated one misdemeanor proceeding against the defendants of the Bank and the responsible persons for multiple concurrent misdemeanors, i.e. 4 of them in total, because: "The Bank did not submit data on open transaction accounts to the CBCG, i.e. its register, the glossary of payment services does not include the concept and definitions of the service "notification via means of remote communication (e.g. SMS)", fees related to the payment account, i.e. failure to submit the decision on the adoption of the CBCG tariffs within 3 days, on July 22, 2024, an information document on fees related to transaction accounts for residents for consumers was not available at the business premises - the branch", which, according to the CBCG, violated the Law on Payment Transactions, the Law on Comparability of Fees, the Decision on Determining the Most Representative Services Related to Consumer Payment Accounts. The Bank contested this misdemeanor order. One hearing was held.

The second violation is related to the misdemeanor order that the Bank received from the Central Bank of Montenegro, which initiated misdemeanor proceedings against it in accordance with the Law on Credit Institutions because, when providing or using services of persons affiliated with the credit institution, it provided services under conditions that were more favorable than the conditions under which it provided those services to other persons and/or used the services of persons affiliated with the credit institution under conditions that were less favorable than the conditions under which other persons would provide those services to the credit institution (Article 173, paragraph 1). The Bank contested this misdemeanor order. No hearing was held.

In addition to the above, the Bank is also conducting several proceedings against legal entities and individuals to collect receivables in the total amount of EUR 514 thousand (2023: EUR 587 thousand). These proceedings arise from the activation of collateral-bills of exchange.

26. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the annual net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	2025	2024
Net gain/loss (in thousand EUR)	268	13,013
Weighted average number of shares	298,625,000	298,625,000
Earnings/(loss) per share in EUR	0.0009	0.044

27. EXCHANGE RATES

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

	December 31, 2025	December 31, 2024
USD	0.8505	0.9575
CHF	1.0760	1.0599
GBP	1.1478	1.2055
RUB	0.0108	0.0094

28. SUBSEQUENT EVENTS

On 24 February 2026, the competent court lifted the temporary suspension of payments for most of the Bank's clients who were subject to the state authorities' measure, thus releasing funds in the total amount of EUR 54.3 million and making them available to clients.

On 16 March 2026, the Bank received a summons to a hearing from the Paris Bar Association, in connection with which further developments and potential effects on the Bank's operations are being monitored.

Apart from the above, there were no other significant events that would require disclosure in the financial statements.

29. GENERAL INFORMATION ON THE BANK

In accordance with the Decision on the Content, Deadlines and Manner of Preparation and Submission of Financial Statements of Banks ("Official Gazette of Montenegro" no. 34/22) all information on the Bank is presented below:

Bank's registered name: Adriatic bank AD, Podgorica;
 Registered address: Bulevar Džordža Vašingtona 98/8, 81000 Podgorica;
 Bank's ID number: 03087158
 Telephone/Fax: + 382 (0)20 680 951
 Web page: <http://www.adriaticbank.com>
 Email address:

The Bank has a head office and 7 branches as of 31 December 2025

The number of employees as of December 31, 2025 is 130 (December 31, 2024 – 116 employees).

Bank account: 907-58001-38

On November 30, 2015, the Central Bank of Montenegro submitted an application for the issuance of a license to operate Adriatic bank AD Podgorica.

Adriatic bank AD is registered in the Central Register of Business Entities under number 4-0009471.

On February 26, 2016, the Central Bank of Montenegro issued a license to operate the Bank.

Adriatic bank AD Podgorica started operating on June 8, 2016.

Information on the President and members of the Supervisory and Management Boards as of December 31, 2025:

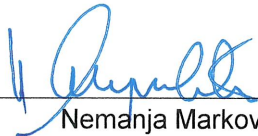
Supervisory Board	First and last name	Data on residence Country	Address (street and number)
1. Chairman	Đorđe Lukić	Podgorica, Montenegro	Bulevar Džordža Vašingtona 108, Podgorica
2. Deputy chairman	Fraser Eliot Marcus	SAD Vienna, Austria	Ridge Road 4254, Dalas
3. member	Wolfgang Mitterberger	Vienna, Austria	Haymogasse 53 A,A-1230
4. member	Aleksandar Obradović	Belgrade, Republic of Serbia	Vaska Pope 16
5. member	Szilard Rehoregh	Budapest, Hungary	Monostori ulica 41-43
Board of Directors	First and last name	Data on residence Country	Address (street and number)
1. Chairman	Nemanja Marković	Čukarica 039,Beograd Kotor, Montenegro	Orfelinova 039
2. member	Andrija Đurašković	Podgorica, Montenegro	Muo 12
3. member	Mirza Redžepagić	Podgorica, Montenegro	Bulevar Gavrila Dožića br. 1
4. member	Damir Krnić	Podgorica, Montenegro	Marka Radovića 20
5. member	Aleksandar Obradović (substitute member)	Belgrade, Serbia	Vaska Pope 6

29. GENERAL INFORMATION ON THE BANK (continued)

As of December 31, 2025, the Bank was 100% owned by Adriatic Capital LLC, United States of America.

The auditing firm that audited the financial statements for 2025: Crowe MNE d.o.o., Vucedolska 7, 81000 Podgorica, Montenegro.

The book value of the shares as of 31 December 2025 is EUR 0.04 per share.



Nemanja Marković

President of the Management
Board



Damir Krnić

Member of the Management
Board



Miroslav Vuković

Director of Accounting,
Reporting and Controlling
Sector





MANAGEMENT REPORT ADRIATIC BANK

AD, Podgorica

for the year 2025

March, 2026

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1. STATEMENT ON THE APPLICATION OF THE CORPORATE GOVERNANCE CODE

In accordance with the Law on Business Companies ("Official Gazette of Montenegro" No. 90/25 and 121/25), Adriatic Bank AD, Podgorica acquired the status of a legal entity on the day of its registration as a joint stock company. As a joint stock company, Adriatic Bank AD, Podgorica regulates the mutual relations of all interested parties in accordance with its Articles of Association and Statute.

The Bank's bodies are the Shareholders' Assembly, the Supervisory Board and the Management Board. The roles of the Bank's bodies are defined by the Law on Business Companies, the Law on Credit Institutions and the Statute of Adriatic Bank AD, Podgorica. In terms of management, Adriatic Bank AD, Podgorica, applies the best international practices of corporate governance.

First of all, the Law on Credit Institutions ("Official Gazette of Montenegro", No. 72/19, 82/20, 8/21 and 24/25), the Law on Business Companies ("Official Gazette of Montenegro" No. 90/25 and 121/25), as well as the Statute of Adriatic Bank AD, Podgorica, define the relations between the Assembly, Supervisory Board and Management Board.

Corporate governance is established in the following manner:

- That the legal framework of Montenegro and good business practices are respected in all segments of corporate governance;
- That the established principles enable efficient decision-making and provide the Board of Directors with the necessary framework for agile management of the Bank in order to achieve strategic goals ;
- That all mutual relationships between stakeholders in the functioning of the Bank be precisely defined and demarcated, without overlaps or gaps in competencies, with an established balance of obligations and responsibilities;
- To establish relationships among all stakeholders in such a way that the common interest, or the interest of the Bank, takes priority over individual interests;
- To fully, efficiently and effectively perform all management and leadership functions in a manner that ensures the achievement of planned results and tasks.

In applying the corporate governance rules, the aforementioned acts have been implemented, as well as other internal acts of the Bank, and there are no deviations in their application.

In order to ensure the reliability and objectivity of accounting statements and reports, the Accounting, Reporting and Controlling Sector prescribes internal accounting controls in its instructions to ensure that all changes are accurately recorded and that business books are up-to-date and mutually agreed upon. Accounting controls are implemented within the main banking application, in accordance with the relevant accounting standards. Through the operational risk management system (risk self-assessment and control process and scenario analysis process), the Bank identifies potential operational risk events and, based on the assessment of the events, defines the measures that need to be taken to prevent possible operational risk events. On a semi-annual basis, the Bank conducts a process of permanent supervision of sensitive procedures and sensitive accounts. Based on the conducted permanent supervision, the Bank defines the introduction of additional controls for sensitive processes, as well as activities to eliminate anomalies identified through the implementation of permanent supervision of sensitive accounts. Internal audit, within the framework of audits provided for in the annual work plan, reviews the accuracy, timeliness and reliability of accounting and financial reports and records. Internal audit controls the suitability, validity and accuracy of data and information that is publicly disclosed in accordance with Central Bank regulations.

The sole shareholder of the Bank is a company: ADRIATIC CAPITAL LLC, from Delaware, United States of America. The owner of this company is a natural person: Alexander Shnaider with a 100% share. The sole shareholder of the Bank has the authority of the general meeting of the joint-stock company and makes all decisions in writing and keeps records of the decisions made in the company's decision book. The shares are issued to shareholders, are regular (ordinary), with voting rights, indivisible and with equal rights. In addition to ordinary shares with voting rights, the Bank may (but has not yet) issue preferred shares without voting rights, in accordance with a special act and positive regulations.

A shareholder of the Bank, who owns ordinary shares, has the following rights:

1. the right to attend the shareholders' meeting,
2. the right to manage in proportion to the share in the capital of this class of shares,
3. the right to dispose of shares, in accordance with applicable regulations,
4. pre-emptive right to purchase shares of new issues,
5. the right to free shares in the event of an increase in the share capital from the Bank's funds, subject to the limitations set forth by the Law,
6. the right to a dividend, after distribution to the owners of preferred shares, when the Bank's General Assembly decides that a dividend is to be paid,
7. the right to receive, upon personal request, copies of the balance sheet and income statement, as well as the external auditor's report,
8. the right to inspect, at least 20 days before the Shareholders' Meeting, as well as at the Meeting itself, the financial statements, including the reports of the external auditor,
9. the right to a proportionate part of the assets in the event of the Bank's liquidation

10. and other rights, in accordance with applicable regulations.

The decision of the Shareholders' Assembly on the issue of shares shall regulate in more detail the rights of buyers of each class and series of shares individually. The procedure for exchanging one class of shares for another, as well as convertible bonds for shares, shall be regulated by the Decision on the issue of shares, adopted by the Shareholders' Assembly on the basis of applicable regulations. With regard to the acquisition of own shares, the bank shall apply the provisions of Articles 178 and 179 of the Law on Credit Institutions.

The Bank's management bodies are the Supervisory Board, which performs the function of supervising the Bank's operations and monitors the decision-making process related to the management of the credit institution, and the Board of Directors, which performs the executive function and is responsible for managing the Bank on a daily basis and representing it. The Supervisory Board has five members.

The Bank's Shareholders' Assembly decides on the number of members of the Supervisory Board and elects the members of the Supervisory Board individually for a period of four years, provided that a member whose term of office expires may be reappointed. The term of office of a member of the Supervisory Board shall terminate:

- 1) at the end of the period for which he was appointed;
- 2) when he/she ceases to meet the requirements for membership in the Supervisory Board in accordance with applicable regulations;
- 3) by submitting a resignation;
- 4) by dismissal by the shareholders' meeting;
- 5) by revoking the approval for performing the function of a member of the Supervisory Board by the Central Bank of Montenegro.

The Management Board of the Bank consists of five members appointed by the Supervisory Board for a period not exceeding four years, provided that a member whose term of office expires may be reappointed. The Chairman and members of the Board of Directors are appointed by the Supervisory Board. The Supervisory Board decides on the number of members of the Management Board of the Bank. The term of office of a member of the Board of Directors ends:

- 1) at the end of the period for which he was appointed;
- 2) when he/she ceases to meet the requirements for membership in the Board of Directors in accordance with applicable regulations;
- 3) by submitting a resignation;
- 4) dismissal by the Supervisory Board;
- 5) by revoking the approval for performing the function of a member of the Board of Directors by the Central Bank of Montenegro.

The Bank applies a diversity policy regarding management bodies in terms of age, gender, education and profession. The Bank is fully committed to implementing the principles of gender and other equality, which means that its employees (at all levels and in all organizational structures) have and enjoy identical rewards, resources and opportunities - regardless of gender or any other diversity in terms of age, level of education and the like.

2. GENERAL INFORMATION

Adriatic Bank AD, Podgorica (until March 5, 2020 under the name Nova banka) was founded in 2016 by the company Azmont Investment DOO

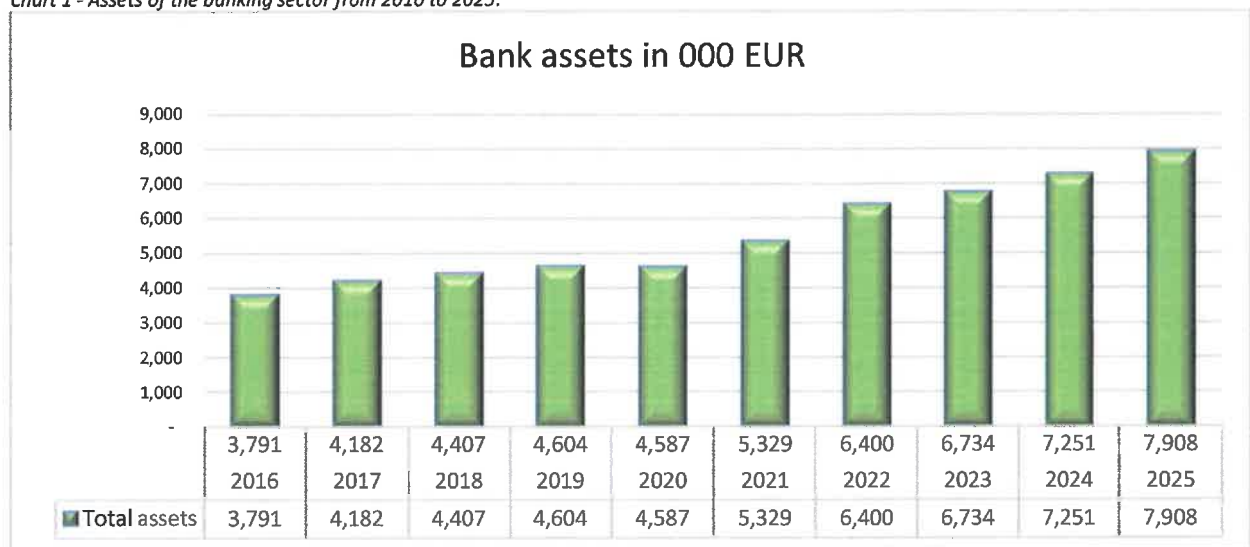
As of January 15, 2020, there was a change in the bank's ownership, transferring 100% ownership from the seller Azmont Investment DOO, Herceg Novi, to the buyer Adriatic Capital LLC, United States of America.

The Bank's headquarters are in Podgorica, Bulevar Džordža Vašingtona No. 98/10.

Table 1 - Bank's market share as of December 31, 2025:

31.12.2025				
	Assets	Credits	Deposits	Capital
Banking sector (000 EUR)	7,907,728	4,496,526	6,083,853	1,026,592
Adriatic bank AD (000 EUR)	374,466	136,473	249,817	49,390
Participation in (%)	4.74%	3.04%	4.11%	4.81%

Chart 1 - Assets of the banking sector from 2016 to 2025:



In order to better position itself in the banking market, the bank took care of the quality of its human resources, the offer of products and services, and the development of its information system.

Adriatic Bank AD, Podgorica is a bank whose capital level has enabled stable and secure operations during 2025, with the ability to absorb potential business risks. As of 31 December 2025, the Bank's own funds level is above the prescribed minimum of EUR 7,500 thousand and amounts to EUR 43,998 thousand (2024: EUR 41,463 thousand).

As of December 31, 2025, the Bank consists of the Head Office with its registered office in Podgorica at the address: Bulevar Džordža Vašingtona br. 98/10, with one branch in Podgorica at the address: Cetinjska 9/1, two branches in Tivat, the Porto Montenegro branch at the address: Obrala bb, Porto Montenegro settlement and the Luštica branch at the address Radovići bb Tivat, one branch in Budva at the address: Dositejeva 44, one branch in Bar, at the address Jovana Tomaševića br. 4 and one branch Porto Novi, at the address Vojna kasarna bb., Kumbor settlement, Herceg Novi.

2.1. Registration and activity of the Bank

Adriatic Bank AD, Podgorica (hereinafter referred to as the "Bank") was established in 2016 by issuing an operating license by the Central Bank of Montenegro. Pursuant to Article 44, paragraph 2, item 7 of the Law on the Central Bank (Official Gazette of Montenegro, Nos. 40/10, 46/10, 6/13 and 70/17) and Article 23, paragraph 2 of the Law on Banks (Official Gazette of Montenegro, Nos. 17/08, 44/10 and 40/11), which were in force on the date of issuing the license, the Council of the Central Bank of Montenegro, at its session held on 26 February 2016, adopted a decision issuing an operating license to the Bank.

The Bank's activities include credit, deposit and guarantee operations, as well as international payment transactions, deposit operations, issuance, processing and recording of payment instruments.

The Bank was registered in the Central Register of Economic Entities under number 4-0009471 on 13 April 2016 as Azmont Banka AD, Podgorica. Under registration number 4-0009471/003 on 9 September 2016, the Bank was registered in the Central Register of Economic Entities as Nova Banka AD, Podgorica. Under registration number 4-0009471/012 on 5 March 2020, the Bank was registered in the Central Register of Economic Entities as Adriatic Bank AD, Podgorica.

2.2. Organization and employees

a) Supervisory Board of the Bank

Table 2.- Supervisory Board of the Bank

Name and surname	Position	He/She performs the function from:	Residence information
Djordje Lukić	President	28.06.2023	Serbia
Fraser Eliot Marcus	Vice President	10.01.2022.	USA
Wolfgang Mitterberger	Member	10.01.2022.	Austria
Aleksandar Obradović	Member	10.01.2022.	Serbia
Szilard Rehoregh	Member	28.06.2023	Hungary

b) The Management Board of the Bank

Table 3.- Management Board of the Bank

Name and surname	Position	Held the position since
Nemanja Marković	Chairman of the Board of Directors	11.07.2024
Mirza Redzepagic	Member of the Board of Directors	08.06.2023
Andrija Đurašković	Member of the Board of Directors	01.01.2022
Damir Krnić	Member of the Board of Directors	27.11.2025
Aleksandar Obradović	Member of the Board of Directors - alternate member for a period of up to 3 months	27.11.2025

c) Members of Asset and Liability Committee (ALCO)

Table 4.- ALCO Board members

Name and surname	Position
Nemanja Marković	President
Mirza Redzepagić	Member
Andrija Djursaković	Member
Miroslav Vuković	Member
Milos Globarević	Member
Luka Pavicević	Member
Mladen Perić	Member
Branko Dmitrović	member
Damir Krnić	Member
Jelena Radenović	Member

d) Members of the Risk and Audit Committee

Table 5.- Members of the Risk Committee

Name and surname	Position
Szilard Rehorogh	President
Fraser Eliot Marcus	Deputy President
Wolfgang Mitterberger	Member

Table 6.- Members of the Audit Committee

Name and surname	Position
Bassem Snajj	President
Uzi Shaya	Vice President
Wolfgang Mitterberger	Member

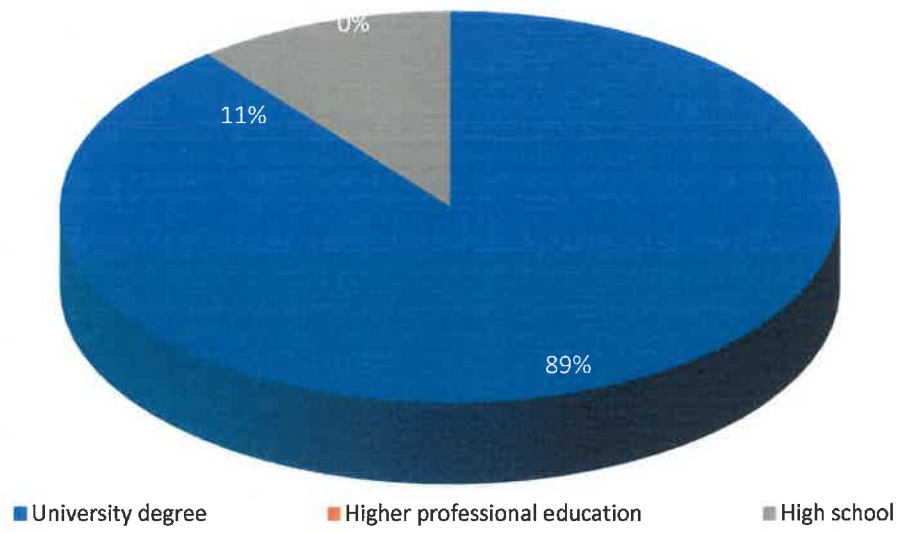
2.3. Personnel structure of employees

As of December 31, 2025, the Bank had 130 employees, with the following qualification structure:

- University degree education, 116 employees or 89%,
- Higher professional education, 0 employees, or 0%,
- High school education, 14 employees, or 11%.

Graph 2. - Structure of employees

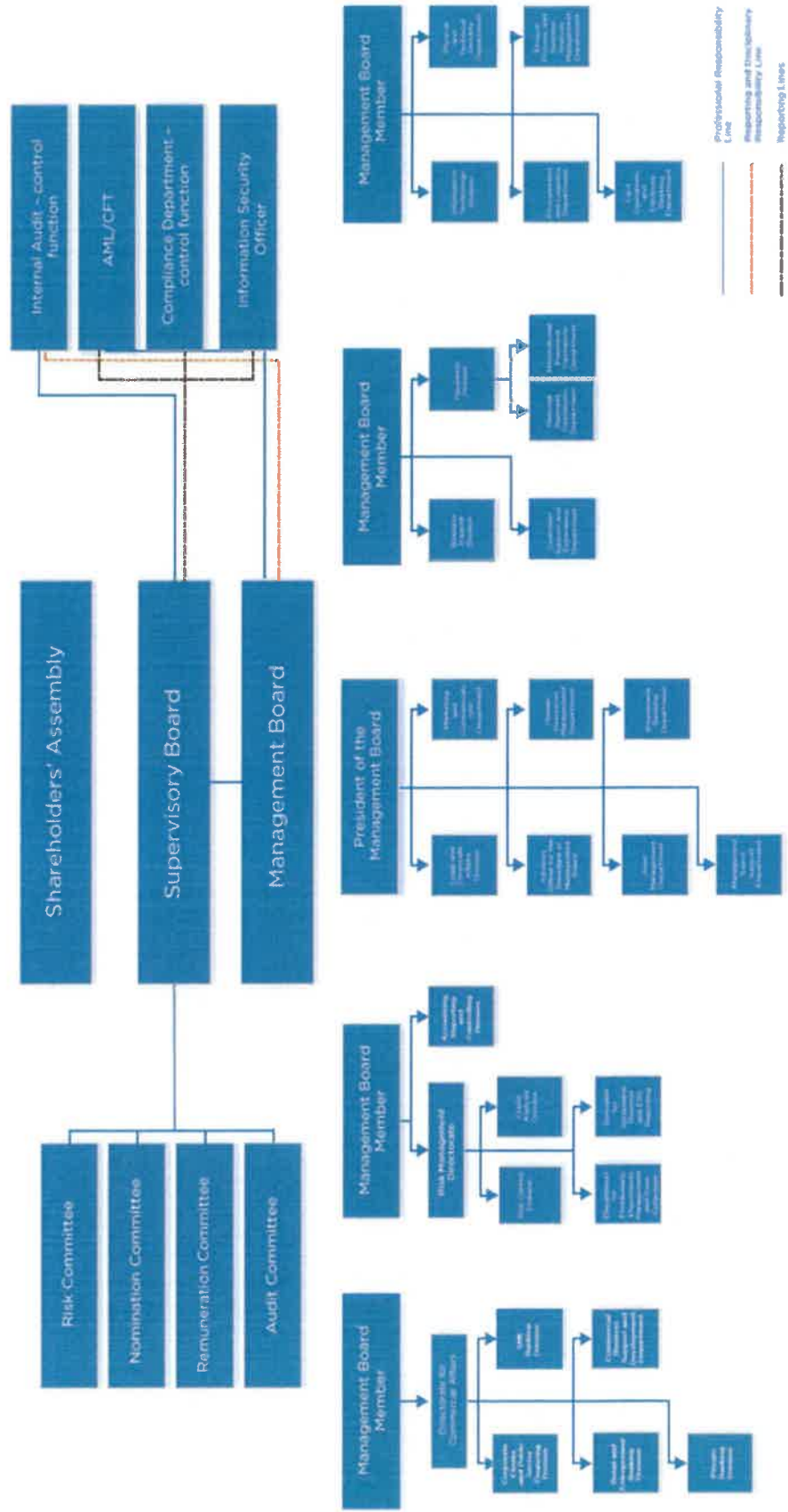
Qualification structure of the employees in 2025



2.4. Bank organizational structure

Chart 3 – Organizational structure of the bank

Adriatic Bank AD Podgorica – Organization Chart





3. PERFORMANCE OF THE BANK IN 2025

Table 6.- Business indicators for 2025 in 000 EUR

DESCRIPTION 1	2025 2	2024 3	Change % 4
BALANCE SHEET ASSETS	374,466	498,016	-24.81%
GROSS LOANS	142,318	142,510	-0.13%
Retail loans	32,554	45,768	-28.87%
Loans and legal entities	109,763	96,742	13.46%
Investment securities at amortized cost	64,584	148,325	-56.46%
Investment securities at fair value	20,664	67,707	-69.48%
CUSTOMER DEPOSITS	249,817	428,027	-41.64%
Retail deposits	174,885	267,750	-34.68%
Deposits of legal entities	74,932	160,277	-53.25%
Total capital	49,390	48,548	1.74%
BUSINESS PROFIT / LOSS AFTER TAX	268	13,013	-97.94%
PROFITABILITY PARAMETERS IN %			
ROA - profit / balance sheet assets %	0.07	2.61	-97.26%
ROE – profit / total capital %	0.54	26.80	-97.98%
NET INTEREST INCOME	12,748	15,453	-17.50%
NET INCOME FROM FEES AND COMMISSIONS	1,662	6,607	-74.85%
NUMBER OF EMPLOYEES	130	116	12.07%
Assets per employee in 000 EUR	2,881	4,293	-32.91%
OPERATING EXPENSES	(12,407)	(13,900)	-10.74%
INDICATORS			
Total capital ratio (TCR) - min 8%	20.35	26.49	-23.18%
LIQUIDITY RATIO %	1.51	1.50	0.67%
CASH IN 000 EUR	135,773	126,393	7.42%
Interest income / interest-bearing assets %	6.18	4.65	32.76%
Interest income / total assets %	3.76	3.41	10.39%
Interest expenses / interest-bearing liabilities %	0.53	0.35	50.45%
Operating expenses / total expenses %	65.61	67.76	-3.18%
Liquid assets / deposits %	51.64	26.78	92.80%
Liquid assets / total assets %	34.45	23.02	49.65%
Liquid assets / short-term liabilities %	57.58	30.23	90.46%

4. REGULATORY REQUIREMENTS IN 2025

Tabela 7.- Prescribed business indicators on 31st December 2025:

No.	DESCRIPTION	Dec 2025	Dec 2024
1	Regulatory capital	43,998	41,463
2	Core capital (Tier 1)	43,998	41,463
3	Common equity (CET 1)	43,998	41,463
4	Common equity ratio (CET1) - min 4.5%	20.35%	26.49%
5	Coefficient of basic capital (Tier 1) - min 6%	20.35%	26.49%
6	Total capital ratio (TCR) - min 8%	20.35%	26.49%
7	Financial leverage ratio - min 3%	11.24%	8.10%
8	Sum of large exposures	332,94%	182.57%
9	Exposure of the Bank to one person or a group of related persons (more than 10% of the core capital)	22.59%	18.25%
10	Total exposure to persons connected with the Bank	22.51%	58.54%
11	Amounts of risk-weighted exposure to credit risk, counterparty credit risk and free delivery	166,192	123,055
12	Total exposure to position, foreign exchange and commodity risk	-	-
13	The total amount of exposure to operational risk	49,996	33,492
14	Liquidity coverage ratio (%)	335%	320%
15	Daily liquidity ratio as of December 31 (minimum value 0.9)	1.52	1.50
16	Ten-year liquidity ratio for the decade ending December 31 (minimum value 1)	1.66	2.00
17	Total balance in all foreign currencies	34	121

5. BALANCE SHEET FOR 2025

5.1. Bank's balance sheet as of December 31, 2025

Table 8 - Bank's assets as of December 31, 2025 in 000 EUR:

BANK ASSETS	December 31, 2025.	December 31, 2024.	Index (2025/2024)
Assets			
Cash and deposit accounts with central banks	56,465	84,043	0.67
Loans and receivables from banks	85,583	53,654	1.60
Loans and receivables from clients	136,473	137,772	0.99
Investment securities held to maturity	64,584	147,998	0.44
Investment securities carried at fair value	20,664	67,707	0.31
Other financial claims	1,995	11	181.39
Investments in associates, subsidiaries and joint ventures accounted for using the equity method	1	7	0.21
Real estate, plant and equipment	2,422	2,267	1.07
Right of use	2,785	2,048	1.36
Intangible assets	2,552	1,594	1.60
Deferred tax assets	113	114	0.99
Other receivables	829	801	1.04
TOTAL FUNDS	374,466	498,016	0.75
Liabilities			
Bank deposits	6,867	4,142	1.66
Customer deposits	242,950	423,885	0.57
Borrowed funds from other clients	3,173	3,689	0.86
Long-term lease obligations	2,850	2,065	1.38
Reserves	875	843	1.04
Current tax liabilities	115	3,357	0.03
Deferred tax liabilities	65	26	2.49
Other obligations	68,181	11,451	5.95
TOTAL LIABILITIES	325,076	449,458	0.72
Capital			
Share capital	11,945	11,945	1.00
Retained earnings	37,467	37,199	1.01
Effects of applying IFRS9	(71)	(71)	1.00
Other reserves	49	(514)	(0.10)
TOTAL CAPITAL	49,390	48,558	1.02
TOTAL CAPITAL AND LIABILITIES	374,466	498,016	0.75
OFF-BALANCE SHEET RECORDS	320,086	281,797	1.14

The Bank's balance sheet assets in 2025 amounted to EUR 374,466 thousand. Loans to customers amounted to EUR 136,473 thousand and the loan portfolio accounts for 36% of the Bank's total assets. Compared to the previous year, the loan portfolio is at almost the same level.

As of December 31, 2025, securities at a amortized cost amount to EUR 64,584 thousand (17% of the Bank's total assets) and securities held at fair

value amount to EUR 20,664 thousand (6% of the Bank's total assets) and consist of the following:

Investment securities held to maturity	65,998
Investment securities carried at fair value	21,500
Unamortized premium/discount	(2,345)
Accrued interest	335
Securities impairments	(240)
	85,248

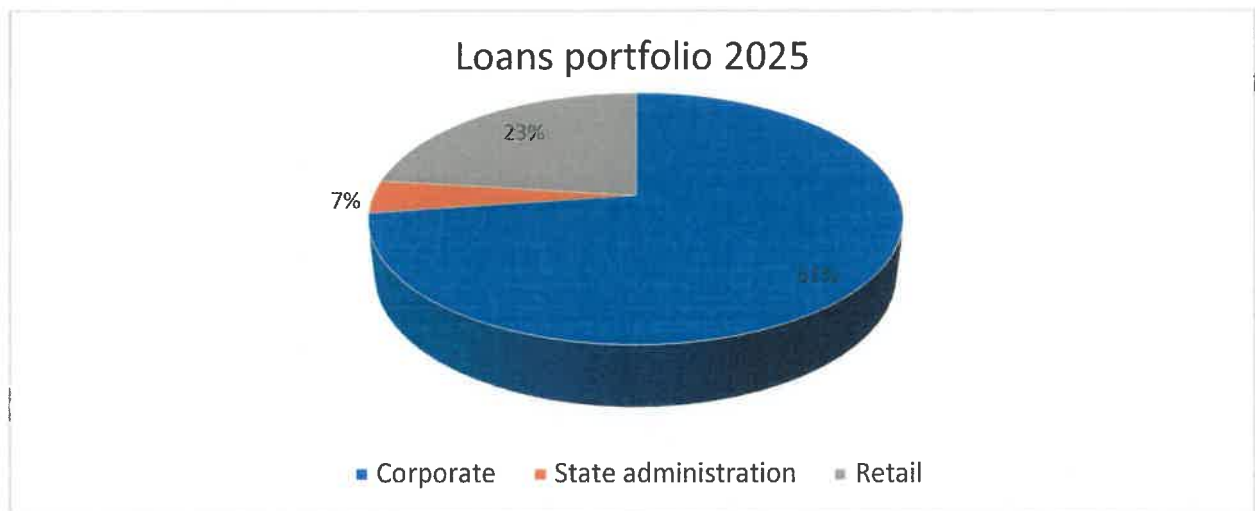
In addition to placements with clients, a significant share in assets is made up of cash and deposit accounts with central banks, as well as receivables from banks (23%).

5.2. Loans given to clients on December 31, 2025

Table 9. - Loans to clients on December 31, 2025 in 000 EUR :

No.	DESCRIPTION	December 31, 2025.	December 31, 2024.	Index
I	GROSS LOANS TO CLIENTS	142,706	142,499	1.00
1	Corporate	103,814	87,416	1.19
2	State administration	6,008	9,217	0.65
3	Retail	32,883	45,867	0.72
II	Impairment	(6,233)	(4,727)	1.32
III	NET LOANS	136,473	137,772	0.99

Graph 4.- Loans to clients - 2025



Total loans to customers of the Bank, as of December 31, 2025, amount to EUR 136,473 thousand (December 31, 2024: EUR 137,772 thousand), of which loans to private individuals amount to EUR 32,619 thousand, to the corporate to EUR 97,872 thousand and public loans to EUR 5,981 thousand.

Table 10.- Overview of the placement of the Bank until 31.12. 2025 in 000 EUR:

Placement type	2025	% participation	2024	% participation
Balance sheet items				
Loans and receivables from banks	85,946	27%	53,870	13%
Short-term loans	16,240	5%	7,640	2%
Long-term loans	116,333	37%	109,611	27%
Loans due	9,745	3%	25,258	6%
Interest and other receivables and accruals	388	0%	(10)	0%
Held-to-maturity securities	64,823	21%	148,325	36%
Investment securities carried at fair value	20,664	7%	67,707	16%
Total balance sheet exposure to credit risk	314,139	100%	412,401	100%
Off-balance sheet items				
Approved guarantees	22,872	59%	21,551	82%
Undrawn credit lines	16,171	41%	4,763	18%
Total off-balance sheet credit risk exposure	39,043	100%	26,314	100%
Total exposure to credit risk	353,182		438,715	

In the structure of the Bank's placements, the dominant share is long-term loans, loans and receivables from banks and securities held to maturity.

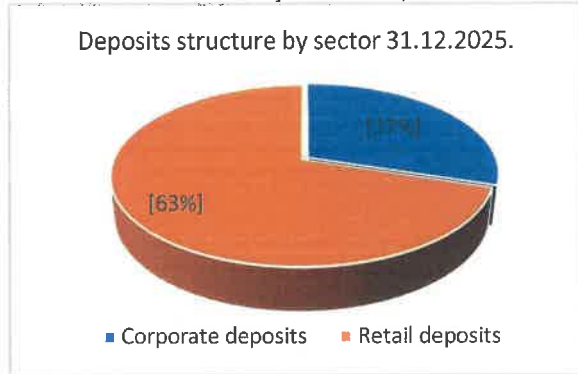
Table 11 - Overview of total exposure by issuer as of 31.12.2025 in 000 EUR:

Placement type	2025	% participation	2024	% participation
Banks, non-residents	65,917	21.0%	47,013	11.4%
Banks, residents	20,029	6.4%	6,857	1.7%
Other financial institutions	2,027	0.6%	1,487	0.4%
Government of Montenegro - Ministry of Finance	6,008	1.9%	9,217	2.2%
State-owned companies	454	0.1%	612	0.1%
Privately owned companies	89,339	28.4%	79,530	19.3%
Privately owned companies, non-residents	11,995	3.8%	5,787	1.4%
Entrepreneurs	-	0.0%	(0)	0.0%
Individuals, residents	16,523	5.3%	17,336	4.2%
Individuals, non-residents	16,270	5.2%	28,444	6.9%
Cards for individuals, residents	64	0.0%	67	0.0%
Cards for individuals, non-residents	27	0.0%	20	0.0%
Government of Montenegro - government bonds and EU bonds	85,487	27.2%	216,032	52.4%
Total exposure to credit risk	314,139	100%	412,401	100%

5.3. Liabilities of the Bank as of December 31, 2025

In the structure of liabilities, the total deposits of customers, with the calculated unpaid related interest as of December 31, 2025, participate with 86% and amount to EUR 249,817 thousand (2024: EUR 428,027 thousand).

Chart 5 - Sectoral structure as of December 31, 2025:

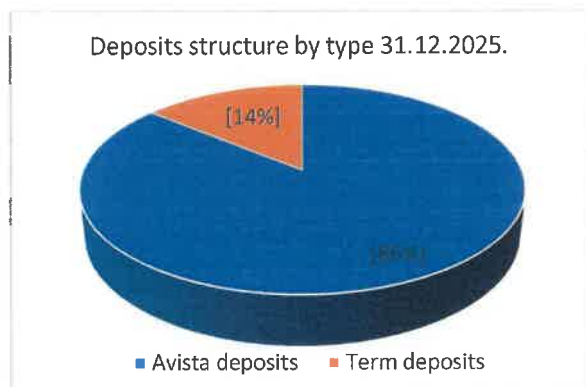


The sectoral structure of deposits as at the end of 2025 indicates that household deposits accounted for 70% of the total deposit base, amounting to EUR 174,885 thousand (2024: EUR 267,750 thousand).

Corporate deposits accounted for 30% of the Bank's total deposits, amounting to EUR 74,932 thousand (2024: EUR 160,277 thousand).

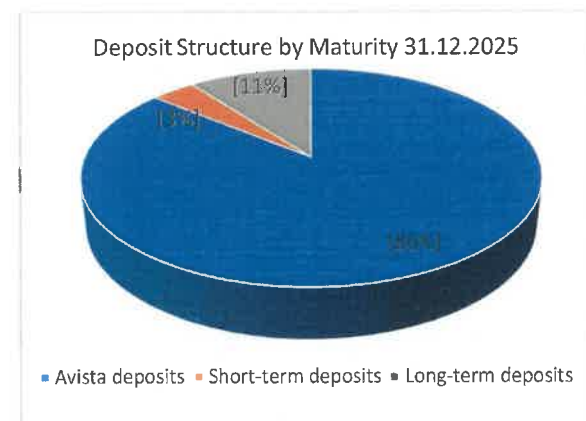
The Bank will intensify deposit-gathering activities with the aim of diversifying funding sources and strengthening the self-financing model

Chart 6.- Structure of deposits as of December 31, 2025 by type:



Sight deposits as at the end of 2025 amounted to EUR 214,904 thousand (2024: EUR 368,238 thousand), representing 86% of total deposits, while term deposits amounted to EUR 34,913 thousand (2024: EUR 59,789 thousand), representing 14% of the Bank's deposits.

Graph 7.- Maturity structure of deposits as of December 31, 2025:



The maturity structure of deposits as at the end of 2025 indicates that long-term deposits accounted for only 10% of total deposits, amounting to EUR 25,728 thousand (2024: EUR 48,764 thousand).

Short-term deposits and sight deposits accounted for 90% of the Bank's total deposits, amounting to EUR 224,089 thousand (2024: EUR 379,236 thousand).

5.4. Changes in capital until December 31, 2025

As of December 31, 2025, the Bank's share capital consists of 298,625,000 ordinary shares, each with a nominal value of EUR 0.04.

Table 12 - Ownership structure of the Bank as of December 31, 2025:

First and last name/company name	December 31, 2025.		
	No. of shares	in EUR	% share
Adriatic Capital LLC, Wilmington, Delaware, United States of America	298,625,000	11,945,000	100%
	298,625,000	11,945,000	100%

In accordance with the regulations of the Central Bank of Montenegro, the Bank must at all times have an amount of capital that is adequate to the type, scope and complexity of the operations it performs and the risks to which it is exposed or could be exposed in its operations. The Bank is obliged to meet the following capital requirements at all times:

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

The regulatory capital of a credit institution must not be less than the amount of minimum initial capital required at the time of issuing the license for the credit institution. The Law on Credit Institutions ("Official Gazette of Montenegro" No. 72/19, 82/20, 8/21 and 24/25) defines the initial amount of bank capital, which cannot be lower than 7.5 million.

The bank is obliged to align the volume of its operations with the prescribed indicators, i.e. to align the volume and structure of its risky placements with the Law on Credit Institutions (Official Gazette of the Republic of Montenegro, No. 72/19, 82/20, 8/21 and 24/25) and the regulations of the Central Bank of Montenegro.

The Bank's total capital adequacy ratio as of December 31, 2025 was 20.35%.

As of December 31, 2025, the Bank's own funds level is above the prescribed minimum of EUR 7,500 thousand and amounts to EUR 43,998 thousand (December 31, 2024: EUR 41,463 thousand).

As of December 31, 2025, the Bank's capital is above the prescribed minimum. As of December 31, 2025, the Bank's cash capital is above the prescribed minimum.

Table 13.- Changes in the Bank's capital:

Position	Share capital	Accumulated profit/loss	Other reserves	TOTAL
Balance as of December 31, 2024	11,945	26,179	(2,611)	35,513
Share issue	-	-	-	-
Current year profit	-	13,013	-	13,013
Effects of changes in the fair value of securities measured through other comprehensive income	-	-	2,097	2,097
Dividend payment	-	(4,000)	-	(4,000)
Other	-	1,936	-	1,936
Balance as of December 31, 2024	11,945	37,128	(514)	48,559
Share issue	-	-	-	-
Current year profit	-	268	-	268
Effects of changes in the fair value of securities measured through other comprehensive income	-	-	563	563
Dividend payment	-	-	-	-

Other	-	-	-	-
Balance as of December 31, 2025	11,945	37,396	49	49,390

5.5. Off-balance sheet records of the Bank

The bank's off-balance sheet records as of December 31, 2025 consist of the Bank's contingent liabilities and the remaining off-balance sheet records relating to the records of collateral received for credit claims and the bank's contingent liabilities.

Table 14.- Off-balance sheet records of the Bank:

In thousands of EUR	December 31, 2025.	December 31, 2024.
Contingent liabilities of the Bank	39,043	26,314
Irrevocable commitments to provide credit	16,171	4,763
Guarantees issued	22,872	21,551
- Issued payable guarantees	7,742	10,636
- Performance guarantees issued	13,509	10,320
- other guarantees	1,621	595
Other off-balance sheet items that do not give rise to liabilities	281,043	255,483
Collateral based on receivables	271,362	240,883
Evidential interest	-	320
Current contracts for foreign exchange transactions	-	-
Other items of the bank's off-balance sheet exposure	9,681	14,281
Total	320,086	281,797

The Bank's off-balance sheet exposure as of December 31, 2025 amounts to EUR 39,043 thousand, of which EUR 16,171 thousand (41%) represent approved unused loans while EUR 22,872 thousand (59%) represent approved guarantees.

6. BALANCE SHEET FOR 2025

6.1. Income statement for 2025

Table 15.- Income statement:

In thousands of EUR:	2025	2024	Index (2025/2024)
Interest income	13,491	16,574	81%
Interest income on impaired investments	597	399	150%
Interest expenses	(1,341)	(1,521)	88%
NET INTEREST INCOME	12,747	15,453	82%
Income from fees and commissions	4,127	10,767	38%
Fee and commission expenses	(2,465)	(4,160)	59%
NET REVENUE FROM FEES	1,662	6,607	25%
Net gains from exchange differences	751	12,826	6%
Net gain/loss on derecognition of other assets	-	25	0%
Net gain/loss on derecognition of financial instruments not measured at fair value through profit or loss	169	-	0%
Employee costs	(5,545)	(4,649)	119%
General and administrative expenses	(5,486)	(11,924)	46%
Depreciation costs	(1,360)	(798)	170%
Other expenses	(16)	(13)	125%
Other income	43	17	0%
Impairment costs	(2,653)	(1,188)	223%
Reservation costs	8	(4)	1%
OPERATING PROFIT	320	16,353	2%
Income tax	(52)	(3,340)	2%
NET PROFIT	268	13,013	2%

6.2. Interest income and expenses
Table 16. - Interest income and expenses in 000 EUR

Interest income and expense	2025	2024
Interest income		
Deposits at:		
- foreign banks	609	704
Credits:		
- privately owned companies	5,444	3,705
- financial institutions	116	54
- Government of Montenegro	437	593
- state-owned companies	18	22
- entrepreneurs	-	0
- individuals	1,995	1,842
- interest on impaired loans	597	399
	9,216	7,320
Loan approval fees	358	264
Interest on securities held to maturity	2,781	8,228
Interest on securities carried at fair value through other comprehensive income	1,735	1,159
Total interest income	14,089	16,972
Interest expenses		
Account balances:		
- foreign bank	28	-
	28	-
Deposits:		
- Government of Montenegro	-	16
- state-owned companies	2	3
- privately owned companies	61	152
- insurance companies	-	-
- individuals	1,105	1,225
	1,168	1,396
- Loans Investment and Development Fund (IDF)	53	58
- Long-term real estate lease	89	65
- Long-term vehicle lease	3	2
Total interest expense	1,342	1,519
Net interest income	12,747	15,453

From the overview of interest income on loans, it can be seen that the largest share by holders is held by interest income from privately owned companies and individuals, which is understandable given the structure of the Bank's portfolio. During 2025, interest income from securities held to maturity is significantly lower due to the sale and maturity of part of the portfolio, while interest income from those carried at fair value is almost at the same level.

6.3. Fee income and expenses
Table 17. - Income and expenses from fees in EUR 000:

Fee income and expenses	2025	2024
Fee income:		
Fee and commissions income:	1,238	2,297
Payment transactions - domestic	1,669	6,811
Approved guarantees	319	164
Cards	762	1,076
Investment banking	83	120
Other	56	298
Total fee income	4,127	10,767
Fee expenses:		
Fees to the Central Bank of Montenegro	66	72
Fees for international payment services	417	888
Fees based on the deposit protection premium	920	1,003
Fees for card transactions	721	705
Fees for e-banking	95	87
Investment banking	7	13
Contribution to bank recovery	127	225
Other	113	1,167
Total fee expenses	2,465	4,160
Net fee income	1,662	6,607

The net profit from fees achieved during 2025 shows that there has been a decrease in fee income. In addition to fee income from approved guarantees, all types of fee income have recorded a decrease this year, especially domestic and international payment transactions. The review concludes that fee costs have also decreased, except for card business fees and electronic banking fees.

6.4. Operating expenses
Table 18.- Operating expenses in EUR 000:

Operating expenses	2025.	2024.
Employee costs		
Net salaries	4,095	3,322
Taxes, surtaxes and contributions on earnings	1,168	1,119
Other net benefits to employees	7	15
Service contracts (gross)	16	2
Reservation costs for unused vacations	54	53
Provision costs for severance pay	35	39
Travel expenses and daily allowances	104	76
Employee training expenses	65	23
Total employee costs	5,545	4,649
Other administrative costs		
Rental costs	182	137
Audit expenses (CBM and external audit)	430	443
Security costs	138	77
Advertising and marketing	556	362
Legal services	6	4
Software license and maintenance costs	907	658
Maintenance costs of facilities, equipment, IT equipment, ATMs	250	183
Vehicle maintenance and registration costs	7	11
Consulting services	2,133	1,451
Electricity and fuel costs and utilities	55	47
Office supplies	24	29
Communication network costs	78	57
Subscription costs	55	49
Phone	19	20
Membership contribution to the bank association	19	16
Insurance	57	41
Entertainment expenses	48	23
Cleaning	60	40
Costs related to securities	99	200
Broker commission costs	42	3,482
Operational risk costs	215	4,360
Miscellaneous expenses	106	234
Total other administrative expenses	5,486	8,324
Depreciation	1,360	798
Total operating expenses	12,391	17,371

Operating and other operating expenses in 2025 amount to EUR 12,391 thousand, of which EUR 5,545 thousand, or 45%, represent employee costs (2024: EUR 17,371 thousand).

7. ENVIRONMENTAL PROTECTION MEASURES

Adriatic Bank AD conducts its policy in an environmentally conscious and committed manner, in accordance with the Law on Environment ("Official Gazette of the Republic of Montenegro", No. 52/16, 73/19 and 84/24), the Law on Environmental Impact Assessment ("Official Gazette of the Republic of Montenegro", No. 75/18 and 84/24) and the Law on Strategic Environmental Impact Assessment (Official Gazette of the Republic of Montenegro", No. 80/05, Official Gazette of the Republic of Montenegro", No. 73/10, 40/11, 59/11, 52/16 and 84/24).

In accordance with Article 9 of the Law on Environment, the Bank carries out the following activities to ensure environmental protection:

- Sustainable use of natural resources, goods and energy;
- Introduction of more energy-efficient technologies and use of renewable natural resources;
- Use of products, processes, technologies that are less harmful to the environment;
- Undertaking measures to prevent and eliminate the consequences of environmental threats and damage;
- Other measures in accordance with the law.

The Bank is not, according to the criteria defined by the Law, recognized as a polluter and therefore does not pay any fines or penalties. Also, in the foreseeable future, it does not plan any project that could have a negative impact on the environment.

In accordance with the Law on Environmental Impact Assessment, if a specific project or business activity planned by a bank may or will have an impact on the environment, the consent of the competent authority to the impact assessment study or a decision that an environmental impact assessment is not required will be obtained.

8. PLANNED FUTURE DEVELOPMENT

In accordance with the adopted budget of the Bank, the following financial result projection has been made for the period 2026-2028:

Table 19.- Planned income statement for the period 2026-2028:

Planned Income Statement				
In thousands of EUR	Actual	Planned		
	31.12.2025	31.12.2026	31.12.2027	31.12.2028
Interest income	14,088	13,400	15,561	16,529
Interest expense	(1,341)	(911)	(964)	(1,017)
Net interest income	12,747	12,489	14,597	15,512
Fee income	4,127	3,463	3,856	4,255
Fee expenses	(2,465)	(2,368)	(2,814)	(3,163)
Net fee income	1,662	1,095	1,042	1,092
Net FX gains/(losses)	751	360	342	325
Impairment losses	(2,653)	(634)	(1,412)	(1,423)
Net banking income	12,507	13,310	14,569	15,506
Employee costs	(5,545)	(5,775)	(5,862)	(5,988)
Depreciation costs	(1,360)	(2,215)	(2,367)	(2,294)
Other expenses	(5,282)	(3,984)	(4,027)	(4,109)
Total operating costs	(12,187)	(11,974)	(12,256)	(12,391)
Profit/(loss) before tax	320	1,336	2,313	3,115
Income tax	(52)	(157)	(299)	(419)
Profit/(loss) after tax	268	1,179	2,014	2,696

The period covered by the plan involves continuous work on expanding the client base. The plan is to establish close business relationships with clients, understand their business activities and financial needs, in order to be able to support them in their business requirements – liquidity loans, loans for fixed assets, guarantees, letters of credit, etc.

Table 20 - Planned balance sheet for the period 2026 to 2028:

Planned Balance Sheet				
in thousands of EUR	Actual	Planned		
	31.12.2025	31.12.2026	31.12.2027	31.12.2028
Resources				
Cash and cash equivalents	130,473	125,596	132,713	139,962
Mandatory reservation	13,559	14,832	15,945	17,817
Securities carried at amortized cost	64,584	80,739	74,555	87,393
Securities carried at fair value through other comprehensive income	20,664	21,087	16,386	16,724
Loans to customers net	136,473	165,153	191,273	211,907
Intangible assets	2,552	3,865	3,376	2,210
Real estate, plant and equipment	2,422	3,079	2,459	1,852
Right of use	2,785	2,388	1,828	1,369
Other funds	955	1,029	1,049	1,060
Total funds	374,466	417,768	439,584	480,294
Obligations				
Client deposits	249,817	284,166	312,513	352,110
Loans	3,173	8,638	2,104	1,564
Long-term lease obligations	2,850	2,527	2,006	1,570
Other obligations	69,236	69,458	68,069	67,388
Total liabilities	325,076	364,789	384,692	422,632
Capital				
Share capital	11,945	11,945	11,945	11,945
Profit / (loss) of the current year	268	1,179	2,014	2,696
Other reserves	49	179	77	152
Accumulated result	37,128	39,676	40,856	42,869
Total capital	49,390	52,979	54,892	57,662
Total capital and liabilities	374,466	417,768	439,584	480,294

Table 21 – Other important projected indicators for the period 2026 to 2028:

Balance sheet	31.12.2025	31.12.2026	31.12.2027	31.12.2028
Interest-bearing assets	168,643	200,112	223,862	247,984
Interest-bearing liabilities	252,990	292,804	314,617	353,674
% of interest-bearing assets in total assets	45%	48%	51%	52%
% of interest-bearing liabilities in total liabilities	68%	70%	72%	74%
Interest income	14,088	13,400	15,561	16,529
Interest expenses	(1,341)	(911)	(964)	(1,017)
Loans/deposits (L/D ratio)	62%	64%	66%	65%
CIR (cost/income ratio)	85%	88%	78%	75%
ROA	0.07%	0.28%	0.46%	0.56%
ROE	0.54%	2.23%	3.67%	4.68%

9. DATA ON RESEARCH AND DEVELOPMENT ACTIVITIES

The Bank's research and development activities predominantly relate to research and analysis of the banking market and other analyses necessary for decision-making, as well as business and development plans that serve to achieve the Bank's strategic goals.

The key values and guarantee of achieving the declared business goals of the Bank are its employees who possess the necessary qualifications and IT-technology basis for high-quality performance of banking operations. In this regard, continuous education, professional development and improvement of employees' skills are permanent goals of the Bank.

10. INFORMATION ON THE REPURCHASE OF OWN SHARES OR SHARES

During 2025, the Bank did not buy back its own shares.

11. BUSINESS UNITS

As of December 31, 2025, the Bank consists of the Head Office with its headquarters in Podgorica and seven branches, one of which is located at Cetinjska 9/1, Podgorica, two in Tivat and one each in Bar, Budva, Herceg Novi and Luštica.

12. DATA ON FINANCIAL INSTRUMENTS IMPORTANT FOR ASSESSING FINANCIAL POSITION AND BUSINESS PERFORMANCE

Based on the data contained in items 5 and 6 of the BALANCE SHEET AND INCOME STATEMENT, it can be concluded that at the end of the 2025 financial year, the following financial instruments are of key importance for assessing the financial position of the Bank:

- Cash and funds with the Central Bank of Montenegro;
- Loans and receivables from banks;
- Loans and receivables from clients;
- Securities;
- Client deposits;
- Borrowed funds;
- Capital.

13. RISK MANAGEMENT OBJECTIVES, METHODS AND POLICIES

The Bank is most exposed to credit risk in its operations and therefore the greatest focus is given to the management and continuous development and improvement of credit risk management, but the impact of other risks to which the Bank is exposed in its operations, such as liquidity risk, operational risk, market risk, country risk, concentration risk and the like, is not ignored.

The Risk Management Strategy is a comprehensive general document that regulates the area of risk management in the Bank. In order to manage risks more efficiently, at the operational level, the Bank has developed specific risk management policies and procedures that are designed to identify and analyze risks, to define appropriate limits and controls for risk management, as well as to monitor the Bank's exposure to certain risks. The risk management policies and procedures are subject to regular control in order to adequately respond to changes in the market, products and services.

The Supervisory Board has overall responsibility for establishing and overseeing the risk management framework. The Supervisory Board has working bodies: Nomination Committee, Risk Committee, Remuneration Committee and Audit Committee, while the working bodies of the Management Board are: Credit Committee, ALCO Committee, Information Systems Development and Management Committee, Operational Risk Management Committee, Non-Performing (NPE) and Restructured Exposures Monitoring Committee, Performing Clients Monitoring Committee – Monitoring Committee, Liquidity Committee, Investment Committee, Outsourcing Committee and High-Risk Client Approval Committee.

The Risk Control Department is responsible for monitoring the Bank's exposure to individual risks, which it reports monthly to the Board of Directors, and quarterly to the Supervisory Board and the Risk Committee.

Credit risk

Credit risk represents the possibility of negative effects on the financial result and capital of the Bank due to the failure of the debtor to fulfill its obligations to the Bank. The Bank approves loans in accordance with its business policy, harmonizing the maturity dates of approved loans and the interest rate policy with the purpose of the loan and the creditworthiness of the debtor.

The credit risk management policy is based on the Bank's legal obligations prescribed by the Law on Credit Institutions and by-laws, but also on generally accepted international principles for credit risk management and good practices for credit risk assessment.

The goal of the policy is the successful implementation of the Credit Policy and Risk Management Strategy by more precisely determining the areas in which credit risk sources are identified, identification methods, methods and timeframes for measuring credit risk, limits and procedures for controlling individual and total credit risk exposures, taking into account the size of the Bank and the complexity of the products, the method and dynamics of reporting and informing the Supervisory and Management Boards on credit risk management, as well as the methods and timeframes for subsequent verification of the quality of credit risk management.

Specifically, credit risk management covers two main aspects of credit activities:

- 1.) A preliminary assessment of the risk being undertaken - through a preliminary analysis, which is formalized by creating a credit proposal, which is approved by the competent authorities;
- 2.) Regular monitoring of placements, i.e. the assumed risk. After approval of a placement, the Bank is exposed to risks that constantly evolve depending on the client's condition or other internal or external factors. Therefore, it is necessary to regularly monitor risks in order to protect the Bank's interests.

Credit risk management encompasses all aspects of risk assessment prior to loan approval, as well as monitoring of loans until final repayment. Credit risk exposure management is performed by regularly analyzing the ability of borrowers and potential borrowers to repay interest and principal obligations.

The Bank has established a system for monitoring placements at individual and portfolio levels, as well as a system for adequate provisioning and allocation of impairments for credit risk. In this way, potentially problematic loans are identified in a timely manner and collection activities are enabled in a timely manner. In accordance with the limits prescribed by the Central Bank of Montenegro, as well as internally defined limits, the Bank monitors the Bank's exposure to one person or group of related persons, branch credit concentration, as well as exposures to clients with an approved grace period, exposures based on placements with a single maturity and exposures to non-resident clients, thus taking into account the specificities of its own portfolio which are subject to continuous monitoring.

Commitments and contingent liabilities based on loans

The primary purpose of these instruments is to ensure that funds are available to the client as required. Guarantees and activated letters of credit represent irrevocable guarantees by the Bank to make payment in the event that the client is unable to meet its obligations to third parties, and therefore carry the same credit risk as loans. Documentary and commercial letters of credit – which represent a written statement of the Bank's obligation undertaken on behalf of the client, authorizing a third party to draw bills of exchange from the Bank up to an amount agreed upon under specific terms – are secured by the underlying delivery of the goods to which they relate, and therefore carry less risk than a direct loan.

The credit portfolio at the end of 2025 amounts to EUR 142,706 thousand while the off-balance sheet exposure is EUR 39,043 thousand, and the classification of these receivables is given in the table below.

Table 22 – Overview of exposure and impairments as of 31.12.2025:

NO.	DESCRIPTION	31.12.2025.		31.12.2024.	
		Exposure	Impairments	Exposure	Impairments
I	Balance	142,706	6,233	142,499	4,727
1	AND	45,561	506	62,460	942
2	B	83,704	1,193	71,633	1,398
3	C	6,643	4,421	6,660	986
4	D	5,720	-	-	-
5	E	1,077	112	1,746	1,400
II	Off-balance	39,043	493	26,314	536

As of December 31, 2025, impairment losses were calculated in accordance with IFRS 9 and amounted to EUR 6,233 thousand for on-balance sheet exposures, while for off-balance sheet exposures they amounted to EUR 493 thousand.

Market risks

The bank currently does not have and does not plan to have a trading book, and it is noted that, as of December 31, 2025, Adriatic Bank is not exposed to market risk except for the part of market risk that is limited to foreign exchange risk.

Foreign exchange risk

Foreign exchange risk management is defined by the Risk Management Strategy, Risk Appetite (RAS), Market Risk Management Policy and Market Risk Management Procedure. These documents define the manner in which the bank identifies, measures, controls, mitigates and supervises foreign exchange risk. Foreign exchange risk is measured using GAP analysis for foreign exchange risk, VAR analysis and Stress Testing, while control is established through a system of net position limits. On a daily basis, the Asset Management Department monitors and manages foreign exchange positions, taking into account the amount and nature of foreign exchange positions. The Risk Control Department reports to the Board of Directors on a monthly basis on compliance with the internal limit system in the area of 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 through compliance with the limits prescribed by the Central Bank of Montenegro.

The Bank's exposure to foreign exchange rate risk as of 31 December 2025 was low, with a total open position of EUR 32 thousand. The balance of the long position in foreign currency, in euro equivalent, as of 31 December 2025 amounted to EUR 18,426 thousand and the short position to EUR 18,394 thousand.

Risk of interest rate changes

The management of interest rate risk from the banking book is defined by the Risk Management Strategy, Risk Appetite (RAS), Interest Rate Risk Management Policy from Non-Trading Positions and Interest Rate Risk Management Procedure from Non-Trading Positions. Interest rate risk from non-trading positions is the risk that arises as a result of possible changes in interest rates that affect the operations of a credit institution that are managed in the non-trading book. For the purposes of measuring interest rate risk, the Bank uses: GAP analysis, Economic Value of Capital EVE, Stress testing. Subtypes of interest rate risk from non-trading positions:

- the risk of maturity mismatch of interest rates (gap risk),
- base risk risk (eng. basis risk),
- option risk.

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

Table 23 - Interest-bearing and non-interest-bearing assets and liabilities of the Bank:

In thousand EUR	Interest-bearing	Non-interest-bearing	Total
ASSETS:			
Cash and deposit accounts with central banks	44,340	12,125	56,465
Loans and receivables from banks	85,583	-	85,583
Loans and receivables from clients	136,473	-	136,473
Securities at amortized cost	64,584	-	64,584
Securities at fair value through other comprehensive income	20,664	-	20,664
Other financial resources	-	1,995	1,995
Investments in associates, subsidiaries and joint ventures accounted for using the equity method	-	1	1
Deferred tax assets	-	113	113
Other funds	-	829	829
Total assets	351,644	15,063	366,707
LIABILITIES			
Deposits of banks and central banks	-	6,867	6,867
Customer deposits	159,638	83,312	242,950
Borrowings from banks and central banks	7	-	7
Loans from other clients	1,815	1,351	3,166
Other obligations	-	71,031	71,031
Total liabilities	161,460	162,561	324,021
Exposure to the risk of changes in interest rates:			
- December 31, 2025	180,184	(147,498)	42,686
- December 31, 2024	212,666	(165,790)	46,876

The exposure to the risk of changes in interest rates as of December 31, 2025 is shown in the following table:

Table 24 - Interest rate risk:

In thousands of EUR	Up to a month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total
Interest-sensitive assets						
Interest-bearing deposits in other institutions	44,340	-	-	-	-	44,340
Loans and receivables from banks	79,183	-	-	-	6,400	85,583
Securities at amortized cost	5,095	-	-	-	59,489	64,584
Securities at fair value through other comprehensive income	-	-	-	-	20,664	20,664
Loans and receivables from customers	30,009	5,322	7,685	16,918	76,539	136,473
Other assets	-	-	-	-	-	-
Total	158,627	5,322	7,685	16,918	163,092	351,644
% of total interest-bearing assets	45.11%	1.51%	2.19%	4.81%	46.38%	100.00%
Interest-sensitive liabilities						
Interest-bearing deposits	126,679	6,798	7,121	10,320	8,720	159,638
Interest-bearing loans	194	-	-	181	1,447	1,822
Total	126,873	6,798	7,121	10,501	10,167	161,460
% of total interest-bearing liabilities	78.58%	4.21%	4.41%	6.50%	6.30%	100%
Interest rate GAP:						
- December 31, 2025	31,754	(1,476)	564	6,417	152,925	190,184
- December 31, 2024	(64,209)	68,456	(717)	28,414	180,722	212,666
Cumulative GAP:						
- December 31, 2025	31,754	30,278	30,842	37,259	190,184	
- December 31, 2024	(64,209)	4,247	3,530	31,944	212,666	

Liquidity risk

Liquidity risk represents the risk that the Bank will not be able to provide sufficient funds to meet its obligations when they fall due, or the risk that the Bank will have to provide funds at a reasonable price and in a timely manner to meet its obligations as they fall due.

Matching and controlled mismatching of maturities and interest rates on assets and liabilities is of great importance to the Bank's management. It is not usual for a Bank to have a completely matched position, as business transactions often have indefinite maturities and are of various types. A mismatched position potentially increases profitability, but also increases the risk of loss.

The maturities of assets and liabilities and the Bank's ability to secure sources of funds upon maturity of liabilities at acceptable costs are an important factor in assessing the Bank's liquidity and its exposure to changes in interest rates and exchange rates.

As of December 31, 2025, the Bank managed liquidity risk in accordance with the adopted Risk Management Strategy, Risk Appetite (RAS), Liquidity Risk Management Policy and other acts regulating liquidity risk management. To measure liquidity risk, the Bank uses GAP analysis and stress testing. In addition to daily monitoring, liquidity risk is monitored on a ten-day, weekly and monthly basis through the supervisory reporting system and the Asset and Liability Management Committee and the Liquidity Committee.

According to the CBM methodology, the liquidity indicator is the ratio of receivables, liquid assets (cash, giro account, checks, funds in accounts with domestic banks, funds with payment agents, funds in accounts with foreign banks - demand deposits and mandatory reserves) and due liabilities (liabilities under received loans, liabilities for interest and fees, liabilities under term deposits, 20% demand deposits, 10% of approved but unused irrevocable credit obligations - credit lines, other due liabilities).

The calculation of the daily liquidity indicator as of December 31, 2025 is shown in the following table:

Table 25 – Liquidity indicator on December 31, 2025:

No.	DESCRIPTION	in 000 EUR
I	Liquid assets/receivables	73,038
1	Cash	6,503
2	Funds in the settlement account with the Central Bank	36,415
3	Other monetary claims	-
4	Funds in accounts with domestic banks (demand deposits)	20,029
5	Funds with payment agents	-
6	Funds in foreign bank accounts (demand deposits)	3,312
7	Required reserves with the Central Bank of Montenegro (in accordance with the applicable decision)	6,779
II	Due liabilities for loans and borrowings	48,345
1	Overdue obligations for received loans	-
2	Interest and fees due	-
3	Due liabilities on term deposits	-
4	20% Deposit at sight	42,981
5	10% Approved but unused, irrevocable credit obligations (credit lines)	405
6	Other due liabilities	4,959
	SURPLUS / DEFICIT (I - II)	24,694
	Liquidity indicator (I/II)	1.52

The Bank is exposed to daily withdrawal requests from customers, which affect the available cash on current accounts and deposits. The Bank does not need to maintain a level of cash to meet all potential requests, estimating that a minimum level of reinvestment of maturing funds can be predicted with certainty.

Other bank liquidity indicators by quarter are given in the table:

Table 26 - Liquidity indicators:

Description	31.12.2025	30.9.2025	30.6.2025	31.03.2025	31.12.2024
Liquid assets	73,038	66,095	81,728	96,551	114,635
Total assets	374,466	404,526	419,422	448,880	498,016
Short-term liabilities	243,524	256,993	256,473	265,272	303,620
Liquid assets / total assets	19.50%	16.34%	19.49%	21.51%	23.02%
Liquid assets / short-term liabilities	29.99%	25.72%	31.87%	36.40%	37.76%
Daily liquidity ratio	1.49%	1.24%	1.42%	1.35%	1.49%
Loans to deposits ratio	56.97%	57.66%	51.54%	36.78%	33.29%

Table 27 - Maturity adjustment of assets and liabilities according to expected maturity:

In thousands of EUR	Up to a month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Cash and deposit accounts with central banks:							
Cash and cash equivalents	42,919	-	-	-	-	-	42,919
Funds set aside as mandatory reserves	6,779	-	-	-	-	6,779	13,558
Interest receivables and impairments	(12)	-	-	-	-	-	(12)
Financial assets at amortized cost:							
receivables from banks	79,297	-	-	-	6,400	-	85,697
receivables from customers	31,525	5,591	8,073	17,773	59,824	19,532	142,318
Held-to-maturity securities	5,103	18,000	4,000	-	36,895	2,000	65,998
Other financial assets	1,995	-	-	-	-	-	1,995
Interest receivables, accruals and impairments *	(1,609)	(230)	(332)	(538)	(3,923)	(742)	(7,374)
Financial assets at fair value through other comprehensive income:							
Securities at fair value through other comprehensive income	-	21,500	-	-	-	-	21,500
Interest receivables, accruals and impairments	-	-	-	-	(647)	(190)	(837)
Other assets	782	1	2	10	31	-	826
Total	168,400	45,092	12,075	17,783	109,150	28,311	374,811
Financial liabilities carried at amortized cost:							
Deposits of banks and central banks	6,867	-	-	-	-	-	6,867
Customer deposits	77,003	64,485	11,629	17,983	69,290	1,628	242,018
Borrowings from banks and central banks	7	-	-	-	-	-	-
Loans from other clients	195	27	41	278	2,175	450	3,166
Interest and accruals*	55	95	103	99	579	2	933
Other obligations	64,136	78	124	319	1,665	923	67,245
Total	148,208	64,590	11,794	18,580	73,130	3,001	319,303
Maturity mismatch							
- December 31, 2025	20,192	(19,498)	281	(797)	30,020	25,310	55,508
- December 31, 2024	782	(327)	(384)	300	21	56,704	57,096
Cumulative GAP:							
- December 31, 2025	20,192	594	975	178	30,198	55,508	
- December 31, 2024	782	455	71	371	392	57,096	
% of total source of funds							
- December 31, 2025	6.32%	0.22%	0.31%	0.06%	9.46%	17.38%	
- December 31, 2024	0.18%	0.10%	0.02%	0.08%	0.09%	12.87%	

* Interest receivables, accrued income and impairments are presented separately and do not form the sum in the table for maturity matching of financial assets and financial liabilities by remaining contractual maturity, in accordance with reporting to the Central Bank of Montenegro.

Operational risk

Operational risk management in the Bank is carried out in accordance with the Risk Management Strategy, Risk Appetite (RAS) and Operational Risk Management Policy, as well as relevant procedures, which precisely define the method of identification, assessment and management, i.e. monitoring, management and proposing measures to eliminate exposure and consequences arising from exposure to operational risks.

The measurement, or assessment, of operational risk is carried out through a quantitative and/or qualitative assessment of the identified operational risk. In doing so, the Bank identifies operational risks, classifying them by measuring the possible financial impact and frequency of events that could cause losses.

In order to manage operational risk as efficiently as possible, organizational units are required to submit reports on adverse events and identified operational risks for the reporting period.

In the process of identifying sources of operational risk, the Bank shall pay particular attention to identifying risks arising from:

- inadequate information and other systems in the Bank;
- business interruptions and system failures (for example: information technology failures, telecommunications problems, work interruptions, etc.);
- inability to adequately integrate or sustain information and other systems in the event of changes in the Bank's status;
- illegal and inadequate conduct of bank employees, such as attempted embezzlement, money laundering, unauthorized access to client accounts, misuse of confidential information, providing false or incorrect information about the bank's balance, lack of promptness in performing tasks, errors in data entry, failure to adhere to good business practices in work, etc.;
- engaging persons outside the Bank to perform tasks for the Bank;
- actions or omissions that may cause legal and other disputes against the Bank (legal risk);
- external illegal actions, such as theft, unauthorized transfer of funds, unauthorized access to the database, illegal acquisition of Bank documents, etc.;
- events that cannot be predicted, such as natural and other disasters, terrorism, etc.

Event recording involves collecting and analyzing data on operational risks in the Bank's operations that led to losses. In accordance with the Operational Risk Management Policy, in 2025 the Bank initiated the processes of risk self-assessment and control, permanent supervision and scenario analysis.

14. CAPITAL ADEQUACY
Regulatory capital

The Bank is obliged to publicly disclose information and data relating to the amount of Regulatory Capital, as follows:

- 1) summary information containing the main characteristics of all items included in the calculation of Regulatory Capital and its elements;
- 2) the amount of core capital, with separate public disclosure of all items included in core capital and deductible items;
- 3) the total amount of supplementary capital;
- 4) deductions from basic and supplementary capital, i
- 5) total own funds, less deductible items.

Table 28 – overview of the Bank's Regulatory Capital as of December 31, 2025 in 000 EUR:

No.	POSITION DESCRIPTION	AMOUNT
1=1.1+1.2	REGULATORY CAPITAL	43,998
1.1 = 1.1.1+1.1.2	CORE CAPITAL (Tier 1)	43,998
1.1.1	REGULAR SHARE CAPITAL (CET 1)	43,998
1.1.1.1	Capital instruments recognised as Common Equity Tier 1 capital	11,945
1.1.1.1.1	paid-up capital instruments	11,945
1.1.1.1.1*	of which: capital instruments subscribed by state authorities in emergency situations	
1.1.1.1.2*	note: non-recognised equity instruments	
1.1.1.1.3	share premium (share premium)	
1.1.1.1.4	(-) own instruments of common equity	-
1.1.1.1.4.1	(-) direct investments in common equity instruments	
1.1.1.1.4.2	(-) indirect investments in common equity instruments	
1.1.1.1.4.3	(-) synthetic investments in common equity instruments	
1.1.1.1.5	(-) actual or contingent liabilities to purchase own common equity instruments	
1.1.1.2	Undistributed (retained) profit	37,128
1.1.1.2.1	Undistributed (retained) profit from previous years	37,128
1.1.1.2.2	recognized profit or loss (current year)	-
1.1.1.2.2.1	profit or loss attributable to owners of the parent company (item 22 from BU)	268
1.1.1.2.2.2	(-) the amount of profit realized during the current year or profit realized at the end of the current year that does not meet the conditions for recognition	268
1.1.1.3	Accumulated other comprehensive income (total other result) - FVOCI	49
1.1.1.3.1	gains or losses arising from the application of the revaluation model for property, plant and equipment, as well as intangible assets	
1.1.1.3.2	gains or losses arising from the revaluation of available-for-sale instruments determined in accordance with IFRS 9	49
1.1.1.3.3	other gains or losses included in other comprehensive income in accordance with IAS 1	
1.1.1.4	Other reserves	
1.1.1.5	Reserves for general banking risks	
1.1.1.6	Common Equity Tier 1 adjustments due to prudential filters	(21)
1.1.1.6.1	(-) equity increases arising from securitized assets	
1.1.1.6.2	reserves based on cash flow protection	
1.1.1.6.3	cumulative gains and losses on liabilities measured at fair value due to changes in own credit risk	
1.1.1.6.4	gains or losses arising from fair value measurement, arising from the credit institution's own credit risk associated with derivative liabilities	
1.1.1.6.5	(-) valuation adjustments due to prudential valuation (AVA) requirements	21
1.1.1.6.5.1	(-) valuation adjustments calculated according to the simple approach	21
1.1.1.6.5.2	(-) valuation adjustments calculated under the basic approach	
1.1.1.6.6	other prudential adjustments	
1.1.1.7	(-) Goodwill	0
1.1.1.7.1	(-) goodwill that is reported as an intangible asset	
1.1.1.7.2	(-) goodwill included in the valuation of significant investments	
1.1.1.7.3	deferred tax liabilities associated with goodwill	
1.1.1.8	(-) Other intangible assets	2,552
1.1.1.8.1	(-) other intangible assets before deduction of deferred tax liabilities	2,552
1.1.1.8.2	deferred tax liabilities associated with other intangible assets	
1.1.1.8.3	software that qualifies for exemption from deductible items	
1.1.1.9	(-) Deferred tax assets that depend on future profitability and do not arise from temporary differences and do not include related tax liabilities	
1.1.1.10	(-) Missing impairments for expected losses based on credit risk according to the IRB approach	

1.1.1.11	(-) Employer-sponsored pension fund assets	
1.1.1.12	(-) Reciprocal mutual investments in common stock capital	
1.1.1.13	(-) Deduction from additional core capital items exceeding additional core capital	-
1.1.1.14	(-) Qualifying holdings outside the financial sector to which a risk weight of 1,250% may alternatively be applied	
1.1.1.14.1	note: amount of recognized capital	
1.1.1.15	(-) Securitisation positions to which a risk weight of 1,250% may be applied as an alternative	
1.1.1.16	(-) Free deliveries to which a risk weight of 1,250% may be applied as an alternative	
1.1.1.17	(-) Positions in the basket for which the credit institution cannot determine a risk weight under the IRB approach and to which a risk weight of 1,250% may be applied as an alternative	
1.1.1.18	(-) Equity exposures under the internal models approach to which a risk weight of 1,250% may alternatively be applied	
1.1.1.19	(-) Common equity tier 1 instruments of financial sector entities if the credit institution does not have a significant investment in those entities	
1.1.1.19.1	note: total amount of investment in common equity instruments of financial sector entities if the credit institution does not have a significant investment in those entities	
1.1.1.19.2	note: of which the amount of direct investments	
1.1.1.19.3	note: of which the amount of indirect investments	
1.1.1.19.4	note: of which the amount of synthetic investments	
1.1.1.19.5	note: threshold for investments in financial sector entities in which the credit institution does not have a significant investment that are not deducted from regulatory capital	
1.1.1.20	(-) Deductible deferred tax assets that rely on future profitability and arise from temporary differences	
1.1.1.21	(-) Common equity tier 1 instruments of financial sector entities if the credit institution has a significant investment in those entities	
1.1.1.21.1	note: total amount of investment in common equity instruments of financial sector entities if the credit institution has a significant investment in those entities	
1.1.1.21.2	note: of which the amount of direct investments	
1.1.1.21.3	note: of which the amount of indirect investments	
1.1.1.21.4	note: of which the amount of synthetic investments	
1.1.1.21.5	note: threshold for investments in Common Equity Tier 1 instruments of financial sector entities in which the credit institution has a significant investment that are not deducted (amount of 10% of Common Equity Tier 1 capital)	
1.1.1.21.6	note: threshold for investments in Common Equity Tier 1 instruments of financial sector entities in which the credit institution has a significant investment that are not deducted (amount of 17.65% of Common Equity Tier 1 capital)	
1.1.1.22	(-) Amount exceeding the threshold of 17.65%	
1.1.1.23	(-) Amount of missing coverage of non-performing exposures by impairments for balance sheet items and provisions for off-balance sheet items	40
1.1.1.24	(-) Positive difference between the amount of calculated provisions for potential losses and the sum of the amount of impairments for balance sheet asset items and provisions for off-balance sheet items classified as good assets	2,424
1.1.1.25	(-) Positive difference between the amount of calculated provisions for potential losses and the sum of the amount of impairments for balance sheet asset items and provisions for off-balance sheet items classified as non-performing exposures to which the deduction from Common Equity Tier 1 capital referred to in Article 18, point 13 of the Decision on the Capital Adequacy of Credit Institutions is not applied (arising before the start of application of that Decision)	86
1.1.1.26	(-) The amount of the deduction of the minimum value of the obligation	
1.1.1.27	(-) Amount exceeding the limit for investments in real estate and fixed assets, determined by a special regulation of the Central Bank	-
1.1.1.28	(-) Additional deductions from Common Equity Tier 1 capital in accordance with Article 2 of the Decision on Capital Adequacy of Credit Institutions	
1.1.1.29	Transitional adjustments for Common Equity Tier 1 instruments that continue to be recognised pursuant to Article 504 of the Decision on the Capital Adequacy of Credit Institutions	
1.1.1.30	Other elements or deductions from the regular share capital	
1.1.2	ADDITIONAL TIER 1 CAPITAL (AT1)	-
1.1.2.1	Capital instruments recognised as additional core capital	-
1.1.2.1.1	paid-up capital instruments	
1.1.2.1.2*	note: non-recognised equity instruments	
1.1.2.1.3	share premium (share premium)	
1.1.2.1.4	(-) own instruments of additional core capital	-
1.1.2.1.4.1	(-) direct investments in additional core capital instruments	
1.1.2.1.4.2	(-) indirect investments in additional core capital instruments	
1.1.2.1.4.3	(-) synthetic investments in additional core capital instruments	
1.1.2.1.5	(-) actual or contingent liabilities to purchase own Additional Tier 1 instruments	
1.1.2.2	(-) Reciprocal mutual investments in additional core capital	
1.1.2.3	(-) Additional Tier 1 instruments of financial sector entities if the credit institution does not have a significant investment in those entities	
1.1.2.3.1	note: total amount of investment in additional core capital instruments of financial sector entities if the credit institution does not have a significant investment in those entities	
1.1.2.3.2	note: of which the amount of direct investments	
1.1.2.3.3	note: of which the amount of indirect investments	

1.1.2.3.4	note: of which the amount of synthetic investments	
1.1.2.4	(-) Additional Tier 1 instruments of financial sector entities if the credit institution has a significant investment in those entities	
1.1.2.4.1	note: total amount of investment in additional core capital instruments of financial sector entities if the credit institution has a significant investment in those entities	
1.1.2.4.2	note: of which the amount of direct investments	
1.1.2.4.3	note: of which the amount of indirect investments	
1.1.2.4.4	note: of which the amount of synthetic investments	
1.1.2.5	(-) Deduction from supplementary capital items that exceed supplementary capital	-
1.1.2.6	Deduction from additional core capital items exceeding additional core capital (deducted from common core capital)	-
1.1.2.7	(-) Additional deductions from additional core capital in accordance with Article 2 of the Decision	
1.1.2.8	Transitional adjustments for Additional Tier 1 instruments that continue to be recognised pursuant to Article 504 of the Decision on the Capital Adequacy of Credit Institutions	
1.1.2.9	Other elements or deductions from additional core capital	
1.2	ADDITIONAL CAPITAL (Tier 2)	-
1.2.1	Equity instruments recognized as supplementary capital	-
1.2.1.1	paid-up capital instruments	
1.2.1.2*	note: equity instruments that are not recognised	
1.2.1.3	share premium (share premium)	
1.2.1.4	(-) own supplementary capital instruments	-
1.2.1.4.1	(-) direct investments in supplementary capital instruments	
1.2.1.4.2	(-) indirect investments in supplementary capital instruments	
1.2.1.4.3	(-) synthetic investments in supplementary capital instruments	
1.2.1.5	(-) actual or contingent liabilities to purchase own supplementary capital instruments	
1.2.2	General credit risk allowances in accordance with the standardized approach	
1.2.3	(-) Reciprocal mutual investments in supplementary capital	
1.2.4	(-) Tier 2 instruments of financial sector entities if the credit institution does not have a significant investment	
1.2.4.1	note: total amount of investment in supplementary capital instruments of financial sector entities if the credit institution does not have a significant investment in those entities	
1.2.4.2	note: of which the amount of direct investments	
1.2.4.3	note: of which the amount of indirect investments	
1.2.4.4	note: of which the amount of synthetic investments	
1.2.5	(-) Tier 2 instruments of financial sector entities if the credit institution has a significant investment	
1.2.5.1	note: total amount of investment in supplementary capital instruments of financial sector entities if the credit institution has a significant investment in those entities	
1.2.5.2	note: of which the amount of direct investments	
1.2.5.3	note: of which the amount of indirect investments	
1.2.5.4	note: of which the amount of synthetic investments	
1.2.6	Deduction from supplementary capital items exceeding supplementary capital (deducted in additional core capital)	-
1.2.7	(-) Additional deductions from supplementary capital in accordance with Article 2 of the Decision	
1.2.8	Transitional adjustments for supplementary capital instruments that continue to be recognized in accordance with Article 504 of the Decision on Capital Adequacy of Credit Institutions	
1.2.9	Other elements or deductions from supplementary capital	

The Bank's own funds, i.e. Regulatory capital, consist of:

- Core capital (Tier 1);
- Additional Capital (Tier 2).

Core capital (Tier 1) consists of:

- Regular core capital (CET 1)
- Tier 2 capital (CET 2)

Common Equity Tier 1 (CET 1) consists of paid-in share capital in the amount of EUR 11,945 thousand:

- increased by undistributed profit from previous years in the amount of EUR 37,128 thousand and gains arising from the re-valuation of HOV which are valued at fair value through other comprehensive income in accordance with IFRS 9 in the amount of EUR 49 thousand;

- and reduced by valuation adjustments due to prudential valuation requirements (AVA) under the simple approach in the amount of EUR 21 thousand, intangible assets in the amount of EUR 2,552 thousand and missing reserves in the amount of EUR 2,550 thousand.

The amount of own funds must always be equal to or greater than:

- a) the minimum cash part of the core capital in the amount of EUR 7,500 thousand, as prescribed by the Law on Credit Institutions,
- b) 8%, which must be the minimum total capital ratio (Coefficient of common equity capital (CET1) - min 4.5%, Coefficient of basic capital (Tier 1) - min 6%),
- c) the total amount of required capital for all risks.

Risk assets consist of asset items and credit equivalents of off-balance sheet asset items of the Bank that are exposed to risk. Credit equivalents of off-balance sheet asset items represent the amount resulting from multiplying the carrying value of off-balance sheet asset items by prescribed conversion factors. Total risk-weighted assets consist of the sum of balance sheet asset items and credit equivalents of off-balance sheet asset items exposed to risk (the Bank's risk assets), classified into certain categories and multiplied by the appropriate prescribed risk weights.

In accordance with the regulations of the Central Bank of Montenegro, the Bank is obliged to maintain a minimum level of capital adequacy, expressed as a capital adequacy ratio of 17.55%¹. The Bank is obliged to align the volume of its operations with the prescribed indicators, i.e. to align the volume and structure of its risky placements with the Law on Credit Institutions and the regulations of the Central Bank of Montenegro. As of 31 December 2025, the total capital ratio calculated by the Bank in the financial statements is 20.35%.

 Nemanja Markovic Chairman of the Board of Directors	 Damir Krnic Member of Management Board	 Miroslav Vukovic Director of Accounting and Financial Controlling
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¹ The adjustment of the minimum capital adequacy ratio was carried out in accordance with the SREP requirement