

"CROWE MNE" d.o.o.  
Broj. 58-1126  
Podgorica, 16.03 2026 god.

**ZAPAD BANKA AD, PODGORICA**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**and**

**Independent Auditors' report**

## **CONTENT**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 5
<b>STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT</b>	6
<b>FINANCIAL STATEMENTS</b>	
Income statements	7
Statement of comprehensive income	8
Statement of financial position	9
Statement of cash flows	10
Statement of changes in equity	11
Notes to the financial statements	12 - 115

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Zapad banka AD Podgorica**

### Opinion

We have audited the attached financial statements of Zapad banka AD Podgorica (hereinafter: "the Bank"), which include 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, on all materially significant issues, the Bank's financial position 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 Law on Audit of Montenegro, Law on Accounting of Montenegro and International Standards on Auditing (ISA) applicable in Montenegro. Our responsibilities under these standards are further described in *Auditor's Responsibility for the Audit of Financial Statements* section in our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants of the Committee on International Ethics for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Montenegro, and have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

### Key Audit Matters

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

<i>Key Audit Matters</i>	<i>Appropriate audit procedure</i>
<i>Impairment of given loans and receivables from clients and provisions for off-balance sheet items</i>	
As of December 31, 2025, the gross value of loans and receivables from clients was EUR 156,080 thousand (December 31, 2024: EUR 123,055 thousand), while the total value of the value of loans and receivables from clients was EUR 2,880 thousand as of December 31, 2025 (December 31, 2024: EUR 2,454 thousand).	Based on our risk assessment and knowledge of the industry, we examined the costs of impairment of loans and receivables from clients and provisions for off-balance sheet items, and assessed the applied methodology, as well as the assumptions used, in accordance with the description of the key audit issue.

**INDEPENDENT AUDITOR'S REPORT (continued)**

**Key Audit Matters (continued)**

<i>Key Audit Matters</i>	<i>Appropriate audit procedure</i>
<p data-bbox="268 432 1353 488"><i>Impairment of given loans and receivables from clients and provisions for off-balance sheet items</i></p> <p data-bbox="268 521 798 779">The measurement of the cost of impairment of given loans and receivables from clients and provision for off-balance sheet items is considered key audit matter considering that the determination of the amount of provision for impairment requires the significant assessment by the management to determine the moment when the impairment is recognized as well as the impairment amount.</p> <p data-bbox="268 813 774 846">The most significant consideration relates to:</p> <ul data-bbox="316 846 798 1193" style="list-style-type: none"> <li>• Assumption that are used in the model of expected credit loss for the assessment of credit risk related to exposure and expected credit losses for future cash flow of the client.</li> <li>• Timely identification of the exposure with significant increase of exposure to the credit risk and credit impairment.</li> <li>• Valuation of collateral and assumptions of the future cash flow on individually estimated credit exposures;</li> </ul> <p data-bbox="268 1227 798 1361">Management has disclosed additional information on the costs of impairment of loans and receivables from clients and provisions for off-balance sheet items in notes 3.7, 9, 7, 15.2 and 25 to the financial statements.</p>	<p data-bbox="820 521 1316 555">Our testing included the following elements:</p> <ul data-bbox="868 555 1406 1720" style="list-style-type: none"> <li>• The assessment of key controls over assumptions which are used in expected credit loss model for the assessment of the credit risk related to exposure and future expected cash flows of the client;</li> <li>• Detailed testing of the calculation of risk parameters, based on the official methodology of the Bank, which is the subject of assessment of compliance with accounting requirements. This testing also includes the assessment of model assumption;</li> <li>• 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;</li> <li>• Collection and detailed testing which support the appropriate determination of the impairment cost of the loans and receivables including valuation of collateral and assumptions of future cash flow for individually assessed exposure of the loan impairment;</li> <li>• Assessment of key development of high-risk portfolio from the previous period with regard to industry standards and historical data;</li> <li>• Assessing the adequacy of various identified decisions of the Management regarding to assumptions related to the calculation of expected credit losses for individually assessed loans, as well as decisions on the approach to assessment of expected credit losses for collectively assessed loans, as well as evaluating applied methodologies using our industry knowledge;</li> <li>• assessment of accuracy and completeness of disclosure in financial statements.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (continued )

### Other matters

The Bank's financial statements for 2024 were audited by another auditor, who expressed a positive opinion on these financial statements in his report dated April 14, 2025.

### *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 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 harmonized in all materially significant aspects with the financial statements, with our knowledge acquired during the audit or otherwise appears to be materially incorrect. In addition, we assessed whether the other information was prepared, in all materially significant aspects, in accordance with the Accounting Law of Montenegro, especially whether the other information in a formal sense complies with the requirements and procedures for the preparation of other information of the Accounting Law of Montenegro in the context of materiality, that is, whether any non-compliance with these requirements could affect the judgments made on the basis of this other information.

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

1. Other information describing the facts that are also presented in the financial statements are, in all materially significant aspects, in accordance with the financial statements;
2. Other information was prepared in accordance with the requirements of the Law on Accounting of Montenegro;
3. The Statement of Compliance with the Corporate Governance Code has been prepared in accordance with the requirements of the Law on Accounting of Montenegro

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT (continued )

### ***Auditor's Responsibilities for the Audit of the 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 containing our opinion.

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

As part of an audit in accordance with the Law on Audit of Montenegro, Law on Accounting in Montenegro and ISAs applicable in Montenegro, we apply professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or avoiding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the applied accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the basic transactions and events in a manner that achieves 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 can reasonably be expected to reflect on our independence and, where applicable, appropriate safeguards.

## INDEPENDENT AUDITOR'S REPORT (continued )

### ***Auditor's Responsibilities for the Audit of the Financial Statements (continued)***

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

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

Crowe MNE d.o.o. Podgorica  
March 26, 2026



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Đorđe Dimić, Certified auditor



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Pero Đuričković, Certified auditor



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Marija Dašić, Certified auditor



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Vladimir Kavarić, Authorized person

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

**ZAPAD BANKA A.D. PODGORICA****Financial statements for the year ended December 31, 2025***(All amounts are expressed in EUR thousand, unless otherwise stated )***STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT**

The Bank's management confirms its responsibility for the preparation of the financial statements of Zapad banka AD Podgorica as of and for the year ending on December 31, 2025, as well as the accompanying accounting policies and notes to the financial statements.

The Bank's management is responsible for the preparation and objective presentation of these financial statements in accordance with the International Financial Reporting Standards and the regulations of the Central Bank of Montenegro that regulate the financial reporting of banks, in order to give a true and correct presentation of the assets and liabilities of Zapad banka AD Podgorica as of December 31, 2025, as well as the financial result for the year that ended at that time.

Management confirms the consistent application of appropriate accounting policies, as well as that accounting estimates are made in accordance with the principles of prudence and good financial management. It also confirms that the financial statements have been prepared in accordance with the going concern principle.

**Management of the Bank**

  
\_\_\_\_\_  
Lesia Vykhodtseva  
Chairperson of the Management Board

  
\_\_\_\_\_  
Vesna Kovačević  
Management Board Member



**ZAPAD BANKA A.D. PODGORICA**

Financial statements for the year ended December 31, 2025

*(All amounts are expressed in EUR thousand, unless otherwise stated)***INCOME STATEMENT**

For the period from January 1 to December 31, 2025

	Note	2025	2024
Interest income and similar income	3.1., 6.	15,948	13,250
Interest income on impaired placements	3.1., 6.	293	318
Interest expenses and similar expenses	3.1., 6.	(2,419)	(2,066)
<b>NET INTEREST INCOME</b>		<b>13,822</b>	<b>11,502</b>
Fee and commission income	3.2., 8.	5,110	6,108
Fee and commission expenses	3.2., 8.	(2,205)	(1,967)
<b>NET FEE AND COMMISSION INCOME</b>		<b>2,905</b>	<b>4,141</b>
Net gains / loss due to derecognition financial instruments that are not measured at fair value through the income statement		-	-
Net gains/ loss of financial instruments measured at fair value through the income statement, which are not held for trading		-	-
Net foreign exchange gains	3.3.	547	461
Net gains/losses from the derecognition of other assets		-	(2)
Other income		1	31
Employee costs	3.15., 9	(6,924)	(5,759)
Depreciation costs	10	(978)	(917)
General and administrative expenses	11	(3,456)	(2,417)
Net income/expense on impairment of financial instruments not measured at fair value through income statement	3.7.9., 7	(380)	(1,053)
Other expenses		(17)	(21)
<b>PROFIT BEFORE TAX</b>		<b>5,520</b>	<b>5,966</b>
Income taxes	3.4., 12.	(842)	(912)
<b>NET PROFIT</b>		<b>4,678</b>	<b>5,054</b>

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

Podgorica,

March 25, 2026

  
 Luka Mišović  
 Finance Director

  
 Lesia Vykhoostseva  
 Chairperson of the Management Board

  
 Vesna Kovačević  
 Management Board Member

**ZAPAD BANKA A.D. PODGORICA**

Financial statements for the year ended December 31, 2025

*(All amounts are expressed in EUR thousand, unless otherwise stated )***STATEMENT OF OTHER COMPREHENSIVE INCOME**

For the period from January 1 to December 31, 2025

	<u>Note</u>	<u>2025</u>	<u>2024</u>
<b>Net profit</b>		<b>4,678</b>	<b>5,054</b>
Positive effects of changes in the value of debt securities valued at fair value through other comprehensive income		-	-
Negative effects of changes in the value of debt securities valued at fair value through other comprehensive income		-	-
Gain based on taxes relating to other comprehensive income for the period			
Loss based on taxes relating to other comprehensive income for the period		-	-
<b>Total other comprehensive income for the year</b>		<b>4,678</b>	<b>5,054</b>
<b>TOTAL RESULT OF THE CURRENT PERIOD</b>		<b>4,678</b>	<b>5,054</b>

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Podgorica,

March 25, 2026

  
 Luka Mišović  
 Finance Director

  
 Lesia Vykhodtseva  
 Chairperson of the Management Board

  
 Vesna Kovačević  
 Management Board Member

**ZAPAD BANKA A.D. PODGORICA**

Financial statements for the year ended December 31, 2025

(All amounts are expressed in EUR thousand, unless otherwise stated )

**BALANCE SHEET**

As of December 31, 2025

	Note	December 31, 2025	December 31, 2024
<b>ASSETS</b>			
Cash and cash balances and deposits accounts with the central banks	3.7., 14	34,290	41,820
<b>Financial assets at amortized cost</b>		<b>397,079</b>	<b>319,422</b>
Loans and placements to banks	3.7., 15.1	70,873	62,045
Loans and placements to customers	3.7., 15.2	153,201	120,601
Securities	3.7., 16.1	164,819	136,536
Other financial assets		8,186	240
<b>Financial assets at fair value through comprehensive income</b>		<b>-</b>	<b>-</b>
Securities	3.7., 16.1	-	-
Derivates held for risk hedging	22	-	-
Investment property	3.10., 17	-	-
Property, plant and equipment	3.8,3.11., 18	4,257	4,176
Intangible assets	3.9., 19	458	334
Current tax assets		25	27
Deferred tax assets	12	1	3
Other assets	20	522	630
<b>TOTAL ASSETS</b>		<b>436,632</b>	<b>366,412</b>
<b>LIABILITIES</b>			
<b>Financial liabilities at amortized cost</b>		<b>383,873</b>	<b>326,283</b>
Deposits due to banks	21.1	6	5
Deposits due to customers	21.1	381,898	323,663
Borrowings from clients, other than banks	3.12., 21.2	1,969	2,595
Other financial liabilities		-	-
Derivative financial liabilities as a hedging instrument	22	-	-
Reserves	3.14.	522	498
Current tax liabilities	12	840	912
Deferred tax liabilities	12	-	-
Other liabilities	23	19,011	11,031
Subordinate debt		2,000	2,000
<b>TOTAL LIABILITIES</b>		<b>406,246</b>	<b>340,704</b>
<b>EQUITY</b>			
Share capital	3.13. 24	15,500	15,500
Retained earnings		10,209	5,155
Profit for the current year		4,678	5,054
Other reserves		-	-
<b>TOTAL EQUITY</b>		<b>30,387</b>	<b>25,709</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>436,632</b>	<b>366,412</b>
<b>OFF-BALANCE SHEET ITEMS</b>	<b>3.16. 25</b>	<b>457,739</b>	<b>443,431</b>

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

March 25 2026

  
 Luka Mišović  
 Finance Director

  
 Lesia Vykhodtseya  
 Chairperson of the Management Board

  
 Vesna Kovačević  
 Management Board Member

**ZAPAD BANKA A.D. PODGORICA**

Financial statements for the year ended December 31, 2025

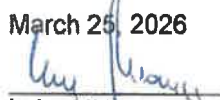
*(All amounts are expressed in EUR thousand, unless otherwise stated )***STATEMENT OF THE CASH FLOWS**

For the period from January 1 to December 31, 2025

	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest and similar receipts	14,570	12,130
Interest and similar outflow	(2,224)	(1,930)
Fee and commissions receipts	5,320	6,322
Fee and commissions paid	(2,205)	(1,967)
Payments to employees and suppliers	(10,929)	(8,620)
Increase in borrowings and other assets	(42,800)	(46,146)
Inflows/(outflows) from deposits and other liabilities	66,177	37,688
Taxes paid	(885)	(647)
Other inflows	-	30
<b>Net cash outflows from operating activities</b>	<b>27,024</b>	<b>(3,140)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Purchase of property and equipment	(641)	(532)
Purchase of intangible assets	(166)	(249)
Treasury bills and other securities	(26,866)	(13,777)
<b>NET CASH FLOWS/OUTFLOWS FROM INVESTMENT ACTIVITIES</b>	<b>(27,673)</b>	<b>(14,558)</b>
<b>CASH FLOWS FROM FINANCIAL ACTIVITIES</b>		
(Decrease in borrowings)	(625)	(622)
Issue of ordinary shares	-	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(625)</b>	<b>(622)</b>
Effect of exchange rate differences on cash and cash equivalents	556	461
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(718)</b>	<b>(17,859)</b>
Cash and cash equivalents at the beginning of the year	73,700	91,560
<b>Cash and cash equivalents at the end of the year (Note 14)</b>	<b>72,982</b>	<b>73,700</b>

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

March 25, 2026

  
 Luka Mišović  
 Finance Director

  
 Lesia Vykhodseva  
 Chairperson of the Management Board

  
 Vesna Kovačević  
 Management Board Member

## ZAPAD BANKA A.D. PODGORICA

Financial statements for the year ended December 31, 2025

*(All amounts are expressed in EUR thousand, unless otherwise stated )*

## STATEMENT OF CHANGES IN EQUITY

For the period from January 1 to December 31, 2025

	Share capital	Reserves	Retained earnings	TOTAL
<b>Balance as of January 1, 2024</b>	<b>15,500</b>	-	<b>5,155</b>	<b>20,655</b>
Share issuanc	-	-	-	-
Effects of value changes of Securities	-	-	-	-
Profit for the year	-	-	5,054	5,054
<b>Balance as of December 31, 2024</b>	<b>15,500</b>	-	<b>10,209</b>	<b>25,709</b>
Share issuanc	-	-	-	-
Effects of value changes of Securities	-	-	-	-
Profit for the year	-	-	4,678	4,678
<b>Balance as of December 31, 2025</b>	<b>15,500</b>	-	<b>14,887</b>	<b>30,387</b>

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

March 25, 2026

  
 Luka Mišović  
 Finance Director

  
 Vesna Vukobratović  
 Chairperson of the Management Board

  
 Vesna Kovačević  
 Management Board Member

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**1. ESTABLISHMENT AND BUSINESS POLICY OF THE BANK**

Zapad bank AD Podgorica (hereinafter: the Bank) was established on 24 February 2015, and on 6 March 2015 it was registered as a joint stock company with the Central Register of Companies in Podgorica - registration number 4-0009448, on the basis of the License issued by the Central Bank of Montenegro, Decision No. 01.01-4014/67-3 dated 30 January 2015.

The Bank is registered with the Capital Market Commission in the Register of Securities Issuers under number 531 (Decision No. 02 / 3-1 / 2-15 of 25 March 2015).

The Bank conducts its financial operations through transaction account number 907-57001-31 with the Central Bank of Montenegro - Payment Operations.

In accordance with the Law on Banks, the Memorandum of Association, the Articles of Association and the Decision of the Central Bank of Montenegro number O.no. 0101-4014 / 67-3 dated 30 January 2015, the Bank can perform the following tasks in addition to banking:

- issuing guarantees and assuming other off-balance sheet liabilities;
- purchasing, selling, and collecting receivables (factoring, forfeiting, etc.);
- issuing, processing, and recording payment instruments;
- domestic and international payment transactions
- financial leasing;
- securities operations;
- trading in its own name and for its own account or on behalf of clients:
  - foreign means of payment, including exchange operations,
  - financial derivatives;
- depository operations;
- preparing analyses and providing information and advice on the creditworthiness of companies, entrepreneurs, and other business-related matters;
- safe deposit box rental.

Pursuant to the Decision of the Capital Market Commission No. 03 / 9-1 / 2-19 of 16 May 2019. The Bank received a license to provide investment services and perform investment activities. According to the aforementioned decision, the Bank can provide the following investment services and perform investment services from Article 206 paragraph 1 of the Law on the Capital Market ("Official Gazette of Montenegro", No. 01/18):

- receiving and transferring orders relating to one or more financial instruments
- ; execution of orders on behalf of clients;
- trading for its own account; portfolio management;
- investment consulting,

The Bank may also provide the following ancillary investment services referred to in Article 206 paragraph 2 of the Law on Capital Market ("Official Gazette of Montenegro", No. 01/18):

- safekeeping and administration of financial instruments on behalf of clients, including custody services and related services, such as cash and collateral management;
- granting loans to the investor to enable the conclusion of a transaction with one or more financial instruments, if the transaction involves a company that provides a loan or credit.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**1. ESTABLISHMENT AND BUSINESS POLICY OF THE BANK (Continued)**

In accordance with the Law on Credit Institutions, effective from 1 January 2022, as well as the valid Articles of Association of the Bank, it performs banking services of receiving deposits or other refundable funds from the public and grants loans from these funds, for its own account and other basic and ancillary financial services in Montenegro, as follows:

**a) Key financial services**

1. receiving deposits or other refunds;
2. approval of loans, including consumer loans, mortgage loans and loans for financing commercial affairs, purchase of receivables with or without recourse (factoring), including export financing based on the purchase with a discount and without recourse of long-term overdue receivables secured by financial instruments (forfeiting);
3. finance lease;
4. 4. provision of payment services in accordance with a special law;
5. 5. issuance of guarantees or other warranties;
6. trading for your own account or for a client's account:
  - a. money market instruments (cheques, bills of exchange, certificates of deposit),
  - b. transferable securities,
  - c. foreign means of payment, including exchange transactions,
  - d. financial futures and options,
  - e. currency and interest instruments;
7. services directly related to lending, such as: collecting data, making analyses and providing information on the creditworthiness of legal entities and entrepreneurs ;
8. issuance of other payment instruments and management of those instruments, if the provision of these services is not considered the provision of services from point 6 of this paragraph, and in accordance with the law;
9. rental of safes;
10. Mediation in the conclusion of transactions on the money market;
11. participation in the issuance of financial instruments and provision of services related to the issuance of financial instruments, in accordance with the regulations governing the capital market;
12. management of clients' assets and consulting in connection with the management of these assets; custody service, in accordance with the regulations governing the capital market;
13. advising legal entities regarding capital structure, business strategy and similar issues
14. providing services related to status changes, acquisition of shares and shares in other companies;
15. issuance of electronic money, and
16. investment and auxiliary services and activities in accordance with the law governing the capital market, which do not represent services from point 1 to point 15 of this paragraph under

a) with the prior approval of the Capital Market Commission.

b) Additional financial services in accordance with the Law on Credit Institutions with the prior approval of the CBM, the Capital Market Commission or the Insurance Supervision Agency

2) The Bank received the necessary approvals for the operation and performance of the following investment services and activities:

- receipt and transmission of orders related to the sale and purchase of financial instruments;
- execution of orders for the client's account; trading for own account; portfolio management;
- investment consulting;
- custody and administration of financial instruments for clients' accounts and related services
- administration of clients' funds;
- granting credits or loans to investors so that they can carry out transactions with one or more financial instruments when the Bank is involved in the transaction.

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**1. ESTABLISHMENT AND BUSINESS POLICY OF THE BANK (Continued)**

The provision of investment services and the performance of investment activities relate to financial instruments from the Capital Market Law, i.e. to transferable securities. The Bank is authorized to hold money and/or financial instruments of the client to whom it provides investment services and activities.

The Bank performed its business activities at the head office in its headquarters in Podgorica, Moskovska street no. 2b/VII floor, as well as in the Bank's branches in Podgorica at the addresses: Podgorica, Moskovska street 2a, 4. Jula bb I Kralja Nikole street no. 21; Nikšić branch at the address: Nikšić, Novice Cerovića bb street, Nikšić shopping center, 2nd floor; Kotor, at Put prvoboraca 201, Škaljari; in Budva at the address Ulica XIV; Berana at the address: Donja Ržanca bb; in Žabljak at the address: Vuka Karadžića street no. 25.

The Bank has registered representative offices in the city of Odesa in Ukraine and the city of Vienna in Austria.

As of December 31, 2025, the Bank had 166 employees (as of December 31, 2024, the Bank had 132 employees).

The Bank's management bodies are: the Shareholders' Assembly, the Supervisory Board and the Board of Directors.

**STRUCTURE OF THE SUPERVISORY BOARD AND ITS BODIES AS OF DECEMBER 31, 2025**

I The Supervisory Board of Zapad banka AD Podgorica consists of 5 members:

- Mladen Rabrenovic - Chairman of the Supervisory Board
- Vadym Morokhovskyy - Deputy Chairman of the Supervisory Board
- Volodymyr Kostelman - Supervisory Board member
- Vitalii Migasko - Supervisory Board member
- Natalia Ninachuk - Supervisory Board member

**Working bodies of the Supervisory Board**

- Appointments Committee;
- Board of Remuneration;
- Risk Committee; and
- Audit committee

**STRUCTURE OF THE MANAGEMENT BOARD AND ITS BODIES AS OF DECEMBER 31, 2025**

II The Management Board of Zapad banka AD Podgorica consists of 3 members:

- Lesia Vykhodsteva - Management Board Chairperson
- Vesna Kovačević - Management Board member
- Belkisa Zoronjić - Management Board member
- Dmitriy Likhota - Management Board member
- Oleksandr Kuperman - Management Board member

**Working bodies of the Management Board**

- Credit Committee; Committee
- for Information System and Operational Risks;

Asset and Liability Committee (ALCO).

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS**

The principal accounting policies applied in the preparation of these determined financial statements are set out in Note 3.

**2.1. Basis of Preparation of the Financial Statements**

The accompanying financial statements for the year ended 31 December 2024 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), published by the International Accounting Standards Board, and regulations of the Central Bank of Montenegro governing the financial reporting of banks.

The bank is obliged to keep business books, prepare accounting documents, value assets and liabilities and prepare and publish financial statements in accordance with the Law on Credit Institutions ("Official Gazette of Montenegro", no. 72/19, 82/20, 8/21, 024/25), regulations adopted on the basis of this law and International Accounting Standards, i.e. International Financial Reporting Standards (hereinafter: IAS/IFSI). The bank is obliged to apply International Accounting Standards and International Financial Reporting Standards from the date that the International Accounting Standards Board (IASB) has determined as the date of commencement of their application, unless the Central Bank for a specific IAS/IFRS has determined another date as the date of commencement of its application.

The Bank's financial statements have been prepared in accordance with the Decision on the Contents, Deadlines and Manner of Preparing and Submitting Financial Statements of Banks ("Official Gazette of Montenegro", no. 128/20).

**2.2. New and Amended IFRS Accounting 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 the spot rate when exchange is not possible. A currency is considered convertible into another currency when the entity is able to obtain the other currency within an administratively reasonable time frame, through a market or exchange mechanism in which the exchange transaction would create enforceable rights and obligations. If the currency is not convertible into another currency, the entity is required to estimate the spot rate on the valuation date. The objective of the entity in estimating the spot exchange rate is to reflect the exchange rate at which an orderly exchange transaction would take place on the valuation date between market participants under the prevailing economic conditions. The amendments note that an entity may use the available exchange rate without adjustments or other valuation techniques. The effects of this standard are not expected to have a significant impact on the Bank's financial statements

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

## **2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

### **2.2. New and Amended IFRS Accounting Standards whose Entry into Force and Application are Mandatory in the Current Year (continued)**

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

- **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 1 January 2026. Early adoption of the amendments is permitted in respect of the classification of financial assets and related disclosures, with the possibility of applying other amendments later. The amendments clarify that the derecognition of a financial liability occurs on the “settlement date,” when the liability is discharged, cancelled, expires, or otherwise meets the criteria for derecognition. An accounting policy choice is introduced for the derecognition of liabilities settled through electronic payment systems before the settlement date, subject to certain conditions.

In addition, guidance is provided for assessing the contractual cash flow characteristics of financial assets with environmental, social, and governance (ESG) features or other similar potential characteristics. Furthermore, the treatment of non-recourse assets and contractually linked instruments is clarified, and additional disclosures are required in accordance with IFRS 7 for financial assets and liabilities referencing potential events (including those related to ESG) and equity instruments measured 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 – Classification and Measurement of Financial Instruments (Amendments) (continued)**

The amendments are effective for annual reporting periods beginning on or after January 1<sup>st</sup>, 2026, with earlier application permitted. The amendments include clarification on the application of the “own-use” requirements, enable hedge accounting when contracts within these amendments are used as hedging instruments, and introduce new disclosure requirements to allow investors to understand the impact of these contracts on financial performance and cash flows. Clarifications regarding the “own-use” requirements must be applied retrospectively, while the guidance allowing hedge accounting must be applied prospectively to new hedging relationships established on or after the initial application date. The effects of this standard are not expected to have a significant impact on the Bank’s financial statements

#### **Annual Improvements to IFRS Standards – Cycle 11**

The IASB’s annual improvements process addresses non-urgent but necessary clarifications and amendments to IFRS. In July 2024, the IASB issued the Annual Improvements to IFRS Standards – Cycle 11. Entities will apply these amendments for annual reporting periods beginning on or after 1 January 2026. The Annual Improvements to IFRS Standards – Cycle 11 include amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. These amendments aim to clarify wording, correct minor unintended consequences, and resolve inconsistencies between requirements in the standards. The effects of these improvements and amendments are not expected to have a significant impact on the Bank’s financial statements.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS  
(continued)****2.2. New and Amended IFRS Accounting Standards whose Entry into Force and Application are Mandatory in the Current Year (continued)****b) Standards that have been issued but have not yet entered into force and have not been adopted earlier (continued)****IFRS 18 Presentation and Disclosure in Financial Statements**

IFRS 18 introduces new requirements for presentation in the statement of profit or loss. It requires entities to classify all income and expenses within their statement of profit or loss into one of five categories: operating, investing, financing, income taxes, and disposal groups. These categories are complemented by 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 performance measures defined by management and includes new requirements for aggregating and disaggregating financial information based on identified "roles" of primary financial statements and notes. In addition, there are consequential amendments to other accounting standards. IFRS 18 is effective for reporting periods beginning on or after January 1<sup>st</sup>, 2027, with earlier application permitted. Retrospective application is required for both annual and interim financial statements. The standard has not yet been endorsed by the EU. In the following reporting periods, Management will analyse the requirements of this newly issued standard and assess its impact.

**IFRS 19 Subsidiaries without Public Accountability: Disclosures (including amendments)**

IFRS 19 permits subsidiaries without public accountability to use reduced disclosure requirements if their parent company (either ultimate or intermediate) prepares publicly available consolidated financial statements in compliance with IFRS accounting standards. These subsidiaries must still apply the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards. The amendments issued in August 2025 reduce the disclosure requirements of new IFRS accounting standards, which had been included in full when IFRS 19 was first issued. IFRS 19 (including the amendments) is effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The standard (including the amendments) has not yet been endorsed by the EU. The effects of this standard are not expected to have a significant impact on the Bank's financial statements

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS  
(continued)****2.2. New and Amended IFRS Accounting Standards whose Entry into Force and Application are Mandatory in the Current Year (continued)****b) Standards that have been issued but have not yet entered into force and have not been adopted earlier (continued)****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

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

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

The accompanying financial statements have been prepared in accordance with the historical cost convention, except for the following items measured at fair value:

- Financial instruments at fair value through profit or loss,
- Financial instruments at fair value through other comprehensive income,
- Financial liabilities at fair value through profit or loss.

As of December 31, 2025, the Bank had no financial instruments/liabilities measured at fair value.

**2.5. Functional and Reporting Currency**

The Bank's financial statements are stated in thousands of euros (EUR), which is the Bank's functional currency and the official reporting currency in Montenegro. All amounts are expressed in EUR thousand, unless otherwise stated.

**2.6. 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 at the date of the preparation of the financial statements, and the income and expenses arising during the reporting period. These assessments 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.

**2.6. Use of Estimates (continued)**

The estimates, as well as the assumptions on which the estimates were made, are the result of regular reviews. If it is determined, during the control, that there were changes in the estimated value of the assets and liabilities, the determined effects are recognized in financial statements in the period when the change in the assessment occurred, if the change in the assessment affects only on that accounting period or in the period when it came to change in the assessment of following accounting period if the change in the assessment affects current and future accounting periods.

The information about areas where the level of assessment is highest and where is the most significant effect to amounts recognized in financial statement of the Bank, are described in note 3.19.

**2.7. Going Concern Concept**

The Management of the Bank is not familiar with any material uncertainties that may cause doubts about Bank's ability to continue as a going concern. Presented financial statements are prepared in accordance with the going concern concept, where assumes that the Bank will continue to operate during unlimited period in the foreseeable future.

Credit institutions ensure compliance with the going concern principle through compliance with the principles of liquidity and solvency in operations in accordance with Article 103 of the Law on Credit Institutions .

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS  
(continued)****2.8. Compliance of claims and liabilities**

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 Management Board adopted the Report of the Central Census Commission on the annual inventory of cash, cash equivalents of assets and liabilities as of December 31, 2025. by Decision No. 88/2026 dated January 30, 2026.

**2.9. Comparative Figures**

Comparative figures in these financial statements represent the data contained in the Bank's financial statements for the year ended December 31, 2024.

**2.10. Situation in Ukraine**

The conflict between Russia and Ukraine that broke out in February 2022 had enormous negative effects on the world economy, primarily in terms of rising prices of raw materials, agricultural products and energy, additional disruptions in global supply chains, as well as increased geopolitical tensions at the world level. The conflict slowed down the economic recovery after the crisis caused by the COVID 19 pandemic and further increased the existing inflationary pressures.

The Bank was able to resolve the negative impact of the war conflict on the Bank's operations in 2022 during 2022, 2023 and 2024. During 2025, the Bank's operations were not affected by the aforementioned conflict.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

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

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 the 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 expected credit losses (hereinafter: 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.

Interest income is recognized based on the calculation of the effective interest rate method in the period in which it was earned.

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 which became credit-impaired after initial recognition the Bank completely ceases to recognize the income interest in income statement, i.e. performs off-balance sheet records of the mentioned up to the moment of collection of the receivables, when the income is recognized at the amount of collected receivable. If the financial asset is no longer impaired, interest income is recalculated on a gross basis.

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.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

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

Fee and commission income and expense that are an integral part of the effective interest rate of a financial asset or financial liability are included in the calculation of interest income and expense using the effective interest method.

Fee and commission income includes fees charged by the Bank for the performance of payment services in the country and abroad, letters of credit, collections, and other services. Fee and commission income is recognized when the service is rendered.

Fee and commission expense is mostly related to fees arising from domestic and international bank charges and fees for other services, which are recognized in the moment when the service is provided.

**3.3. Foreign Currency Translation**

Transactions denominated in foreign currencies are translated into EUR at the official exchange rate prevailing on the Interbank Market, at the date of each transaction.

Assets and liabilities denominated in a foreign currency are translated into EUR by applying the official exchange rate, as determined on the Interbank Market, prevailing at the statement of financial position date.

Net foreign exchange gains and losses arising from foreign currency transactions and from the translation of foreign currency balance sheet items are credited or charged to the income statement as foreign exchange gains or losses on a daily basis.

Commitments and contingent liabilities denominated in foreign currencies are translated into EUR by applying the official exchange rates prevailing on the Interbank Market prevailing as of that day.

**3.4. Income taxes**

Income tax is based on taxable profit for the year, and comprises current tax and deferred tax.

***Current Income Taxes***

Profit tax is calculated and paid in accordance with the Law on Profit Tax for Legal Entities ("Official Gazette of the Republic of Montenegro", No. 065/01 of 31.12.2001, 012/02 of 15.03.2002, 080/04 of 29.12.2004, "Official Gazette of the Republic of Montenegro", No. 040/08 of 27.06.2008, 086/09 of 25.12.2009, 040/11 of 08.08.2011, 014/12 of 07.03.2012, 061/13 of 30.12.2013, 055/16 of 17.08.2016, 146/21 of 31.12.2021, 152/22 of 30.12.2022, 028/23 of 10.03.2023, 125/23 of 31.12.2023, 088/24 of 13.09.2024). The tax rates on the amount of taxable profit are:

- 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.

Taxable profit is determined based on the Bank's profit presented in the income statement, with the reconciliation of income and expenses in accordance with the provisions of the Law on Corporate Income Tax (Articles 8 and 9 for the reconciliation of income and Articles 10 to 20 for the reconciliation of expenses) and the Decision of the CBCG on the new accounting framework for banks ("Official Gazette of the Republic of Montenegro," Nos. 55/12 and 82/17). Income tax expense is calculated using the calculation system established in accordance with the Law on Corporate Income Tax ("Official Gazette of the Republic of Montenegro," Nos. 065/01 of December 31, 2001, 012/02 of March 15, 2002, 080/04 of December 29, 2004, 040/08 of June 27, 2008, 086/09 of December 25, 2009, 040/11 of August 8, 2011, 014/12 of March 7, 2012, 061/13 of December 30, 2013, 055/16 of August 17, 2016, 146/21 of December 31, 2021, 152/22 of December 30, 2022, 028/23 of March 10, 2023, 125/23 of December 31, 2023, 088/24 of September 13, 2024), Article 28, and as stated in paragraph 1

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Income taxes (Continued)*****Current Income Taxes (Continued)***

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 tax***

Deferred taxes are calculated on all temporary differences between tax base of assets and liabilities and their carrying amounts recorded in the Bank's financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences arising between the tax base of assets and liabilities as at the balance sheet date and the amounts presented for reporting purposes, which will result in future period taxable amounts.

Deferred tax assets are calculated for all deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilised. The deferred tax assets are calculated at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. The deferred tax is calculated by applying a 14,19% rate

***Taxes, Contributions and Other Duties not Related to Operating Results***

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.

***Transfer Pricing***

Crna Gora je izmjenama Zakona o porezu na dobit pravnih lica (Službeni list br. 65/2001, 12/2002, Montenegro, through amendments to the Law on Corporate Income Tax (Official Gazette No. 65/2001, 12/2002, 80/2004, 40/2008, 86/2009, 40/2011, 14/2012, 61/2013, 55/2016, 146/2021, 152/2022) in January 2022, introduced more detailed rules on transfer pricing.

The Ministry of Finance of Montenegro published on November 2, 2022, the Guidelines on the Detailed Method of Determining Transfer Prices of Transactions ("Official Gazette of Montenegro," No. 121/22 of November 2, 2022, hereinafter referred to as the "Guidelines"). The Guidelines prescribe the method for determining transfer prices of transactions and the content of transfer pricing documentation.

Under the Law on Corporate Income Tax (Article 38c), preparation of simplified documentation is required if the taxpayer has carried out transactions with a related party that do not exceed the value of EUR 75,000 in the year for which the tax return is filed.

Regarding intercompany loans, the Law provides the possibility of applying "arm's length" interest rates prescribed by the Ministry of Finance or the general rules for determining the transaction price on an arm's length basis (using one of the prescribed methods).

Transfer pricing documentation should be submitted by large taxpayers with the tax return (other taxpayers are required to have transfer pricing documentation at the time of filing the tax return).

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Income taxes (Continued)*****Transfer Pricing (Continued)***

The deadline for submitting a tax return is three months from the end of the period for which the tax is calculated. Exceptionally, until 2027, the deadline for submitting (that is, possessing) documentation on transfer prices is June 30 of the current year for the previous year.

**3.5. Earnings per Share**

The Bank calculates and discloses earning per share in accordance with IAS 33. Basic earnings per share is calculated by dividing profit attributable to the Bank's shareholders by the weighted average number of ordinary shares for the period.

The Bank has no dilutive potential ordinary shares such as convertible debt and share options.

**3.6. Cash and Cash Equivalents**

Cash and cash equivalents relate to cash in hand (in EUR and foreign currencies), cash in the treasury (in EUR and foreign currencies), deposits with the Central bank of Montenegro, including the required reserve and on-demand funds in the accounts held with other banks in the country and abroad, as well as other high liquid assets with a three-month maturity.

Cash and cash equivalents are measured at amortized cost in the balance sheet.

**3.6.1. Statutory Reserve**

The mandatory reserve is allocated in accordance with the Decision on the mandatory reserve of banks at the Central Bank of Montenegro ("Official Gazette of Montenegro", no. 40/10, 46/10, 06/13, 70/17, 88/17, 43/20, 19/22 and 078/24). Mandatory reserve is calculated by applying a rate of 5.5% - on the part of the base made up of demand deposits and contracted deposits with a maturity of up to one year, i.e. up to 365 days; and 4.5% - on the part of the base made up of deposits contracted with a maturity of over one year, i.e. over 365 days without the possibility of deferment. A rate of 5.5% is applied to deposits that have a clause on the possibility of installments within a period of less than one year, that is, within a period of less than 365 days. Banks allocate the calculated mandatory reserve to the mandatory reserve account in the country and/or to the CBCG accounts 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.

By decision of the Central Bank No. 0101-5825-7/2024 dated July 31, 2024. year, the calculation of interest on the interest-bearing account of the mandatory reserve was canceled starting from August 15, 2024. year. In accordance with the Decision of the Central Bank of Montenegro, the bank continues to separate the mandatory reserve into two accounts, interest-bearing and non-interest-bearing.

**3.7. Financial Instruments****3.7.1. Recognition**

The purchase or sale of a financial asset or liability is recorded using accounting at the settlement date of the transaction.

Financial instruments are initially measured at fair value, which includes transaction costs for all financial assets or liabilities other than those measured at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to operating expenses in the income statement.

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.7. Financial Instruments****3.7.2. Classification**

The Bank classifies all its financial assets based on the business model for asset management and the characteristics of expected cash flows.

**3.7.2.1. Business Model Assessment**

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The bank classifies financial assets into the following three categories:

- Financial assets whose goal is the collection of contracted cash flows,
- Financial assets whose goal is collection of contracted cash flows and sale,
- Financial assets intended for trading.

The Bank only measures placements of the Bank, loans and advances to customers and other financial investments at amortized cost, if both of the following conditions are met:

- Financial asset is held within a business model with the aim of holding the financial asset for the purpose of collecting contracted cash flow;
- The contractual terms of financial assets give the cash flows on specific dates which are exclusively principal and interest payment (SPPI) on the amount of outstanding principal

The assessment of the business model is based on reasonable expected scenarios without taking the "worst case" or "stress case" into account. If cash flows after initial recognition are realized in a different way than the Bank's original expectations, the Bank does not change the classification of the remaining financial assets in the business model, but takes this information into account when evaluating newly created or newly purchased financial assets.

**3.7.2.2. SPPI test**

As the second criterion for the classification and measurement of financial instruments IFRS 9 standard defines the characteristics of expected cash flows. In order to classify the financial instruments into categories of measurement at amortized cost or at fair value through other comprehensive income, the expected cash flows must meet the criteria of SPPI test, which are clearly defined in IFRS 9 standard. Any violation of these criteria potentially leads to classification of financial instrument in the category measurement of such instrument at fair value through profit or loss.

In order for the expected cash flows to meet the SPPI criteria, they must be generated exclusively from:

- Collection of principal,,
- Collection of interest for the corresponding principal.

In the event that one of the criteria is violated, the financial instrument must be measured at fair value through profit or loss.

Additional cash flows generated from interest to corresponding principal must reflect:

- Time value of the money,
- Credit risk,
- Other basic risks of borrowing funds.

The consequence of additional payments that are included in the interest rate and do not meet the above criteria is that the SPPI test criteria are not met and that such an instrument is measured at fair value through profit or loss.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.7. Financial Instruments (continued)****3.7.3. Financial Assets whose Purpose is the Collection of Contracted Cash Flows**

The following types of assets are classified as financial assets aimed at collecting contracted cash flows:

- Loans and advances to banks (including funds with banks, interest and fees);
- Loans and advances to customers (including interest and fees, receivables from leasing, forfeiting and factoring);
- Securities from which the Bank plans to collect contracted cash flows and which are indicated to be in this model;
- Guarantees issued;
- Credit obligations given (approved but unused loans);
- Avals and acceptance of bills of exchange;
- Other guarantees;
- Uncovered letters of credit;
- Exposures to financial institutions and the central bank;
- Other financial resources

In the balance sheet, these assets are stated at amortized cost, i.e. the gross carrying amount less credit loss impairment allowances.

**3.7.4. Financial Assets whose Purpose is the Collection of Contracted Cash Flows and Sale**

Debt securities are classified here. Debt financial assets are measured at fair value through other comprehensive income (FVOCI) if their contractual cash flow characteristics are SPPI and if they are held within a business model aimed at collecting contractual cash flows and selling assets. They are initially recognized at cost plus transaction costs incurred in connection with the acquisition, while subsequent measurements are made at fair value through other comprehensive income.

Unrealized gains and losses are recorded within revaluation reserves until the securities are sold, collected or otherwise realized, or until such securities are permanently impaired. When securities are depreciated or impaired, cumulative fair values recognized in the equity are reclassified to the Income Statement.

Interest income is recognized using the effective interest rate in the income statement. Amortized value is calculated considering all issuing costs and all discounts or premiums during settlement. Impairment losses are recognized in the income statement.

Impairment is measured in accordance with the Methodology for the assessment of Impairment and expected loss (Note 3.7.9).

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.7. Financial Instruments (continued)****3.7.5. Financial Assets held for Sale**

Financial assets held for sale include:

- Derivatives regardless of whether their goal is exchange rate protection or holding for trading;
- Securities indicated to be intended for trading;
- All financial assets, the purpose of which is not covered by the first two models: holding for collection, and holding for collection and sale .

Financial assets held for trading are assets which are held for profit based on trading in short period. They are initially measured at cost, while subsequent measurements are at fair value. All realised and unrealised gains and losses based on sale i.e. change in the market value of these securities are recognized in the income statement.

**3.7.6. Reclassification of Financial Assets and Liabilities**

In 2025, the bank did not reclassify financial assets.

**3.7.7. Derecognition of Financial Assets and Liabilities**

Financial assets (or, where applicable, part of a financial asset or part of a group of similar financial assets) are derecognised when:

- The contractual rights to receive cash flows from funds have expired; or
- The bank has transferred its rights to receive cash flows from funds or has undertaken the obligation to pay the received cash flows in full without significant delay to a third party in accordance with a 'passthrough' arrangement;
- has transferred substantially all the risks and rewards associated with ownership of the property, or
- substantially all the risks and rewards associated with ownership of the property have not been transferred or retained, but control over the property has been transferred.

A financial liability is derecognised when the liability is settled, i.e. the debt is discharged or cancelled or expired

**3.7.8. Write - off**

Financial assets are written off in full or in part only if the Bank waives collection or has exhausted all practical efforts to collect them and there are no reasonable expectations of a return on contractual cash flows. If the amount to be written off is greater than the accumulated provisions for credit losses, the difference is first calculated as an additional provision which is then faced with the gross carrying amount. Any subsequent collection reduces the cost of credit losses.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.7. Financial Instruments (continued)****3.7.9. Impairment of Financial Assets and Provisions**

IFRS 9 standard is based on the concept of expected credit losses which includes macroeconomic valuation assessment models i.e. macroeconomic scenarios.

The Bank has adopted the Methodology of impairment of financial instruments in accordance with IFRS 9. The scope of the Methodology applies to all accounts of the Bank of the following groups, i.e. subject to impairment in accordance with IFRS 9:

- balance sheet exposures: (all types of loans, activated guarantees and syndicated loans, factoring and forfeiting arrangements, interest due, fees and other balance sheet receivables, deposits with banks and other financial institutions, securities in the portfolio and other receivables) and
- off-balance sheet exposures: (issued guarantees, issued overdrafts, letters of credit, etc).

During the assessment of off-balance sheet exposure, the Bank uses the credit conversion factor (CCF) in accordance with the Decision of the CBCG on capital adequacy of credit institutions.

The basic principle of the expected credit loss model is to show the general pattern of deterioration or improvement in the creditworthiness of financial instruments. The amount of expected credit losses (ECL) recognized as a provisioning expense depends on the extent of credit impairment since initial recognition. There are two bases for calculation:

- expected loss in a period of 12 months (Stage 1), which is applied to all assets (from initial recognition) until there is a significant deterioration of credit risk,
- the expected loss during the entire duration of the loan (Stage 2 and 3), which is applied when there is a significant increase in credit risk on an individual or collective basis.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.7. Financial Instruments (continued)****3.7.9. Impairment of Financial Assets and Provisions (Continued)**

At each reporting date, an assessment is made of whether there has been a significant increase in the credit risk from initial recognition and whether the financial asset is impaired for each portfolio in order to determine the applicable provisioning (for 12 months or for the entire life of the asset).

The expected credit loss is estimated based on an individual or collective assessment. Financial assets are grouped into segments by category (loans to legal entities, loans to individuals), time category (bucket) and staging. Subsequently, the impairment calculation was carried out based on an individual or collective assessment. The combination of these four criteria (client type | bucket | stage | estimation method) determines the parameters and method of estimating the provision for credit losses. The Bank distinguishes between two types of clients: Legal entities (LE) and Individuals (I).

At the reporting date an assessment is made, if there was a significant increase in credit risk in relation to the date of initial recognition and if the financial asset has been impaired in order to determine the applicable calculation of the provision (for 12 month or for the entire life time of the asset).

The loan is assigned at Stage 1 if the terms for Stage 2 and Stage 3 are not met. The assessment of a significant deterioration of the credit rating comparing to initial recognition is made through assessment of the following parameters: the delay is longer than 30 days but less than 90 days; the client's internal rating is worse than initially determined; the client's internal rating has deteriorated in the last 12 months, deteriorating certain balance sheet items (capital, income), as well as other indicators prescribed by the Methodology. If at least one of the above parameters is met, the asset is classified in Stage 2.

The Bank considers that a financial instrument has become impaired (Stage 3 classification) if one or more criteria have been adversely affected, which have a negative impact on the estimated future cash flows: receivables from the client are in default for over 90 days, with exposure amounts above a certain materiality threshold; bankruptcy/initiation of bankruptcy proceedings, the debtor's financial problems are reflected in the deterioration of all 3 indicators cumulatively (a decrease in income, capital, negative net operating result); write-off of a materially significant amount of receivables; restructuring of loans (significant changes in conditions, interest rate cuts, partial grace periods (freezing and payment of interest only) necessary due to credit (financial) ability and other criteria prescribed by the Methodology.

The definition of the default status is applied at the customer level for both retail and corporate customers, i.e. if any batch (loan) of a retail or corporate customer is in default, all batches (loans) of such a retail/corporate customer are in default.

For the purposes of documenting the impairment criteria, except for the criteria for the default, the Bank uses questionnaires on the existence of objective evidence of impairment.

The appraisal method applied by the Bank relates to an individual and collective assessment. The Bank has prescribed by the Methodology the criteria based on which fulfilment of whether the asset is subject to an individual or collective assessment is determined.

The Bank assesses the impairment of balance assets items and probable loss based on off balance sheet items for each significant receivable on individual basis. An individually significant receivable is considered to be a receivable with the total gross exposure of the Bank towards one entity, i.e. group of entities which exceeds EUR 300 thousand.

For individually significant receivables for which there is an objective proof of impairment, the Bank calculates the impairment on individual basis.

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

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.7. Financial Instruments (continued)****3.7.9. Impairment of Financial Assets and Provisions (Continued)**

The Bank calculates the provision for credit losses on collective basis for:

- All clients' exposures for which is estimated, at individual basis, that there is no objective proof of impairment, i.e. probable loss;
- If the amount of impairment equals zero (not determined the amount of impairment), while assessing at individual basis;
- All clients' exposures which do not represent significant receivables.

At the day of initial recognition of the financial asset, the Bank shall determine if the asset is impaired. This occurs in the case of purchases or restructured impaired financial assets. Namely if the Bank ceases to recognize impaired financial asset they should be treated as POCJ assets. At the day of initial recognition of the financial asset, it is determined if the if the asset is impaired. POCI asset is probably purchased with the significant discount that reflects the resulting credit losses. For these assets EIR is calculated considering initially expected credit losses of lifetime in the estimated cash flows (i.e. EIR adjusted with credit risk is used).

The Bank uses transition matrices (specially developed for the portfolio of legal entities, especially for the portfolio of natural persons) based on internally available data.

If on a collective basis the amount of impairment is equal to 0 (zero), i.e. the amount of impairment has not been determined, the minimum percentage of adjustments under (1) or (2) is applied, namely:

(1) 1M of impairment percentage on debt securities of Montenegro, which is calculated by reducing the annual PD that is applied to debt securities of Montenegro to a monthly PD by interpolation and multiplied by the LGD. This minimum percentage is applied to the following exposures:

- a) For credit and other exposures (loans and off-balance sheet liabilities: guarantees, approved but unused loans, limits) where, due to full coverage by a term cash deposit (cash collateral), an adjustment equal to 0 (zero) or less than the minimum % of adjustments is obtained;
- b) For exposures to international issuers of rated debt securities where the obtained impairment percentage equals 0 or is lower than the minimum impairment percentage;
- c) For exposure to credit institutions where the obtained impairment % is 0 or is lower than the minimum impairment %;
- d) For exposure to the CBM (including the reserve requirement).

(2) 6M of impairment percentage on debt securities. For credit exposures (loans and off-balance sheet liabilities: guarantees, approved but unused loans, limits) where, due to significant collateralization (mortgage on real estate), an impairment amount equal to zero is obtained, a 6 month PD on long-term bonds of Montenegro is used as a minimum impairment percentage, which is calculated by reducing the annual PD to a monthly PD by interpolation and multiplied by the LGD (this % is also applied to those exposures where a lower impairment % than the minimum impairment percentage was determined, except for the exposures described under point 1.).

Given the fact that the Bank did not have a sufficiently long history of data, the Bank uses the value of the LGD parameters prescribed by Basel II (for exposures before default, the Bank applies an LGD of 45%, an LGD of 60% for loans overdue for more than 180 days; an LGD of 80% for loans overdue for more than 270 days and an LGD of 100% for loans overdue for more than 270 days, given that the collection of loans from other source, apart from collateral, is no longer expected). In December 2025, the Bank developed an internal LGD model. Considering the time of completion of the development and the need for its operational application on a consistent time basis, the model is applied from January 1, 2026.

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.7. Financial Instruments (continued)****3.7.9. Impairment of Financial Assets and Provisions (Continued)**

The calculation of impairment on an individual basis for Montenegrin securities is based on an assessment of several scenarios weighted by the probability of outcome during the exposure duration, whereby PD is taken as a probability in accordance with the international rating. If funds are in Stage 1, the Bank may use a simplified approach instead of a scenario assessment, applying the formula:  $ECL = PD \times LGD$ . The credit rating of Montenegro assigned by the rating agency Standard & Poor's is used as the parameter for PD. In the event that Montenegro does not have a rating from this agency, the ratings of other two rating agencies (Fitch, Moody's) would be taken into consideration in the listed order, depending on the availability of data.

The calculation of impairment on an individual basis for foreign securities is based on an assessment of several scenarios weighted by the probability of outcome during the duration of the securities, whereby PD is taken as a probability in accordance with the international rating by the following priority: Standard & Poor's, Fitch, Moody's. If funds are in Stage 1, the Bank may use a simplified approach instead of a scenario assessment, applying the formula:  $ECL = PD \times LGD$ . The bond rating is used as the parameter for PD (the stricter of the following two ratings is taken – the issuer rating or the issuance rating), i.e. for the given rating, the average of individual PD values from publications of the international rating agencies Standard & Poor's, Fitch, and Moody's is used. If the obtained impairment percentage is 0% or lower than the minimum impairment percentage, due to the bond rating, 1M% of impairment is used in a manner described above.

The calculation of impairment on an individual basis for assets with credit institutions is based on the assessment of several scenarios weighted by the probability of outcome during the duration of the exposure, with a probability of being taken as a PD in accordance with the international rating published by Standard & Poor's, Fitch and Moody's. If the maturity is up to 3 months, the annual PD is reduced by interpolation to the quarterly PD. If, due to the Bank's rating (group/country) or balance sheet netting (the correspondent bank has assets with the Bank that de facto reduce the Bank's exposure), the obtained impairment percentage is lower than the minimum impairment percentage previously determined during the collective calculation, the Bank uses the determined minimum impairment percentage applying it to the gross exposure.

The Bank applies the minimum impairment percentage for short-term exposures to the state of Montenegro in order to calculate impairment for the funds held in the account with the Central Bank of Montenegro and the required reserved.

The Bank is obliged to perform at least monthly the classification of balance sheet and off/balance sheet items based on their risk exposure and calculates provisions for estimated losses. In accordance with the Decision on Criteria and Method of Asset Classification and Calculation of Provisions for Potential Credit Losses of Credit Institutions ("Official Gazette of Montenegro" no. 127/20, 140/21), loans and other assets, as well as off-balance sheet items exposed to risk are classified in the following categories:

- Category A (good assets) - in which assets and off-balance sheet items are classified, where there is firmly documented evidence that they will be fully collected in accordance with the contract. A 0.5% provision is allocated to assets and off-balance sheet items classified in the A category;
- Category B (assets with specific notification) - with subgroups B1 and B2, in which assets and off-balance sheet items are classified, for which there is a low probability of loss, but which require special attention, because the potential risk, if not adequately monitored, could lead to collection difficulties. Assets and off-balance sheet items classified in the B1 category are allocated a 2% reserve, and asset and off-balance sheet items classified in the B2 category are allocated a 7% reserve;
- Category C (substandard assets) - with subgroups C1 and C2, in which are classified assets and off-balance sheet items for which there is a high probability of loss, due to clearly established weaknesses that threaten collection. 20% of provisions are allocated to assets and off-balance sheet items classified in the C1 category, and 40% of provisions are allocated to assets and off-balance sheet items classified in the C2 category. .

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.7. Financial Instruments (continued)****3.7.9. Impairment of Financial Assets and Provisions (Continued)**

- Category D (non-performing assets) - in which items for which collection in full, taking into account the creditworthiness of the borrower, the value and the possibility of realization of the collateral, is unlikely are classified. 70% of provisions are allocated to assets and off-balance sheet items classified in the D category; and
- Category E (loss) - in which items that will be completely uncollectible, or will be collectable in an insignificant amount are classified. A 100% provision is allocated to assets and off-balance sheet items classified in the E category

The Bank classifies loans that do not belong to the category of individually significant receivables and do not have a default status under the appropriate classification group based on data on the debtor's regularity in fulfilling obligations, namely:

- category A - the debtor repays the loan within 30 days;
- subcategory B1 - the debtor is in default under that loan for more than 30 days;
- subcategory B2 - the debtor is in default under that loan for more than 60 days;

The basis for calculating provisions for an individual item of balance sheet assets, i.e. an off balance sheet item, is the gross carrying value of that item, less the amount secured by a cash deposit deposited with the Bank, if it is agreed to serve as collateral for certain receivables of the Bank, that its maturity date is not shorter than the due date of the receivable and that only the Bank can dispose of it, as a pledge of gold, debt securities, guarantee, counter-guarantee, other form of guarantee or other similar instrument of intangible credit protection, whose issuers are: central governments and central banks, international development banks and international organizations, which, in accordance with the Decision on the Capital Adequacy of Credit Institutions, are assigned a 0% risk rating, as well as credit institutions that, in accordance with the Decision on the Capital Adequacy of Credit Institutions, belong to at least stage 2 of credit quality.

The Bank determines the difference between the amount of provisions for potential losses, calculated in the manner described above, and the sum of the amount of the value adjustment for balance sheet assets and provisions for off-balance sheet items, calculated in accordance with the Methodology for impairment of financial instruments in accordance with IFRS 9.

The gain on calculated provisions for contingent losses and total provisions for balance sheet and off-balance sheet items represents the required reserve for estimated and potential losses.

**3.8. Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.8. Property, Plant and Equipment (Continued)**

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

Land is not depreciated. Depreciation of other assets is calculated using the proportional method, in order to allocate their purchase or revalued value to their residual value, during their estimated useful life, which is shown in the following table:

	<u>Year</u>
Buildings	33.3
Computers and computer equipment	5
Office furniture	9
Vehicles	6.7
Other equipment	6.7

The start date of depreciation for any fixed asset is the first day of the month following the month of the acquisition. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the Income statement.

**Repossessed Assets**

In certain circumstances, the Bank, based on non-fulfilment of the contractual obligation to repay the debt, takes possession of the collaterals that were the means of security for the given placement. The Bank records the funds received at the lower of the net book value of the receivables or the market value of the collateral less sales costs and, depending on the purpose, classifies it in the appropriate category of assets. After initial recognition, assumed assets are measured and reported in accordance with the policies of those asset categories.

As of December 31, 2025, the Bank has no assets acquired through collateral takeover.

**3.9. Intangible Assets***Licences*

Acquired licences are presented at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives (5 years).

*Computer software*

The cost of computer software licences is capitalised based on costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 years).

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.10. Investment Property**

Property is classified as investment property if it is not used directly for performing activities, but is owned for the purpose of operating lease, as well as property that has been leased and subleased. When within one property one part is used for business purposes and the other for rent, they are separated into investment property and property used for business purposes. Investment property is initially recognized at cost, which, in addition to the purchase price, consists of benefits and direct costs that can be directly attributed to acquisition. Leased and subleased properties are initially recognized in accordance with the requirements of IFRS 16.

**3.11. Leases**

Lease is a contractual relationship in which the lessor, in exchange for payment or a series of payments, transfers to the lessee the right to use the funds for the contracted period.

A lease is a contract or part of a contract that creates enforceable rights and obligations and transfers the right to control and use the identified property for a specified period of time in exchange for compensation. Therefore, IFRS 16 requires a determination of whether a contract meets the definition of a lease.

The Bank, as the lessee, recognizes lease liabilities and the right-of-use assets over the lease term for all leases, with certain exceptions - leases of "low value" assets and short-term leases. Short-term leases are defined as leases that have a term of 12 months or less at the date of the beginning of the lease, without the possibility of purchasing fixed assets. Leases of assets with a value less than or equal to EUR 5 thousand at the date of the lease are defined as "low value" leases and are recognized as a lease expense over the lease term.

*Right-of-use assets*

At the date of lease inception, the Bank measures the right-of-use assets at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for each revaluation of the lease liabilities. The cost of the asset includes: the amount of the lease liability, adjusted for any payments made on or before the first day of the lease, less any lease incentives received and any initial direct costs incurred by the lessee, and an estimate of the costs to be incurred from the lease at the end of the lease term. After the commencement date, the Bank measures the right-of-use assets using the cost method and recognizes the depreciation of the right-of-use assets on a straight-line basis over the lease term, and (separately) interest on lease liabilities.

*Lease liabilities*

At the date of commencement of the contract, the Bank measures the lease liability at the net present value of leases outstanding as of that date. Leases consist of fixed payments, variable rent payments that depend on an index or rate, amounts expected to be paid under residual value guarantees, lease payments over an optional extension period, if there is a reasonable probability that the option will be exercised, and payments required by the lessee for early termination of the lease, if the lease agreement leaves the possibility of termination.

Subsequently (after the date of commencement of the lease agreement), the Bank measures the lease liability in the manner in which it is performed:

- increase in the carrying value, based on changes in interest on the lease liability;
- reduction of the book value based on the rent payments made and re-measurement of the book value, to reflect any revaluations or changes to the lease agreement.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.12. Borrowings**

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income statement over the period of the borrowings using the effective interest method.

**3.13. Share capital**

Within the Bank's capital, shareholders' capital, issue premium, unallocated profit, other reserves and profit/loss of the current year are shown.

The Bank's share capital is formed from the invested funds of the Bank's founders and shareholders in monetary and non-monetary form. The Law on Securities defines that securities are dematerialized and exist in the form of an electronic record in the computer system of the Central Clearing Depository Company. An extract from the register of the Central Clearing Depository Company is the only and exclusive proof of ownership of securities.

**3.14. Provisions for Liabilities and Charges**

Provisions for liabilities and charges are recognised when all the following conditions have been satisfied :

- The Bank has a present legal or constructive obligation resulting from past events;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- The amount of obligation has been reliably estimated.

Provisions are measured at the present value of the expected cash outflows required to settle the obligation using a discount rate that reflects current market assessments of the time value of money.

Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision should be reversed in the Income Statement.

**3.15. Employee Benefits**

Short-term employee benefits include wages, salaries, taxes and contributions for social insurance. They are recognized as an expense in the period when they are incurred.

The Bank and its employees are obliged to pay taxes and contributions to Montenegrin Pension and Disability Insurance Fund in accordance with defined contribution plans. The Bank is not obliged to pay reimbursements to employees which are the responsibility of the National Fund. Taxes and contributions on defined benefit obligations are expensed as incurred.

**3.16. Off-balance Sheet Contingencies and Commitments**

As part of its regular business activities, the Bank has assumed contractual commitments and off-balance sheet contingencies such as guarantees, borrowings and letters of credit, and transactions with financial instruments. These financial instruments are recorded in the Balance Sheet if and when they are payable.

Provisions for potential losses arising from commitments and contingencies are created based on the estimates of potential losses, in accordance with the criteria defined in the Decision on Minimum Standards for Credit Risk Management in Banks and the methodology of the Bank (Note 3.7.9).

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.17. Related Party Transactions**

The Bank's related parties are:

- 1) Bank shareholders who have 5% or more of the Bank's capital or shares with voting rights;
- 2) members of the supervisory or management board and procurators of the Bank
- 3) persons responsible for the work of control functions, authorized person for prevention of money laundering, person responsible for business with legal entities, person responsible for work with the population
- 4) other persons who have an employment contract with the Bank, the provisions of which indicate a significant influence of these persons on the Bank's operations, i.e. contains provisions determining the reward for the work of these persons according to special criteria that differ from the conditions for persons who have concluded standard employment contracts, who are not persons from points 1, 2 and 3 of this paragraph;
- 5) a legal entity in which the Bank, a member of the supervisory or management board or the Bank's procurator have a significant participation;
  - a. a legal entity in which the members of the supervisory or management board of the credit institution have a qualified participation, can have significant influence or in which these persons, if applicable, are in a senior management position or are members of the management body
- 6) a legal entity whose member of the management body is simultaneously a member of the supervisory or management board or procurator of the Bank
- 7) a legal entity whose member of the management body owns 10% or more of the Bank's shares with voting rights;
- 8) member of the management body of a company that is, directly or indirectly, the parent or subsidiary company of the Bank;
- 9) a person acting on behalf of a person from point 1 to 8 of this paragraph in relation to transactions that would create or increase the Bank's exposure;
- 10) a person who, with the person from point 1 to 8 of this paragraph represents a related party;
- 11) a member of the immediate family of natural persons from point 1 to 8 of this paragraph, as well as a legal entity in which that immediate family member has a qualified participation, may have significant influence, or in which he holds a senior management position or is a member of the management body.

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.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form. .

**3.18. Outsourcing**

Outsourcing is 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 carried out, the Bank would have performed independently

With the outsourcing management policy, the Bank defined the procedure for making a decision on outsourcing, tasks/services that cannot be the subject of outsourcing, entrusting services that are not considered outsourcing, as well as activities that can be entrusted to third parties. The Bank regularly reviews the quality of outsourced services in order to manage the risks arising from the outsourcing of certain activities. The Bank pays special attention to assessing the criticality and significance of the business, especially when the outsourcing is connected to the basic lines of business (and critical functions). The Bank regularly informs the CBM about its intention to outsource critical and significant operations in accordance with the provisions of the Outsourcing Management Policy and the Decision on Risk Management Related to Outsourcing.

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.19. Critical Accounting Estimates and Judgements**

The Bank makes estimates and assumptions that will affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**3.19.1. Impairment Losses from Balance Sheet and Off-balance Sheet Items**

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. The Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio which can be identified with individual exposures and which can affect the Income Statement.

The methodology and assumptions used for estimating the impairment provision are disclosed in Note 3.7.9.

**3.19.2. Fair Value of Financial Instruments**

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction .

The fair value of financial instruments not traded on an active stock exchange is determined using the Fair Value Methodology. Using the methodology for determining fair value, the Bank has defined methods for determining the fair (fair) value of instruments that are or will be in the Bank's portfolio.

The fair value of a loan is determined by discounting future contractual cash flows at an appropriate discount rate. Such a rate includes a risk-free component (zero swap rate) and other components that reflect in particular the debtor's credit risk and other aspects, such as liquidity premium, financing costs, required profit margin, etc. The discount rate is updated on each valuation date to reflect the current state of all the above elements .

**3.19.3 Litigations**

The Bank's management assesses the amount of provisions for outflows based on litigations. The assessment is based on the estimated probability of future cash outflows, arising from past contractual or legal obligation.

**3.19.4. Long-term Employee Benefits**

The cost of long-term employee benefits is determined based on actuarial calculation, using actuarial assumptions: discount rate, future wage growth in line with inflation and promotion rates, and past wage growth, as well as changes in the number of employees entitled to compensation. Considering the long-term nature of these plans, estimates are subject to significant uncertainty. Actuarial calculation is performed by an independent actuary.

**3.19.5. Useful Life of Intangible Assets, Property, Plant and Equipment**

Determining the useful lives of intangible assets, property, plant and equipment is based on previous experience with similar assets, as well as anticipated technical developments and changes affected by a number of economic or other factors. The adequacy of a certain useful life is reviewed annually or whenever there is an indication that there has been a significant change in the factors that formed the basis for determining the useful life .

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

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**4. RISK MANAGEMENT****4.1. Introduction**

This section provides an overview of the Bank's risk management system, with an emphasis on:

- the organizational structure of risk management;
- exposure of the Bank to the most significant types of risks; and
- established methods and processes used to control each type of risk.

**Organizational Structure of Risk Management**

An integrated risk management system has been established at the Bank level. In the organizational sense, risk management, i.e., responsibility for managing the risk management system, is entrusted to:

- Supervisory Board; ;
- Risk Committee (as a working body of the Supervisory Board);
- Management Board;
- Liabilities and Assets Committee (ALCO); and
- Risk control function.

**The Supervisory Board** performs the function of supervising the operations of the Bank. The Supervisory Board gives approval to the Management Board on the objectives and general strategy and business policy of the Bank, strategies and procedures for assessing the adequacy of the Bank's internal capital, on individual risk management policies and supervises the implementation process and the efficiency and effectiveness of the Bank's management system, the implementation of the Bank's business policy, strategic objectives and risk management strategies and individual risk management policies.

**The Risk Committee**, as a working body of the Supervisory Board, advises the Supervisory Board on the Bank's overall current and future inclination towards risk-taking and risk management strategy, and assists in the monitoring of the strategy by senior management, reviews whether the pricing of receivables and liabilities to clients have been taken into account taking into account the Bank's business model and risk management strategy, and if that price does not reflect the risk assumed in relation to the business model and risk management strategy, it proposes to the Board of Directors a plan to eliminate the shortcomings.

**The Management Board** is responsible for establishing risk management principles, adopting risk management strategies and individual policies, procedures and risk management methodologies, as well as regularly reviewing strategic goals, risk management strategies and individual risk management policies. The working bodies of the Management Board are: ALCO, the Committee for IT and Operational Risks and the Credit Committee. In accordance with the Decision of the Management Board on the authorizations when performing credit-guarantee activities, the authorizations are defined when approving loans and other placements and issuing guarantees and other off-balance sheet exposures, in the part that relates to the authorizations of the Management Board, the Credit Committee and the authorizations for the decision-making level: the Department for Retail Customers and Entrepreneurs and the Corporate Department. Decision-making on restructured loans and non-performing exposures is the responsibility of the Management Board.

**The Asset and Liability Committee (ALCO)**, as a working body of the Management Board, is responsible for making decisions in risk management segments, except for operational risk, within the framework of policies, procedures and methodologies approved by the Management Board. Based on detailed analyses of the Bank's risk position, ALCO gives guidelines and recommendations for risk management.

**The Committee for IT and Operational Risks** is responsible for reviewing and monitoring the established functional and secure information system of the Bank, as well as further development of the information system and implementation of new projects, monitoring of all security incidents and action plans to eliminate identified risks, as well as the established system of reporting, measuring and monitoring operational risks in the Bank.

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.1. Introduction (Continued)**

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

- credit risk;
- counterparty risk;
- residual risk;
- concentration risk;
- market risk;
- interest rate risk arising from non-trading positions;
- operational risk;
- liquidity risk; and
- risk of excessive financial leverage

The bank is not exposed to dilution, risk related to securitization and settlement/delivery risk, positional and commodity risk. The bank has started activities related to the establishment of a framework for managing ESG risks (Environmental, Social, and Governance), in order to be ready to assess the impact of investments on the environment, society, and corporate governance in the coming period.

Organizational units: Risk Control Department, Credit Analysis and Credit Risk Assessment Department and Non-performing Loan Management Department are under the responsibility of the member of the Management Board in charge of risk management. The responsibility of each organizational part and board in the Bank is based on the principle of clear delimitation of responsibilities up to the level of the Management Board and the greatest possible transparency.

The Risk management strategy includes the objectives and basic principles of taking and managing risks and the tendency to take risks. The basic principle of the Risk Management Strategy is the optimization of the Bank's risk profile, through a continuous focus based on:

- clear internal organization and complete division of duties within the risk management system with clearly defined, transparent and consistent lines of responsibility;
- the comprehensive integration of the risk management system in all the Bank's business activities, whereby this implies that the Bank (to the greatest extent possible and taking into account the current level of development of risk management tools) makes all business decisions in which risks are assumed, respecting the standards prescribed by the policies, procedures and methodologies related to risk management, which define in detail the measurement, monitoring, analysis, control and risk mitigation mechanisms to which the Bank is exposed in its operations

The strategy and individual risk management policies are adopted (and reviewed) by the Management Board, while the Supervisory Board gives approval to the Management Board and supervises their implementation. Individual risk management procedures and methodologies are adopted by the Management Board.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.2. Liquidity Risk**

Liquidity risk arises from the regular financing of the Bank's operations and management of positions. The main goal of liquidity risk management is to ensure an adequate level of liquidity, in order to fulfil all payment obligations in a timely manner, both in regular business and in stress conditions.

The main categories of liquidity risk to which the Bank is exposed are:

Liquidity risk is the risk that the Bank will not be able to provide sufficient funds to settle obligations when they are due, or the risk that the Bank will have to obtain funds at significant costs to settle due obligations.

The Bank, within the scope of liquidity risk, particularly includes :

- liquidity risk of financing sources - the risk of negative effects on the Bank's financial result and capital due to the Bank's inability to settle its liabilities due to the withdrawal of existing financing sources, i.e. the inability to obtain new financing sources. .
- market liquidity risk - risk arising from the inability of the Bank to convert certain forms of assets into liquid assets (cash) on the financial market quickly, easily and with minimal losses in value. Difficulty in converting assets into cash can be a consequence of both external (systemic) risk factors such as, for example, insufficient depth i.e. market liquidity, as well as internal factors related to the Bank itself (e.g. illiquid assets in the Bank's portfolio).

The Bank manages liquidity risk in accordance with legal provisions and internal acts. Liquidity risk management includes defining a strategy for managing this type of risk as part of a comprehensive risk management strategy at the Bank level, and enables effective monitoring of the level of liquidity risk for the Management Board and senior management, as well as the implementation of an adequate process for measuring, monitoring and controlling liquidity risk. In addition to the Risk Management Strategy, liquidity risk management is prescribed by the following Bank's corporate by-laws:

- Strategy of financing sources ;
- Liquidity risk management policy ;
- Liquidity risk management procedure;
- Internal liquidity adequacy assessment process policy (ILAAP policy) ;
- Internal liquidity adequacy assessment process methodology (ILAAP methodology);
- Methodology for determining the stable level of demand deposits ;
- Methodology for calculation of liquid coverage ratios (LCR) .

The Bank has access to various sources of financing. Funds are collected through a large number of instruments, including various types of deposits of citizens and legal entities both residents and non-residents, received loans, subordinated debt and founding capital. .

The Bank strives to maintain a balance between funding continuity and flexibility through the use of liabilities with different maturities. The Bank continuously assesses liquidity risk by identifying and monitoring changes in financing that are necessary to achieve the business goals set in accordance with the Bank's business strategy

The Bank adjusts its operations with regard to liquidity risk in accordance with legal provisions and internal liquidity risk management policy, harmonizing assets and liabilities as well as determining limits and targeted liquidity indicators. The Bank manages liquidity reserves on a daily basis, ensuring that all client needs are met.

The Bank manages liquidity risk using the following tools and indicators :

- Projection of cash flows (operational tool) ;
- Daily regulatory liquidity indicator;

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.2. Liquidity Risk (continued)**

- Ten-day regulatory indicator of liquidity ;
- Liquidity gap analysis for long-term liquidity ;
- Liquidity coverage ratio – LCR (Liquidity coverage ratio);
- Concentration of financing sources; and
- Stress testing of liquidity risk.

A Contingency Plan (liquidity crisis) is an integral part of the Liquidity Risk Management Policy, in which early indicators of crisis situations, methods (procedures) for obtaining missing funds, as well as responsibilities and activities to be undertaken in such cases are identified in detail .

The Asset Management Department monitors daily and ten-day liquidity indicators on a daily/ten day basis and warns the Risk Control Department, ALCO and the Board of Directors (early warning signs) in case a liquidity "watch" situation (warning) has occurred, while the Risk Control Department monitors the movement of LCR on a monthly basis and informs ALCO and the Board of Directors if a liquidity "watch" situation has occurred (warning).

The first stage of a liquidity crisis (early warning signs of a liquidity crisis) - a potential problem with liquidity occurs when, due to the occurrence of one of the aforementioned factors (warning indicators), the Bank identifies the following:

- The daily liquidity ratio is lower than 1.1 and higher than 1 for 7 (seven) days in a row;
- The ten-day liquidity ratio is Depart me lower than 1.2 and higher than 1.1 during 2 ten day intervals;
- The liquid coverage ratio at the end of the month is lower than 150% and higher than 120%.

If any of the above-mentioned indicators are realized, the Bank will consider it as a "watch" liquidity situation (warning) and the ALCO will review and analyse the situation in order to prevent a liquidity crisis.

The second stage (a liquidity crisis has occurred) occurs when, due to the occurrence of one of the aforementioned factors (warning indicators), the Bank identifies the following:

- The daily liquidity ratio is lower than 1 and higher than 0.95 for 5 (five) days in a row;
- The ten-day liquidity ratio is row; lower than 1.1 and higher than 1.05 during 2 (two) ten-day intervals;
- The liquid coverage ratio at the end of the month is lower than 120% and higher than 105%.

In addition, a liquidity crisis will also include situations in which the Asset Management Department detects during its daily operations a sudden liquidity deterioration (e.g. sudden withdrawal of deposits by individuals and legal entities, potential impossibility of executing orders through payment transactions, etc.)

The measures that the Bank can take depend on the liquidity crisis level. Some of the measures that the Bank can take: using proceeds from approved credit facilities, obtaining new credit and deposit lines from domestic and foreign banks, using the agreed framework on repo transactions that it has concluded with another credit institution, suspending or reducing new credit placements, tightening measures for the prompt collection of overdue receivables, increasing the base of demand and term deposits by attracting new depositors by offering a higher interest rate on those deposits, by selling a part of the loan portfolio, etc.

By using cash flow projections, the Bank manages liquidity in different time periods in a way to eliminate potential weaknesses caused by various events, while taking into account changes in intraday needs for funds and methods of financing, short-term, medium-term and long-term needs for funds and methods of financing, with the aim of maintenance of an adequate buffer level for liquidity is ensured.

The Bank monitors and measures liquidity risk exposure from the aspect of deposit concentration based on the analysis of data on: structure of deposits by maturity; by type of depositors (deposits of legal and natural persons); structures of large depositors, inflows and outflows of total assets for a certain period; as well as realized and projected inflows and outflows of funds on the accounts of significant depositors of the Bank.

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

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**4. RISK MANAGEMENT (Continued)****4.2. Liquidity Risk (continued)**

The Bank examines the results of liquidity risk stress tests in order to assess the planning and maintenance of an adequate level of liquidity reserves, as well as available, potential and additional sources of financing that can be activated in the event of a potential liquidity crisis, but also to assess additional financing costs that may arise as a result of increased liquidity needs in crisis situations. Liquidity risk stress testing is carried out within the ILAAP process, while the determination of the internal capital requirement is carried out within the ICAAP process.

**Regulatory and Internal Liquidity Metrics**

The Bank monitors on a daily, ten-day, monthly and quarterly basis the compliance of liquidity ratios, both regulatory and those prescribed by the Bank, about which the organisational units inform the ALCO, the BoD, Credit Committee and the Supervisory Board.

**Daily and Ten-day Liquidity Ratios**

The daily regulatory liquidity ratio is calculated on a daily basis and shows the ratio of the sum of liquid assets and the sum of overdue liabilities. The regulatory limit is prescribed at the level of at least 0.9, while the internal limit is 1.1 and the tolerance is 1.

The ten-day regulatory liquidity ratio is calculated as the average of the daily liquidity indicator for all working days in one decade. The regulatory limit is prescribed at the level of at least 1%, while the internal limit is 1.2 and the tolerance is 1.1.

During 2025, the Bank operated in accordance with regulatory limits. The realized daily liquidity indicator value was below the internal limit for 5 days, but above tolerance. The realized decadal liquidity indicator was below the limit for 3 decades in 2025, but always above tolerance.

**Liquidity Coverage Ratio – LCR**

The Bank reports monthly on the fulfilment of requirements for liquid coverage. Liquidity Coverage Ratio (LCR) is a regulatory quantitative indicator of liquid coverage that is calculated for a period of 30 calendar days and represents a quotient of high-quality liquid assets, i.e. liquidity buffer and net cash outflow in the next 30 days.

LCR is a short-term liquidity indicator that ensures that the Bank has an adequate supply of highly liquid, easily marketable assets, which, in case of need, can be converted into cash quickly and without major losses, and finance all planned and unplanned cash flows within a period of 30 days.

An asset is considered high-quality and highly liquid if it is readily convertible into cash, easily and without unacceptable losses in value.

In 2025, the Bank was in compliance with both the regulatory and internally prescribed limits.

## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.2. Liquidity Risk (continued)

Liquidity outflows represent the difference between the outflow of liquid assets (by retail deposits, deposits and loans taken from financial clients, deposits of other clients, credit and liquidity lines) and the inflow of liquid assets (by placements) in the next 30 calendar days under stress conditions. Inflows are limited and a maximum of 75% of total reported outflows are recognized. The regulatory prescribed limit for LCR is at least 100%, the internal limit for 2025 is prescribed at a minimum level of 140%, while the risk tolerance is prescribed at a minimum level of 120%.

During 2025, the bank was in compliance with the regulatory and internally prescribed limit.

As of 31 December, 2025.	<u>Amount/market value</u>	<u>Weighted amount</u>
Total unadjusted liquid assets	152,432	150,813
Outflows	411,575	162,277
Inflows	<u>109,234</u>	<u>108,873</u>
<b>Net liquidity outflows</b>	<b><u>302,341</u></b>	<b><u>53,404</u></b>
<b>Liquidity coverage ratio</b>		<b><u>282%</u></b>
As of 31 December, 2024	<u>Amount/market value</u>	<u>Weighted amount</u>
Total unadjusted liquid assets	154,666	152,932
Outflows	311,753	113,064
Inflows	<u>49,737</u>	<u>48,676</u>
<b>Net liquidity outflows</b>	<b><u>262,016</u></b>	<b><u>64,388</u></b>
<b>Liquidity coverage ratio</b>		<b><u>238%</u></b>

## Liquidity gap analysis

The liquidity gap is the basic method for measuring and analysing long-term i.e. structural liquidity. It is a regulatory (gap) analysis.

The Bank uses liquidity gap analysis, where assets and liabilities based on which cash inflows or outflows may occur are shown, distributed according to their remaining maturity (contracted or expected). This enables the assessment and comparison of all future cash inflows and outflows, as well as the identification of potential shortages of liquid assets and the period in which these shortages will manifest themselves.

The tables below present an analysis of the maturity dates of the Bank's assets and liabilities based on the remaining contracted maturity dates and expected maturity dates..

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.2. Liquidity Risk (continued)**

The agreed maturity dates of assets and liabilities are determined based on the remaining period as of the balance sheet date in relation to the agreed maturity date. In the same way, liability items are distributed according to the remaining contractual maturity period, i.e., the contractual payment period. Financial liabilities without an agreed maturity are considered financial liabilities on demand. Although there was a significant negative maturity mismatch in the analysed periods, according to historical experience and knowledge of clients, the Bank does not expect an outflow of deposits within the contractual terms, so that is shown in the analysis of the maturity dates of the Bank's assets and liabilities according to the expected maturity dates.

For the analysis of the maturity dates of the Bank's assets and liabilities according to expected maturities, items of assets are allocated according to expected maturities, which may be equal to the contracted, but in most cases are different from them.

Namely, when allocating inflows from credit collection, days in arrears, realistic expectations of collection based on information received from clients and actual collection of loans are taken into account, so that the expected inflows based on loan collection are as realistic as possible. The assessment of the reality of the collection of overdue receivables on loans is based on the collection of data on the settlement of liabilities in the period of 3 months preceding the month for which the collection assessment is carried out (historical data). An adjustment of the repayment plan is made for clients (for all individual contracts) that are in arrears in settlement of liabilities for more than 30 days. Due receivables are shifted by the maximum number of days of delay during the previous 3 months and classified in the corrected column. In addition, the due dates for all remaining annuities from the repayment plan of that client for a specific loan account are moved by the same maximum number of days in arrears.

For the purpose of scheduling time deposits according to expected maturity, the Bank uses the date for which it expects the actual outflow of deposits to occur, regardless of the contractual maturity.

For the purpose of the distribution of debt securities (bonds) at amortised cost according to the expected maturity, the Bank uses the contractual maturity.

## ZAPAD BANK A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.2. Liquidity Risk (continued)

The maturity structure of gross assets and liabilities by remaining contractual maturity as of December 31, 2025 is shown as follows:

	1-7 days	8-15 days	16-30 days	31-90 days	91-180 days	181-365 days	1-5 years	Over 5 years	Total
<b>Assets</b>									
<b>I Cash and deposits with central banks and advances to banks</b>	<b>24,436</b>	-	-	-	-	-	<b>9,885</b>	-	<b>34,321</b>
<b>II Financial assets at amortised cost</b>	<b>59,034</b>	<b>26,116</b>	<b>26,052</b>	<b>60,710</b>	<b>28,113</b>	<b>40,853</b>	<b>123,589</b>	<b>36,758</b>	<b>401,224</b>
Loans and placements to banks	42,113	6,556	15,620	6,690	-	-	-	-	70,979
Loans and placements to customers	1,425	1	683	10,639	10,213	27,393	75,636	30,090	156,080
Securities	7,653	19,559	9,748	43,381	17,900	13,460	47,953	5,955	165,610
Other financial assets	7,843	-	-	-	-	-	-	712	8,555
<b>III Financial assets at fair value through other comprehensive income</b>	-	-	-	-	-	-	-	-	-
<b>IV Financial assets at fair value through profit or loss, that are not held for trading</b>	-	-	-	-	-	-	-	-	-
Other assets	441	-	26	50	60	80	48	-	705
<b>Total</b>	<b>83,911</b>	<b>26,116</b>	<b>26,078</b>	<b>60,760</b>	<b>28,173</b>	<b>40,933</b>	<b>133,522</b>	<b>36,758</b>	<b>436,250</b>
<b>Liabilities</b>									
Deposits due to banks and central banks at amortised cost	6	-	-	-	-	-	-	-	6
Deposits due to customers at amortised cost	285,179	7,387	16,343	15,155	10,936	9,742	30,964	5,734	381,440
Borrowings from customers other than Banks	181	-	-	66	44	209	1,469	-	1,969
Interest and accruals at amortised cost	457	-	-	-	-	-	-	-	457
Subordinated debt	-	-	-	-	-	-	-	-	-
Derivative financial liabilities as hedging instrument	-	-	-	-	-	-	-	2,000	2,000
Other financial liabilities	10,430	-	5,540	156	101	357	1,986	441	19,010
<b>Total</b>	<b>296,253</b>	<b>7,387</b>	<b>21,882</b>	<b>15,377</b>	<b>11,081</b>	<b>10,308</b>	<b>34,419</b>	<b>8,175</b>	<b>404,883</b>
<b>Maturity GAP (1)-(2)</b>	<b>(212,342)</b>	<b>18,729</b>	<b>4,195</b>	<b>45,383</b>	<b>17,092</b>	<b>30,625</b>	<b>99,103</b>	<b>28,582</b>	<b>31,367</b>
<b>Cumulative GAP</b>	<b>(212,342)</b>	<b>(193,613)</b>	<b>(189,418)</b>	<b>(144,035)</b>	<b>(126,943)</b>	<b>(96,318)</b>	<b>2,785</b>	<b>31,367</b>	<b>(928,517)</b>
<b>% of the total source of funds</b>	<b>-52.4%</b>	<b>-47.8%</b>	<b>-46.8%</b>	<b>-35.6%</b>	<b>-31.4%</b>	<b>-23.8%</b>	<b>0.7%</b>	<b>7.7%</b>	

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## ZAPAD BANK A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.2. Liquidity Risk (continued)

The maturity structure of gross assets and liabilities by expected maturity as of December 31, 2025 is shown as follows:

Assets	1-7 days	8-15 days	16-30 days	31-90 days	91-180 days	181-365 days	1-5 years	Over 5 years	Total
<b>I Cash and deposits with central banks and advances to banks</b>	24,436	-	-	-	-	-	9,885	-	34,321
<b>II Financial assets at amortised cost</b>	58,679	26,116	26,052	60,656	28,208	40,877	123,870	36,766	401,224
Loans and placements to banks	42,113	6,556	15,620	6,690	-	-	-	-	70,979
Loans and placements to customers	1,070	1	683	10,586	10,308	27,417	75,917	30,099	156,080
Securities	7,653	19,559	9,748	43,381	17,900	13,460	47,953	5,955	165,610
Other financial assets	7,843	-	-	-	-	-	-	712	8,555
<b>III Financial assets at fair value through other comprehensive income</b>	-	-	-	-	-	-	-	-	-
<b>IV Financial assets at fair value through profit or loss, that are not held for trading</b>	-	-	-	-	-	-	-	-	-
Other assets	441	-	26	50	60	80	48	-	705
<b>Total</b>	<b>83,556</b>	<b>26,116</b>	<b>26,078</b>	<b>60,706</b>	<b>28,268</b>	<b>40,957</b>	<b>133,803</b>	<b>36,766</b>	<b>436,250</b>
<b>Liabilities</b>									
Deposits due to banks and central banks at amortised cost	6	-	-	-	-	-	-	-	6
Deposits due to customers at amortised cost	35,984	19,545	32,235	54,876	49,865	66,096	117,103	5,734	381,440
Borrowings from customers other than Banks	181	-	-	66	44	209	1,469	-	1,969
Interest and accruals at amortised cost	457	-	-	-	-	-	-	-	457
Subordinated debt	-	-	-	-	-	-	-	2,000	2,000
Derivative financial liabilities as hedging instrument	-	-	-	-	-	-	-	-	-
Other financial liabilities	10,430	-	5,540	156	101	357	1,986	441	19,010
<b>Total</b>	<b>47,057</b>	<b>19,545</b>	<b>37,775</b>	<b>55,098</b>	<b>50,010</b>	<b>66,662</b>	<b>120,558</b>	<b>8,175</b>	<b>404,883</b>
<b>Maturity GAP (1)-(2)</b>	36,499	6,571	(11,697)	5,608	(21,743)	(25,706)	13,245	28,591	31,367
<b>Cumulative GAP</b>	36,499	43,070	31,372	36,980	15,237	(10,469)	2,776	31,367	186,831
<b>% of the total source of funds</b>	9.0%	10.6%	7.7%	9.1%	3.8%	-2.6%	0.7%	7.7%	

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**ZAPAD BANK A.D. PODGORICA**  
**Notes to the financial statements for the year ended december 31, 2025**

All amounts are expressed in EUR thousand, unless otherwise stated )

**4. RISK MANAGEMENT (Continued)**

**4.2. Liquidity Risk (continued)**

The maturity structure of gross assets and liabilities by remaining contractual maturity as of December 31, 2024 is shown as follows:

	1-7 days	8-15 days	16-30 days	31-90 days	91-180 days	181-365 days	1-5 years	Over 5 years	Total
<b>Assets</b>									
I Cash and deposits with central banks and advances to banks	33,411	-	-	-	-	-	8,446	-	41,857
II Financial assets at amortised cost	35,037	12,644	6,083	60,383	46,967	49,799	90,304	21,706	322,922
Loans and placements to banks	31,901	2,872	0	27,394	-	-	-	-	62,167
Loans and placements to customers	3,136	1,989	118	10,839	6,327	28,555	54,606	17,485	123,055
Securities	-	7,782	5,965	22,150	40,640	21,244	35,698	3,874	137,353
Other financial assets	-	-	-	-	-	-	-	347	347
III Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
IV Financial assets at fair value through profit or loss, that are not held for trading	-	-	-	-	-	-	-	-	-
Other assets	545	-	22	41	57	67	49	-	781
<b>Total</b>	<b>68,993</b>	<b>12,644</b>	<b>6,105</b>	<b>60,424</b>	<b>47,024</b>	<b>49,866</b>	<b>98,799</b>	<b>21,706</b>	<b>365,560</b>
<b>Liabilities</b>									
Deposits due to banks and central banks at amortised cost	5	-	-	-	-	-	-	-	5
Deposits due to customers at amortised cost	246,134	11,015	2,298	34,696	3,027	13,846	6,375	5,941	323,332
Borrowings from customers other than Banks	181	-	-	66	44	335	1,608	362	2,596
Interest and accruals at amortised cost	330	-	-	-	-	-	-	-	330
Subordinated debt	-	-	-	-	-	-	-	2,000	2,000
Derivative financial liabilities as hedging instrument	-	-	-	-	-	-	-	-	-
Other financial liabilities	7,595	-	171	125	94	320	1,859	867	11,031
<b>Total</b>	<b>254,245</b>	<b>11,015</b>	<b>2,469</b>	<b>34,887</b>	<b>3,165</b>	<b>14,501</b>	<b>9,842</b>	<b>9,170</b>	<b>339,294</b>
<b>Maturity GAP (1)-(2)</b>	<b>(185,253)</b>	<b>1,629</b>	<b>3,635</b>	<b>25,537</b>	<b>43,859</b>	<b>35,365</b>	<b>88,957</b>	<b>12,536</b>	<b>26,266</b>
<b>Cumulative GAP</b>	<b>(185,253)</b>	<b>(183,624)</b>	<b>(179,989)</b>	<b>(154,452)</b>	<b>(110,592)</b>	<b>(75,228)</b>	<b>13,730</b>	<b>26,266</b>	<b>-849,142</b>
<b>% of the total source of funds</b>	<b>(54.6)%</b>	<b>(54.1)%</b>	<b>(53.0)%</b>	<b>(45.5)%</b>	<b>(32.6)%</b>	<b>(22.2)%</b>	<b>4.0%</b>	<b>7.7%</b>	

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## ZAPAD BANK A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.2. Liquidity Risk (continued)

The maturity structure of gross assets and liabilities by expected maturity as of December 31, 2024 is shown as follows:

	1-7 days	8-15 days	16-30 days	31-90 days	91-180 days	181-365 days	1-5 years	Over 5 years	Total
<b>Assets</b>									
<b>I Cash and deposits with central banks and advances to banks</b>	33,411	-	-	-	-	-	8,446	-	41,857
<b>II Financial assets at amortised cost</b>	33,294	12,644	6,083	60,388	48,472	49,808	90,520	21,712	322,922
Loans and placements to banks	31,901	2,872	-	27,394	-	-	-	-	62,167
Loans and placements to customers	1,393	1,989	118	10,844	7,833	28,564	54,823	17,491	123,055
Securities	-	7,782	5,965	22,150	40,640	21,244	35,698	3,874	137,353
Other financial assets	-	-	-	-	-	-	-	347	347
<b>III Financial assets at fair value through other comprehensive income</b>	-	-	-	-	-	-	-	-	-
<b>IV Financial assets at fair value through profit or loss, that are not held for trading</b>	-	-	-	-	-	-	-	-	-
Other assets	545	-	22	41	57	67	49	-	781
<b>Total</b>	67,250	12,644	6,105	60,429	48,529	49,875	99,015	21,712	365,560
<b>Liabilities</b>									
Deposits due to banks and central banks at amortised cost	5	-	-	-	-	-	-	-	5
Deposits due to customers at amortised cost	31,127	25,416	21,123	81,746	49,138	80,598	28,242	5,941	323,332
Borrowings from customers other than Banks	181	-	-	66	44	335	1,608	362	2,596
Interest and accruals at amortised cost	330	-	-	-	-	-	-	-	330
Subordinated debt	-	-	-	-	-	-	-	2,000	2,000
Derivative financial liabilities as hedging instrument	-	-	-	-	-	-	-	-	-
Other financial liabilities	7,595	-	171	125	94	320	1,859	867	11,031
<b>Total</b>	39,239	25,416	21,294	81,938	49,276	81,253	31,709	9,170	339,294
<b>Maturity GAP (1)-(2)</b>	28,011	(12,772)	(15,190)	(21,509)	(747)	(31,378)	67,306	12,542	26,265
<b>Cumulative GAP</b>	28,011	15,239	50	(21,459)	(22,206)	(53,583)	13,723	26,265	(13,960)
<b>% of the total source of funds</b>	8.3%	4.5%	0.0%	(6.3)%	(6.5)%	(15.8)%	4.0%	7.7%	

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.3. Market risk****Foreign Currency Risk**

Defined as the risks of losses on financial instruments recorded in the Bank's balance sheet and off-balance sheet, caused by negative movements in market prices. The Bank is not exposed to position and commodity risk.

Foreign currency risk means the risk of loss arising from a change in the currency exchange rate and/or a change in the price of gold. Foreign currency risk is measured based on the Bank's open foreign exchange position. The Bank internally determines the total limits for the open foreign exchange position. Exchange rate changes can directly affect the Bank's income statement if it has significant foreign exchange positions. Closing foreign exchange positions reduces the risk of losses due to changes in the exchange rate. In principle, the Bank does not carry out trading activities for its own account with the aim of entering into speculative positions on foreign exchange markets, in order to achieve additional potential income. Therefore, the Bank is strictly a "non-trading book" credit institution in the sense of the Law on Credit Institutions.

The Bank has ensured a clear operational and organizational separation of transaction contracting from risk control and business support. This separation has been carried out and relates to and including the level of the Bank's Management Board. The organizational part of the Bank that deals with contracting transactions is the Asset Management Sector. The Asset Management Sector continuously monitors the foreign exchange position during the day and is responsible for keeping the positions within the established limits. The organizational part of the Bank that deals with risk management is the Risk Control Sector. The Risk Control Department reports monthly to ALCO on the Bank's exposure to foreign currency risk, as well as operations within the established limits, while quarterly it calculates the capital requirement for foreign currency risk and stress tests the Bank's exposure to foreign currency risk. The Department for Payment Operations is responsible for the settlement of approved foreign exchange (FX) transactions. The Financial Markets Support Unit performs the settlement of securities trade and calculation on behalf and for the account of the Bank.

Foreign currency risk is measured and limited daily, both individually by currency and on an aggregate basis, whereby the measurement of foreign currency risk includes all balance and off balance sheet items that contain foreign currency risk, as well as all currencies that the Bank owns and with which it performs foreign exchange activity.

The measurement and monitoring of the foreign currency risk is carried out through the daily determination of the net open foreign exchange position in the absolute amount individually and aggregated for all currencies, as well as in percentage in relation to the basic capital.

The Bank has defined the following limits:

- The Bank's net open foreign currency position at the end of the day, for an individual currency that is on the daily reference exchange rate list of the European Central Bank (ECB), as well as for currencies that are not on the reference exchange rate list of the ECB, should not exceed 3.5% of the Bank's tier 1 capital (the tolerance is up to 5% of tier 1 capital);
- The sum of net open foreign exchange positions at the end of the day for all currencies (total net long position and/or total net short position) that are daily on the reference exchange rate list of the European Central Bank (ECB) should not exceed 7.5% of the Bank's tier 1 capital (the tolerance is up to 10% of tier 1 capital)

## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.3. Market risk

## Foreign Currency Risk (Continued)

During 2025, the bank operated in accordance with the internal limits for foreign exchange risk. The risk of changes in foreign exchange rates is the risk of changes in the value of assets and liabilities, due to changes in the exchange rate of foreign currencies.

The analysis of assets and liabilities by currency with the balance as of December 31, 2025 is as follows:

	USD	GBP	Other	Total
<b>LONG POSITIONS</b>				
Foreign currency assets	144,697	685	5,452	150,834
<b>TOTAL</b>	<b>144,697</b>	<b>685</b>	<b>5,452</b>	<b>150,834</b>
<b>SHORT POSITIONS</b>				
Foreign currency liabilities	144,744	685	5,458	150,887
<b>TOTAL</b>	<b>144,744</b>	<b>685</b>	<b>5,458</b>	<b>150,887</b>
<b>NET POSITION</b>				
<b>NET LONG (SHORT) POSITIONS (1) -(2)</b>	<b>(47)</b>	<b>-</b>	<b>(6)</b>	<b>(53)</b>
% of basic capital	(0.20)%	0.00%	(0.03)%	
% of regulatory capital	(0.18)%	0.00%	(0.02)%	
<b>Foreign currencies -aggregate</b>	<b>2</b>			
% of basic capital	(0.22)%			
% of regulatory capital	(0.21)%			

The analysis of assets and liabilities by currency with the balance as of December 31, 2025 is as follows:

	USD	GBP	Other	Total
<b>LONG POSITIONS</b>				
Foreign currency assets	108,334	328	66	108,728
<b>TOTAL</b>	<b>108,334</b>	<b>328</b>	<b>66</b>	<b>108,728</b>
<b>SHORT POSITIONS</b>				
Foreign currency liabilities	108,327	328	71	108,726
<b>TOTAL</b>	<b>108,327</b>	<b>328</b>	<b>71</b>	<b>108,726</b>
<b>NET POSITION</b>				
<b>NET LONG (SHORT) POSITIONS (1) -(2)</b>	<b>7</b>	<b>-</b>	<b>(5)</b>	<b>2</b>
% of basic capital	0.03%	0.00%	(0.02)%	
% of regulatory capital	0.03%	0.00%	(0.02)%	
<b>Foreign currencies -aggregate</b>	<b>2</b>			
% of basic capital	0.01%			
% of regulatory capital	0.01%			

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.4. Interest Rate Risk

The sensitivity of assets, liabilities and off-balance sheet items to interest rate changes affects the amount of net interest income and the market value of certain financial instruments (interest rate sensitive funds and investments), which consequently affects the market value of the bank's capital.

The Bank's exposure to interest rate risk as of December 31, 2025, is presented in the following table. Since the Bank did not grant loans with variable interest rates during 2025, the table includes assets and liabilities shown by their maturity dates.

As of December 31,2025	1-30 days	31-90 days	91-180 days	181-365 days	Over 1 days	Total
<b>Assets</b>						
Interest-bearing deposits with other institutions	56,898	3,713	-	-	5,343	65,953
Interest- bearing securities	36,891	43,119	17,526	13,363	53,909	164,808
Loans and other placements	1,822	10,725	10,246	27,473	105,882	156,149
Other sensitive assets*	409	262	374	97	-	1,142
<b>Total</b>	<b>96,021</b>	<b>57,819</b>	<b>28,146</b>	<b>40,933</b>	<b>165,133</b>	<b>388,052</b>
<b>% of total interest -bearing assets</b>	<b>24.74%</b>	<b>14.90%</b>	<b>7.25%</b>	<b>10.55%</b>	<b>42.55%</b>	<b>100.00%</b>
<b>Liabilities</b>						
Interest - bearing deposits	51,892	15,136	12,935	9,550	36,425	125,938
Interest - bearing borrowings	-	66	44	28	22	161
Subordinated debt	-	-	-	-	2,000	2,000
Other sensitive liabilitye	40	156	101	357	2,427	3,081
<b>Total</b>	<b>51,932</b>	<b>15,358</b>	<b>13,081</b>	<b>9,935</b>	<b>40,874</b>	<b>131,180</b>
<b>% of total interest -bearing assets</b>	<b>39.59%</b>	<b>11.71%</b>	<b>9.97%</b>	<b>7.57%</b>	<b>31.16%</b>	<b>100.00%</b>
<b>Gap</b>	<b>44,089</b>	<b>42,460</b>	<b>15,066</b>	<b>30,998</b>	<b>124,259</b>	<b>256,872</b>
<b>Cumulative Gap</b>	<b>44,089</b>	<b>86,549</b>	<b>101,615</b>	<b>132,613</b>	<b>256,872</b>	
<b>Cumulative Gap/ Total assets %</b>	<b>10.10%</b>	<b>19.82%</b>	<b>23.27%</b>	<b>30.37%</b>	<b>58.83%</b>	

\*Other interest-sensitive assets include accruals and interest receivables.

## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.4. Interest Rate Risk (Continued)

As of December 31,2025	1-30 days	31-90 days	91-180 days	181-365 days	Over 1 days	Total
<b>Assets</b>						
Interest-bearing deposits with other institutions	30,387	27,394	-	-	4,261	62,042
Interest- bearing securities	13,602	21,944	39,945	21,194	39,572	136,257
Loans and other placements	5,043	10,914	6,357	28,635	72,263	123,213
Other sensitive assets*	404	206	695	50	-	1,355
<b>Total</b>	<b>49,436</b>	<b>60,458</b>	<b>46,997</b>	<b>49,879</b>	<b>116,097</b>	<b>322,867</b>
<b>% of total interest -bearing assets</b>	<b>15,31%</b>	<b>18,73%</b>	<b>14,56%</b>	<b>15,45%</b>	<b>35,96%</b>	<b>100%</b>
<b>Liabilities</b>						
Interest - bearing deposits	23,390	34,693	3,027	13,143	12,196	86,449
Interest - bearing borrowings	-	66	44	154	161	424
Subordinated debt	-	-	-	-	2,000	2,000
Other sensitive liabilitie	19	125	94	320	2,726	3,284
<b>Total</b>	<b>23,409</b>	<b>34,884</b>	<b>3,165</b>	<b>13,617</b>	<b>17,083</b>	<b>92,157</b>
<b>% of total interest -bearing assets</b>	<b>25,40%</b>	<b>37,85%</b>	<b>3,43%</b>	<b>14,78%</b>	<b>18,54%</b>	<b>100%</b>
<b>Gap</b>	<b>26,027</b>	<b>25,574</b>	<b>43,832</b>	<b>36,262</b>	<b>99,014</b>	<b>230,709</b>
<b>Cumulative Gap</b>	<b>26,027</b>	<b>51,601</b>	<b>95,433</b>	<b>131,696</b>	<b>230,709</b>	
<b>Cumulative Gap/ Total assets %</b>	<b>7.10%</b>	<b>14.08%</b>	<b>26.05%</b>	<b>35.94%</b>	<b>62.96%</b>	

\*Other interest-sensitive assets include accruals and interest receivables.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.5 Credit risk**

Credit risk is the risk that the Bank will be exposed to a loss that could arise as a consequence of the debtor's failure to fulfil contractual obligations. The Bank is exposed to credit risk through lending and investment activities, as well as through the activities of guaranteed documentary transactions. Credit risk and risks related to credit risk to which the Bank is exposed or may be exposed are considered to be: credit risk in the narrower sense, dilution risk, credit risk of the other contractual party and credit valuation adjustment risk (CVA risk), currency induced credit risk, interest rate induced credit risk, concentration risk, residual risk, securitization risk and country risk.

The Bank is exposed to the risk of the other contracting party based on its exposure to: correspondent banks and commercial credit institutions and the issuer of debt securities, which can be: governments, central banks, international and multilateral organizations, financial institutions, companies, etc.

The Bank tries to approve placements (indexed) in another currency to those clients whose dominant income corresponds to the currency in which the placement is approved, and in this way does not expose itself to currency-induced credit risk.

The Bank is not exposed to interest-induced credit risk arising from exposures related to variable interest rates, but it is expected that it will be in the following period.

The Bank is exposed to residual risk because it uses credit risk mitigation techniques in its credit processes.

The Bank assumes country risk, bearing in mind that a significant part of business activities relates to clients outside of Montenegro. Exposure to country risk will mainly result from transactions with correspondent banks and other financial organizations. To some extent, country risk will result from financing and business operations in the name and on behalf of non-residents, in accordance with the Bank's internal limits.

The Bank strives not to undertake activities that would lead to exposure to dilution risk, securitisation risk, credit valuation adjustment risk and settlement/delivery risk.

**Credit Risk Management**

Credit risk is managed in accordance with the Bank's policies, as well as the regulatory requirements of the CBM. Credit exposure by portfolio and by individual clients/groups of related persons is regularly monitored taking into account the set limits. ALCO and the Management Board are regularly informed of any significant changes in the amount and quality of the portfolio, including value adjustments and the impact on capital. Credit risk is regularly monitored and reported, thus enabling timely identification of impairment in the credit portfolio.

The Bank follows the following limits in relation to credit activities:

- Limit of large exposures;
- Exposure limit for products and services that will be dominant in the Bank's business (exposure limit by industry, exposure limit for the total credit portfolio, investment limit in debt securities, investment limit in foreign debt securities);
- Exposure limit in other currencies;
- The limit on the ratio of high-risk investments in the total portfolio;
- Limit for the NPL gross ratio.
- Exposure limit for non-residents.

A significant part of credit risk exposure is secured by credit protection instruments in the form of cash deposits, real estate and other collateral instruments.

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.5 Credit risk (Continued)****Operational and Organizational Separation of Duties**

The Bank has ensured a clear operational and organisational separation of transaction contracting from risk control and business support. This separation has been carried out and relates to and including the level of the Bank's Management Board. Organizational units of the Bank that deal with managing business relations with clients (i.e. sale) are the Corporate Department, Retail Department, Non-resident Department and the Asset Management Department.

The organisational parts of the Bank that deal with risk management are: Credit Analysis and Credit Risk Assessment Department and Risk Control Department. The Credit Analysis and Credit Risk Assessment Department analyses the proposal for placement approval (loan, guarantee) and submits an opinion, determines the initial internal rating and proposes the initial classification, as well as performs regular annual monitoring. The Risk Control Department analyses credit risk at the portfolio level, monitors and reports on legal and internally defined limits of exposure to credit risk, calculates the impairment of balance sheet receivables and allocates provisions according to CBM regulations.

The organisational unit that deals with the implementation of the decisions of the competent decision making bodies, the development of legal instruments on prepared standardized templates, bookkeeping and collateral work is the Banking Operations Support Department. The Legal Department prepares standard loan/guarantee agreement templates as well as non-standard loan/guarantee agreements

**Placement Approval Decisions and Decision-making Levels**

The Bank has established a clear and well-documented framework for the decision-making process on placement approval. Responsibilities and responsibilities are aligned and integrated into the risk taking propensity and reflect the Bank's business model. The decision on placement approval is made by the competent decision-making levels: the Management Board, the Credit Committee and the Sector level.

The Supervisory Board grants approval to the Management Board for decisions regarding exposures to individuals and entrepreneurs related to the Bank exceeding EUR 200,000.00, as well as for decisions on all exposures to other persons related to the Bank.

The management board makes decisions on:

- total client exposures in the amount of more than 10% of the Bank's core capital based on the proposal submitted by the Credit Committee,
- for all proposals related to exposure to natural persons and entrepreneurs associated with the Bank, if the total amount of exposure is greater than EUR 200,000.00 with the consent of the Supervisory Board, for all deviations to related persons, as well as for all other exposures to legal entities associated with the Bank with the consent of the Supervisory Board and for all exposures of non-residents associated with the Bank with the consent of the Supervisory Board;
- for all restructured exposures, if the total amount of exposure is greater than 10% of the Bank's core capital, as well as for all restructured exposures of non-residents, regardless of the amount.
- for exposures that fall under non-performing assets,
- as well as for all proposals escalated by the Credit Committee.

The board of directors makes all decisions for investing in debt securities.

The credit committee makes decisions on requests for client placements if the following conditions are met:

- the total exposure of resident legal entities for placements of which security instruments (collaterals) are offered, whose legal perfection is carried out in accordance with the legislation of Montenegro, amounts from EUR 100,000.01 to the amount of 10% of the basic capital of the Bank, as well as all proposals that have been escalated by the Sector, proposals with deviations related to the commercial conditions defined by internal acts (interest, compensation), for all restructured loans regardless of the amount of exposure up to 10% of the basic capital, as well as

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.5 Credit risk (Continued)****Operational and Organizational Separation of Duties (Continued)**

for all exposures up to 10% of the Bank's core capital if the collateral is established in other jurisdictions;

- total exposure of legal and natural persons of non-residents up to the amount of 10% (ten percent) of the basic capital of the Bank;
- the exposure of natural persons and underwriters exceeds EUR 100,000.00 up to the amount of 10% (ten percent) of the basic capital (except for transaction account limits), for which placements are offered security instruments (collateral) whose legal perfection is carried out in accordance with the legislation of Montenegro, as well as all proposals that have been escalated by the Sector, proposals with deviations related to commercial conditions defined by internal acts (interest, compensation), for all restructured loans regardless of the amount of exposure up to 10% of the base capital; for all exposures up to 10% of the Bank's core capital if the collateral is established in other jurisdictions; as well as for persons connected with the Bank from the amount of 50,000.01 (increased by the amount of the allowed overdraft per transaction account) to an amount equal to EUR 200,000.00,
- total exposure up to the amount of EUR 100,000.00 for which the Sector level is not authorized.

Level The Department makes decisions on the total exposures of clients of resident legal entities up to EUR 100,000.00 (for which security instruments are offered - collateral whose legal perfection is carried out in accordance with the legislation of Montenegro), i.e. up to the amount of EUR 100,000.00 with the opinion of the Department of Credit Analysis and Credit Risk Assessment) if there are deviations from internal acts. It does not decide on restructured loans, nor on placements with legal entities related to the Bank, nor on non-performing exposures.

Level The sector makes decisions on the total exposures of clients of natural persons and entrepreneurs up to EUR 50,000.00 (increased by the amount of the allowed overdraft per transaction account) with the condition that there are no deviations from internal acts, exposures of clients of natural persons and entrepreneurs up to EUR 50,000.00 (increased by the amount of allowed overdraft per transaction account) with deviations from internal acts with the opinion of the Credit Analysis Sector and credit risk assessment, i.e. up to the amount of EUR 100,000.00 (increased by the amount of the allowed overdraft per transaction account) with the opinion of the Credit Analysis and Credit Risk Assessment Sector, with or without deviation from internal acts. For persons related to the Bank, the Sector level makes a decision for the total amount of exposure to a person related to the Bank up to the amount of EUR 50,000.00. In the event that the total exposure is covered by the client's term cash deposit, the Sector decides independently up to the amount of EUR 100,000. It does not decide on restructured loans or non-performing exposures.

Decision-making is prescribed by the Decision on authorizations when performing credit-guarantee operations at Zapad bank AD Podgorica for legal entities (residents) and the Decision on authorizations when performing credit-guarantee operations at Zapad banka AD Podgorica for individuals and entrepreneurs (residents). At the Sector level, the decision is made unanimously, and in case of escalation, the decision is made by the Credit Committee. The credit committee makes decisions by majority vote of the members present. The Board of Directors makes decisions in accordance with the Rules of Procedure of the Board of Directors.

The Bank performs an impairment assessment (for balance sheet assets) or a probable loss assessment (for off-balance sheet items) on the basis of which it is exposed to credit risk on a monthly basis, in accordance with the policy disclosed in Note 3.7.9.

On a monthly basis, the bank classifies balance sheet assets and off-balance sheet items based on which it is exposed to credit risk and calculates provisions for estimated losses. Reserves for credit risks are calculated in accordance with the current regulations of the CBCG (for details, see Note 3.7.9).

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.5 Credit risk (Continued)****Operational and Organizational Separation of Duties (Continued)**

As part of the process of managing non-performing exposures, the Bank has formed a special organizational unit, the Non-performing Loans Management Sector. In addition, with the aim of meeting regulatory and internal needs, the Bank has established monitoring, identification, prevention and reporting processes related to restructured and poor-quality exposures. The highest level of non-performing exposures acceptable to the Bank is defined by the RAS framework. The Non-performing Loan Management Sector, as the first line of defence, is responsible for managing non-performing exposures, proposing the option of resolving non performing exposures and collection of exposures and reporting to the competent level on the status of non-performing exposures. The risk control sector, as the second line of defence, continuously monitors and measures the risks associated with non-performing loans on an individual and aggregate basis, taking into account the adequacy of internal/regulatory capital.

In the category of non-performing assets, the Bank classifies an asset if:

- the debtor has a delay in repaying the obligation for that item for more than 90 days;
- based on the assessment of the debtor's financial condition, i.e. creditworthiness, the Bank estimated that the debtor will not be able to settle the liabilities under that item in full without the collateral foreclosure, regardless of whether the debtor settles his liabilities on time or not;
- if a default status for that item occurs in accordance with Article 197 of the Decision on Capital Adequacy of Credit Institutions and/or
- the receivable for that item is considered impaired in accordance with IFRS 9, is assigned to level 3 or represents an asset that was purchased or was created at a reduced value.

In addition to determining the client's default status based on days of delay, the Bank examines whether there are other indications of the probability that the debtor will not fully settle their liabilities to the Bank, without taking into account the possibility of the realisation of credit protection instruments. Therefore, the Bank has defined a set of indicators of the probability that a debtor will not fully settle their liabilities (UTP indicators) which, through a special process, indicate whether the client's default status has occurred. There are two types of UTP indicators that differ according to the process of activating the default status after their identification: hard and soft indicators. Hard indicators will automatically result in a client's default status after their identification, while soft indicators are indicators of a potential deterioration of the debtor's financial position or the debtor's ability to fully repay their liabilities, and they require an additional analysis by the competent employee in order to decide whether a default status should occur.

**Credit Portfolio Structuring**

Effective credit risk management implies a proper understanding and structuring of the credit portfolio. The Bank structures the loan portfolio as follows:

- Performing credit portfolio;
- Performing credit portfolio that shows early indicators of credit risk;
- Credit portfolio with increased credit risk; and
- Credit portfolio with increased credit risk.

Structuring the portfolio in this way aims to timely and objectively identify the credit risk to which the Bank is exposed.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

All amounts are expressed in EUR thousand, unless otherwise stated )

**4. RISK MANAGEMENT (Continued)****4.5 Credit risk (Continued)****Operational and Organizational Separation of Duties (Continued)**

*Performing credit portfolio* – exposures that do not show increased credit risk.

*A performing credit portfolio* that shows early indicators of credit risk that indicate that the portfolio should be monitored more intensively and see if it is possible to prevent the transition to a portfolio with increased credit risk or if it needs to be recognized and viewed as a credit portfolio with increased credit risk in time.

*Credit portfolio with increased credit risk* - exposures that have some of the indicators that indicate increased credit risk, so the Bank intensively manages them, in order to prevent the transition to the status of default.

*Loan portfolio in default status* - exposures that show the probability that the Bank may not fully collect the liability. The defaulted portfolio is the NPL portfolio.

Credit exposures that are monitored intensively are exposures where a significant increase in the risk of default has been identified. Indicators that indicate credit exposure with increased credit risk are:

- The client is continuously (for the last 3 months) in arrears for more than 30 days and less than 90 days;
- The client's account has been blocked for more than 30 days in the last 3 months;
- Irregular settlement of tax liabilities - the Client is on the lists of the largest tax debtors published by the Tax Administration,
- Clients who have related persons who are in default with the Bank;
- Restructured loans that are classified as performing loans;
- Other (e.g. a client who has been given a benefit in accordance with the legal possibilities and his exposure is not treated as an event of default).

In this sense, the Bank creates watch lists, which it monitors on a daily basis.

**Credit Exposure Restructuring**

It is considered that the Bank has restructured the debtor's loan if it is due to the deterioration of the debtor's creditworthiness:

- extended the repayment term for principal or interest;
- reduced the interest rate on the approved loan;
- assumed the debtor's receivable against a third party, in the name of full or partial recovery of the loan;
- reduced the amount of debt, principal or interest;
- capitalized the interest on the loan granted to the debtor;
- replaced existing loan/s with a new loan (loan renewal), or
- provided other similar benefits that facilitate the debtor's financial position.

The Bank does not consider credit restructuring:

- a change in the principal repayment terms due to unforeseen circumstances beyond the debtor's control (e.g. delays in completing the project), if the effective interest rate remains unchanged in relation to the agreed terms, as long as interest payments are made on time, and
- reduction of the interest rate or interest capitalization, which are not caused by the deterioration of the debtor's creditworthiness.

If the Bank restructures a loan that it has previously restructured, it is treated as a non-performing exposure. The Bank monitors the collection of restructured loans on a daily basis, and at least quarterly reviews the implementation of restructuring measures and checks the fulfilment of the conditions for restructured loans, on which it prepares reports that are submitted to the competent committee.

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.5 Credit risk (Continued)**

Credit risk analysis is provided in the following overviews.

Total exposure to credit risk without taking into account collateral:

**TOTAL CREDIT RISK EXPOSURE**

	December 31, 2025		December 31, 2024	
	Gross	Net	Gross	Net
<b>I Cash and deposit accounts with Central Bank</b>	<b>34,321</b>	<b>34,290</b>	<b>41,858</b>	<b>41,820</b>
<b>II Financial assets at amortized cost</b>	<b>401,224</b>	<b>397,079</b>	<b>323,127</b>	<b>319,422</b>
Loans and placements to banks	70,979	70,873	62,167	62,045
Loans and placements to customers	156,080	153,201	123,055	120,601
Corporate loans	83,138	80,982	77,741	75,742
Retail loans	72,587	71,920	45,034	44,619
Loans to entrepreneurs	65	65	80	80
Interest and other receivables	290	235	201	161
Securites	165,610	164,819	137,353	136,536
Other financial assets	8,555	8,186	552	240
<b>III Financial assets at fair value through other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Securites	-	-	-	-
<b>IV Financial assets at fair value through profit or loss, not held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loans and placements to customers	-	-	-	-
<b>V Other assets for which reserves are allocated</b>	<b>258</b>	<b>76</b>	<b>212</b>	<b>61</b>
<b>VI Off-balance items</b>	<b>35,210</b>	<b>34,727</b>	<b>29,935</b>	<b>29,462</b>
Guarantees	27,176	26,912	18,389	18,156
Other contingent liabilities	8,034	7,815	11,546	11,306
<b>Total (I+II+III+IV+V+VI)</b>	<b>471,013</b>	<b>466,172</b>	<b>395,131</b>	<b>390,765</b>

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

#### 4. RISK MANAGEMENT (Continued)

##### 4.5 Credit risk (Continued)

#### LOANS AND RECEIVABLES FROM CUSTOMERS, BANKS AND OTHER FINANCIAL INSTITUTIONS BY RISK LEVEL

December 31, 2025	S1	S2	S3	Total	Impairment allowance S1	Impairment allowance S2	Impairment allowance S3	Total impairment allowance	Net
Loans and receivables from banks	70,979	-	-	70,979	106	-	-	106	70,873
Loans and receivables from customers	137,771	11,497	6,811	156,080	1,160	417	1,303	2,880	153,200
<b>Retail loans</b>	<b>70,545</b>	<b>1,762</b>	<b>281</b>	<b>72,587</b>	<b>412</b>	<b>60</b>	<b>195</b>	<b>668</b>	<b>71,920</b>
Housing loans	10,141	439	-	10,579	56	3	-	59	10,521
Cash non-purpose loans	30,944	832	87	31,862	182	45	47	275	31,588
Purchase of cars	140	-	-	140	1	-	-	1	139
Refurbishment of residential space or business premises	1,510	-	-	1,510	9	-	-	9	1,501
Other	27,811	491	194	28,496	164	13	148	325	28,171
<b>Corporate loans</b>	<b>66,968</b>	<b>9,715</b>	<b>6,455</b>	<b>83,138</b>	<b>745</b>	<b>356</b>	<b>1,056</b>	<b>2,157</b>	<b>80,981</b>
Government of Montenegro	7,706	-	-	7,706	91	-	-	91	7,615
Privately-owned companies	52,337	7,979	5,678	65,994	501	299	474	1,274	64,720
State-owned companies	575	-	-	575	1	-	-	1	574
Non-resident companies	3,279	1,439	773	5,491	102	17	579	698	4,793
Other financial institutions, residents	160	-	-	160	1	-	-	1	159
Non-governmental and other non-profit organisations	2,910	188	5	3,103	51	24	2	77	3,026
Public services of local self-government units	-	110	-	109	-	15	-	15	94
<b>Loans to entrepreneur</b>	<b>65</b>	<b>-</b>	<b>-</b>	<b>65</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65</b>
<b>Interest and other receivables</b>	<b>193</b>	<b>20</b>	<b>76</b>	<b>290</b>	<b>2</b>	<b>1</b>	<b>52</b>	<b>55</b>	<b>235</b>
<b>Securities (at amortised cost)</b>	<b>165,610</b>	<b>-</b>	<b>-</b>	<b>165,610</b>	<b>791</b>	<b>-</b>	<b>-</b>	<b>791</b>	<b>164,819</b>
<b>Securities (at fair value through other comprehensive income)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off – balance sheet items</b>	<b>32,517</b>	<b>2,692</b>	<b>-</b>	<b>35,210</b>	<b>320</b>	<b>163</b>	<b>-</b>	<b>482</b>	<b>34,727</b>
Guarantees	26,051	1,125	-	27,176	231	33	-	264	26,912
Irrevocable commitments	6,466	1,567	-	8,034	89	130	-	219	7,815

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

**4. RISK MANAGEMENT (Continued)**  
**4.5 Credit risk (Continued)**

**LOANS AND RECEIVABLES FROM CUSTOMERS, BANKS AND OTHER FINANCIAL INSTITUTIONS BY RISK LEVEL (Continued)**

December 31, 2024	S1	S2	S3	Total	Impairment allowance S1	Impairment allowance S2	Impairment allowance S3	Total Impairment allowance	Net
Loans and receivables from banks	62,167	-	-	62,167	122	-	-	122	62,045
Loans and receivables from customers	97,875	17,603	7,576	123,055	933	269	1,252	2,454	120,601
<b>Retail loans</b>	<b>43,944</b>	<b>918</b>	<b>171</b>	<b>45,034</b>	<b>269</b>	<b>39</b>	<b>107</b>	<b>414</b>	<b>44,619</b>
Housing loans	8,716	-	-	8,716	53	-	-	53	8,663
Cash non-purpose loans	15,347	678	65	16,090	94	23	24	140	15,950
Purchase of cars	-	-	-	-	-	-	-	-	-
Refurbishment of residential space or business premises	1,161	-	-	1,161	7	-	-	7	1,154
Other	18,720	241	106	19,066	115	16	83	214	18,853
<b>Corporate loans</b>	<b>53,772</b>	<b>16,656</b>	<b>7,312</b>	<b>77,741</b>	<b>663</b>	<b>230</b>	<b>1,106</b>	<b>1,999</b>	<b>75,742</b>
Government of Montenegro	9,981	-	-	9,981	122	-	-	122	9,860
Privately-owned companies	35,721	16,637	5,839	58,197	484	227	403	1,115	57,082
State-owned companies	1,934	-	-	1,934	2	-	-	2	1,932
Non-resident companies	2,779	-	1,473	4,252	21	-	703	724	3,528
Other financial institutions, residents	275	-	-	275	2	-	-	2	273
Non-governmental and other non-profit organisations	2,385	19	-	2,404	19	2	-	21	2,383
Public services of local self-government units	697	-	-	697	13	-	-	13	684
<b>Loans to entrepreneur</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80</b>
<b>Interest and other receivables</b>	<b>78</b>	<b>29</b>	<b>93</b>	<b>201</b>	<b>1</b>	<b>1</b>	<b>39</b>	<b>40</b>	<b>161</b>
<b>Securities (at amortised cost)</b>	<b>137,353</b>	<b>-</b>	<b>-</b>	<b>137,353</b>	<b>817</b>	<b>-</b>	<b>-</b>	<b>817</b>	<b>136,536</b>
<b>Securities (at fair value through other comprehensive income)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off – balance sheet items</b>	<b>27,899</b>	<b>2,036</b>	<b>-</b>	<b>29,935</b>	<b>361</b>	<b>112</b>	<b>-</b>	<b>474</b>	<b>29,462</b>
Guarantees	16,439	1,950	-	18,389	129	104	-	233	18,156
Irrevocable commitments	11,460	86	-	11,546	232	9	-	241	11,306

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## Securities

December 31, 2025	S1		S2		S3		Total	Impairment allowance S1	Impairment allowance S2	Impairment allowance S3	Total impairment allowance	Net
	S1	S2	S3	S1	S2	S3						
<b>Securities at amortised cost</b>	<b>165,610</b>	-	-	-	-	-	<b>165,610</b>	<b>791</b>	-	-	<b>791</b>	<b>164,819</b>
Government of Montenegro	53,073	-	-	-	-	-	53,073	626	-	-	626	52,447
Companies, non-residents	3,488	-	-	-	-	-	3,488	10	-	-	10	3,478
General government, non-residents	76,058	-	-	-	-	-	76,058	76	-	-	76	75,982
International financial institutions	32,991	-	-	-	-	-	32,991	80	-	-	80	32,912
International organisations	-	-	-	-	-	-	-	-	-	-	-	-
<b>Securities at fair value through other comprehensive income</b>	-	-	-	-	-	-	-	-	-	-	-	-
Government of Montenegro	-	-	-	-	-	-	-	-	-	-	-	-
Banks, non-residents	-	-	-	-	-	-	-	-	-	-	-	-
Companies, non-residents	-	-	-	-	-	-	-	-	-	-	-	-
General government, non-residents	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>165,610</b>	-	-	-	-	-	<b>165,610</b>	<b>791</b>	-	-	<b>791</b>	<b>164,819</b>
<b>December 31, 2024</b>	<b>S1</b>	<b>S2</b>	<b>S3</b>	<b>Total</b>	<b>Impairment allowance S1</b>	<b>Impairment allowance S2</b>	<b>Impairment allowance S3</b>	<b>Total impairment allowance</b>	<b>Net</b>			
<b>Securities at amortised cost</b>	<b>137,353</b>	-	-	<b>137,353</b>	<b>817</b>	-	-	<b>817</b>	<b>136,536</b>			
Government of Montenegro	53,661	-	-	53,661	657	-	-	657	53,004			
Companies, non-residents	3,956	-	-	3,956	11	-	-	11	3,945			
General government, non-residents	29,893	-	-	29,893	30	-	-	30	29,864			
International financial institutions	43,845	-	-	43,845	105	-	-	105	43,739			
International organisations	5,999	-	-	5,999	14	-	-	14	5,984			
<b>Securities at fair value through other comprehensive income</b>	-	-	-	-	-	-	-	-	-			
Government of Montenegro	-	-	-	-	-	-	-	-	-			
Banks, non-residents	-	-	-	-	-	-	-	-	-			
Companies, non-residents	-	-	-	-	-	-	-	-	-			
General government, non-residents	-	-	-	-	-	-	-	-	-			
<b>Total</b>	<b>137,353</b>	-	-	<b>137,353</b>	<b>817</b>	-	-	<b>817</b>	<b>136,536</b>			

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## RECEIVABLES FROM CUSTOMERS BY OVERDUE DAYS - STAGE 1

December 31, 2025	Undue	Overdue up to 30 days	From 31 60 days	From 61 90 days	Total
Loans and receivables from banks	70,979	-	-	-	70,979
Loans and receivables from customers	117,343	20,428	-	-	137,771
<b>Retail loans</b>	<b>62,638</b>	<b>7,906</b>	-	-	<b>70,545</b>
Housing loans	9,718	423	-	-	10,141
Cash non-purpose loans	27,524	3,419	-	-	30,944
Purchase of cars	140	-	-	-	140
Refurbishment of residential space or business premises	1,169	340	-	-	1,510
Other	24,087	3,724	-	-	27,811
<b>Corporate loans</b>	<b>54,550</b>	<b>12,418</b>	-	-	<b>66,968</b>
Government of Montenegro	7,706	-	-	-	7,706
Privately-owned companies	39,919	12,418	-	-	52,337
State-owned companies	575	-	-	-	575
Non-resident companies	3,279	-	-	-	3,279
Other financial institutions, residents	160	-	-	-	160
Non-governmental and other non-profit organisations	2,910	-	-	-	2,910
Public services of local self-governmen units	-	-	-	-	-
<b>Loans to entrepreneur</b>	<b>65</b>	-	-	-	<b>65</b>
<b>Total loans</b>	<b>117,253</b>	<b>20,324</b>	-	-	<b>137,578</b>
<b>Out of which: restructured</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Interest and other receivables</b>	<b>89</b>	<b>104</b>	-	-	<b>193</b>
<b>December 31, 2024</b>	<b>Undue</b>	<b>Overdue up to 30 days</b>	<b>From 31 60 days</b>	<b>From 61 90 days</b>	<b>Total</b>
Loans and receivables from banks	62,167	-	-	-	62,167
Loans and receivables from customers	80,862	17,014	-	-	97,875
<b>Retail loans</b>	<b>39,536</b>	<b>4,408</b>	-	-	<b>43,944</b>
Housing loans	8,532	184	-	-	8,716
Cash non-purpose loans	13,717	1,630	-	-	15,347
Purchase of cars	-	-	-	-	0
Refurbishment of residential space or business premises	972	189	-	-	1,161
Other	16,315	2,404	-	-	18,720
<b>Corporate loans</b>	<b>41,233</b>	<b>12,539</b>	-	-	<b>53,772</b>
Government of Montenegro	9,981	-	-	-	9,981
Privately-owned companies	23,281	12,439	-	-	35,721
State-owned companies	1,934	-	-	-	1,934
Non-resident companies	2,779	-	-	-	2,779
Other financial institutions, residents	275	-	-	-	275
Non-governmental and other non-profit organisations	2,285	100	-	-	2,385
Public services of local self-governmen units	697	-	-	-	697
<b>Loans to entrepreneur</b>	<b>80</b>	-	-	-	<b>80</b>
<b>Total loans</b>	<b>80,850</b>	<b>16,947</b>	-	-	<b>97,797</b>
<b>Out of which: restructured</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Interest and other receivables</b>	<b>12</b>	<b>66</b>	-	-	<b>78</b>

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## RECEIVABLES FROM CUSTOMERS BY OVERDUE DAYS – STAGE 2

December 31,2025	Undue	Overdue up to 30 days	From 31 60 days	From 61- 90 days	Over 90 days	Total
Loans and receivables from banks	-	-	-	-	-	-
Loans and receivables from customers	8,570	2,343	443	141	-	11,497
<b>Retail loans</b>	<b>931</b>	<b>606</b>	<b>220</b>	<b>5</b>	<b>-</b>	<b>1,762</b>
Housing loans	435	-	-	3	-	439
Cash non-purpose loans	157	496	177	1	-	832
Purchase of cars	-	-	-	-	-	-
Refurbishment of residential space or business premises	-	-	-	-	-	-
Other	339	109	43	-	-	491
<b>Corporate loans</b>	<b>7,635</b>	<b>1,727</b>	<b>219</b>	<b>134</b>	<b>-</b>	<b>9,715</b>
Government of Montenegro	-	-	-	-	-	-
Privately-owned companies	5,899	1,727	219	134	-	7,979
State-owned companies	-	-	-	-	-	-
Non-resident companies	1,439	-	-	-	-	1,439
Other financial institutions, residents	-	-	-	-	-	-
Non-governmental and other non-profit organisations	188	-	-	-	-	188
Public services of local self-governmen units	110	-	-	-	-	110
Loans to entrepreneur	-	-	-	-	-	-
<b>Total loans</b>	<b>8,567</b>	<b>2,333</b>	<b>439</b>	<b>139</b>	<b>-</b>	<b>11,477</b>
Out of which: restructured	157	130	80	-	-	367
Interest and other receivables	4	10	4	2	-	20
<b>December 31, 2024</b>	<b>Undue</b>	<b>Overdue up to 30 days</b>	<b>From 31 60 days</b>	<b>From 61- 90 days</b>	<b>Over 90 days</b>	<b>Total</b>
Loans and receivables from banks	-	-	-	-	-	-
Loans and receivables from customers	12,964	4,189	431	19	-	17,603
<b>Retail loans</b>	<b>574</b>	<b>70</b>	<b>255</b>	<b>19</b>	<b>-</b>	<b>918</b>
Housing loans	-	-	-	-	-	-
Cash non-purpose loans	528	52	98	-	-	678
Purchase of cars	-	-	-	-	-	-
Refurbishment of residential space or business premise	-	-	-	-	-	-
Other	46	18	157	19	-	241
<b>Corporate loans</b>	<b>12,385</b>	<b>4,099</b>	<b>172</b>	<b>-</b>	<b>-</b>	<b>16,656</b>
Government of Montenegro	-	-	-	-	-	-
Privately-owned companies	12,366	4,099	172	-	-	16,637
State-owned companies	-	-	-	-	-	-
Non-resident companies	-	-	-	-	-	-
Other financial institutions, residents	-	-	-	-	-	-
Non-governmental and other non-profit organisations	19	-	-	-	-	19
Public services of local self-governmen units	-	-	-	-	-	1
Loans to entrepreneur	-	-	-	-	-	-
<b>Total loans</b>	<b>12,960</b>	<b>4,169</b>	<b>427</b>	<b>19</b>	<b>-</b>	<b>17,575</b>
Out of which: restructured	2,961	740	-	-	-	3,701
Interest and other receivables	4	20	4	-	-	29

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## RECEIVABLES FROM CUSTOMERS BY OVERDUE DAYS – STAGE 3

December 31, 2025	Undue	Overdue up to 30 days	From 31 60 days	From 61-90 days	Over 90 days	Total
Loans and receivables from banks	-	-	-	-	-	-
Loans and receivables from customers	6,379	50	-	-	383	6,811
Retail loans	39	45	-	-	197	281
Housing loans	-	-	-	-	-	-
Cash non-purpose loans	1	25	-	-	60	87
Purchase of cars	-	-	-	-	-	-
Refurbishment of residential space or business premises	-	-	-	-	-	-
Other	38	20	-	-	136	194
Corporate loans	6,317	5	-	-	134	6,455
Government of Montenegro	-	0	-	-	-	-
Privately-owned companies	5,539	5	-	-	134	5,678
State-owned companies	-	-	-	-	-	-
Non-resident companies	773	-	-	-	-	773
Other financial institutions, residents	-	-	-	-	-	-
Non-governmental and other non-profit organisations	5	-	-	-	-	5
Public services of local self-governmen units	-	-	-	-	-	-
Loans to entrepreneur	-	-	-	-	-	-
Total loans	6,355	50	-	-	331	6,736
Out of which: restructured	6,234	-	-	-	134	6,367
Interest and other receivables	23	-	-	-	52	76
December 31, 2024	Undue	Overdue up to 30 days	From 31 60 days	From 61-90 days	Over 90 days	Total
Loans and receivables from banks	-	-	-	-	-	-
Loans and receivables from customers	5,718	38	-	-	1,820	7,576
Retail loans	18	9	-	-	143	171
Housing loans	-	-	-	-	-	-
Cash non-purpose loans	2	6	-	-	58	65
Purchase of cars	-	-	-	-	-	-
Refurbishment of residential space or business premises	-	-	-	-	-	-
Other	17	4	-	-	85	106
Corporate loans	5,677	29	-	-	1,607	7,312
Government of Montenegro	-	-	-	-	-	-
Privately-owned companies	5,677	29	-	-	134	5,839
State-owned companies	-	-	-	-	-	-
Non-resident companies	-	-	-	-	1,473	1,473
Other financial institutions, residents	-	-	-	-	-	-
Non-governmental and other non-profit organisations	-	-	-	-	-	-
Public services of local self-governmen units	-	-	-	-	-	-
Loans to entrepreneur	-	-	-	-	-	-
Total loans	5,695	38	-	-	1,750	7,483
Out of which: restructured	5,569	-	-	-	134	5,703
Interest and other receivables	24	-	-	-	70	93

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

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**4. RISK MANAGEMENT (Continued)****4.5 Credit risk (Continued)****SECURITIES BY DAYS OVERDUE**

All securities in the Bank's portfolio are classified in Stage 1. Historically, the Bank has realized all cash flows from purchased instruments in a timely manner, without delay. .

## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## SHARE OF NON-PERFORMING EXPOSURES-STAGE 3 IN TOTAL LOANS

December 31, 2025	Gross exposure	Impairment allowance	S3 receivables	Impairment allowance S3	Restructured S3 receivables	Impairment allowance restructured S3 receivables	Share of S3 receivables in gross exposures
Loans and receivables from banks	70,979	106	-	-	-	-	0.00%
Loans and receivables from customers	156,080	2,880	6,811	1,303	6,421	1,069	4.36%
<b>Retail loans</b>	<b>72,587</b>	<b>668</b>	<b>281</b>	<b>195</b>	-	-	<b>0.39%</b>
Housing loans	10,579	59	-	-	-	-	0.00%
Cash non-purpose loans	31,862	275	87	47	-	-	0.27%
Purchase of cars	140	1	-	-	-	-	0.00%
Refurbishment of residential space or business premises	1,510	9	-	-	-	-	0.00%
Other	28,496	325	194	148	-	-	0.68%
<b>Corporate loans</b>	<b>83,138</b>	<b>2,157</b>	<b>6,455</b>	<b>1,056</b>	<b>6,367</b>	<b>1,038</b>	<b>7.76%</b>
Administrative and support service activities	1,999	64	-	-	-	-	0.00%
Financial and insurance activities	1,090	6	-	-	-	-	0.00%
Construction	12,000	137	5	2	-	-	0.04%
Information and communication	2,683	35	-	-	-	-	0.00%
Education	27	3	-	-	-	-	0.00%
Other service activities	3,053	52	-	-	-	-	0.00%
Agriculture, forestry and fishing	291	3	-	-	-	-	0.00%
Real estate operations	2,059	10	-	-	-	-	0.00%
Processing industry	12,272	256	134	133	134	133	1.09%
Traffic and warehousing	4,381	63	3	1	-	-	0.06%
Water supply	613	30	-	-	-	-	0.00%
Professional, scientific and technical activities	3,270	55	-	-	-	-	0.00%
Trade	12,475	801	838	590	773	579	6.72%
Art, entertainment and recreation	697	44	5	2	-	-	0.71%
Accommodation and catering services	16,104	408	5,471	328	5,461	326	33.97%
Extraction of ores and stone	1,813	83	-	-	-	-	0.00%
Healthcare and social security	605	15	-	-	-	-	0.00%
State administration and defence, mandatory social insurance	7,706	91	-	-	-	-	0.00%
<b>Loans to entrepreneurs</b>	<b>65</b>	-	-	-	-	-	<b>0.00%</b>
<b>Interest and other receivables</b>	<b>290</b>	<b>55</b>	<b>76</b>	<b>52</b>	<b>53</b>	<b>31</b>	<b>26.12%</b>

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## SHARE OF NON-PERFORMING EXPOSURES-STAGE 3 IN TOTAL LOANS (Continued)

December 31, 2024	Gross exposure	Impairment allowance	S3 receivables	Impairment allowance S3	Restructured S3 receivables	Impairment allowance restructured S3 receivables	Share of S3 receivables in gross exposures
Loans and receivables from banks	62,167	122	-	-	-	-	0.00%
Loans and receivables from customers	123,055	2,454	7,576	1,252	5,742	382	6.16%
Retail loans	45,034	414	171	107	-	-	0.38%
Housing loans	8,716	53	-	-	-	-	0.00%
Cash non-purpose loans	16,090	140	65	24	-	-	0.41%
Purchase of cars	-	-	-	-	-	-	0.00%
Refurbishment of residential space or business premises	1,161	7	-	-	-	-	0.00%
Other	19,066	214	106	83	-	-	0.55%
Corporate loans	77,741	1,999	7,312	1,106	5,703	369	9.41%
Administrative and support service activities	1,348	41	-	-	-	-	0.00%
Financial and insurance activities	1,572	53	-	-	-	-	0.00%
Construction	11,393	161	41	-	-	-	0.36%
Information and communication	2,706	30	-	-	-	-	0.00%
Education	48	1	-	-	-	-	0.00%
Other service activities	2,410	22	-	-	-	-	0.00%
Agriculture, forestry and fishing	193	3	-	-	-	-	0.00%
Real estate operations	3,646	13	-	-	-	-	0.00%
Processing industry	9,170	176	134	100	134	100	1.46%
Traffic and warehousing	5,084	52	5	2	-	-	0.10%
Water supply	725	4	-	-	-	-	0.00%
Professional, scientific and technical activities	1,435	45	-	-	-	-	0.00%
Trade	11,586	869	1,554	731	-	-	13.41%
Art, entertainment and recreation	819	9	-	-	-	-	0.00%
Accommodation and catering services	14,041	377	5,578	273	5,569	269	39.73%
Extraction of ores and stone	448	8	-	-	-	-	0.00%
Healthcare and social security	1,136	12	-	-	-	-	0.00%
State administration and defence, mandatory social insurance	9,981	122	-	-	-	-	0.00%
Loans to entrepreneurs	80	-	-	-	-	-	0.00%
Interest and other receivables	201	40	93	39	39	13	46.26%

As of December 31, 2024, the Bank has one guarantee in the amount of EUR 342.50 on the off-balance sheet in S3.

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## MOVEMENTS IN S3 RECEIVABLES

	Gross as at December 31, 2024	New S3 customers	Decrease in S3 customers	Exchange rate impact	Other changes	Gross as at December 31, 2025	Net as at December 31, 2025
Loans and receivables from banks	7,576	200	605	-	(360)	6,811	5,508
Loans and receivables from customers	171	130	2	-	(19)	280	86
Retail loans	-	-	-	-	-	-	-
Housing loans	65	35	2	-	(12)	86	40
Cash non-purpose loans	-	-	-	-	-	-	-
Purchase of cars	-	-	-	-	-	-	-
Refurbishment of residential space or business premises	106	95	-	-	(7)	194	46
Other	7,312	65	574	-	(347)	6,455	5,399
Corporate loans	-	-	-	-	-	-	-
Government of Montenegro	5,839	60	98	-	(123)	5,678	5,204
Privately-owned companies	-	-	-	-	-	-	-
State-owned companies	1,473	-	476	-	(224)	773	193
Non-resident companies	-	-	-	-	-	-	-
Other financial institutions, residents	-	5	-	-	-	5	3
Loans to entrepreneurs	-	-	-	-	-	-	-
Interest and other receivables	93	5	29	-	6	76	23

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## MOVEMENTS IN S3 RECEIVABLES (Continued)

	Gross as of December 31, 2023	New S3 customers	Decrease in S3 customers	Exchange rate impact	Other changes	Gross as of December 31, 2024	Net as of December 31, 2024
Loans and receivables from banks	6,825	1,710	29	-	(930)	7,576	6,324
Loans and receivables from customers	130	76	15	-	(20)	171	64
Retail loans	-	-	-	-	-	-	-
Housing loans	43	52	15	-	(15)	65	41
Cash non-purpose loans	-	-	-	-	-	-	-
Purchase of cars	-	-	-	-	-	-	-
Refurbishment of residential space or business premises	87	24	-	-	(5)	106	23
Other	6,661	1,589	13	-	(925)	7,312	6,205
Corporate loans	-	-	-	-	-	-	-
Government of Montenegro	6,661	116	13	-	(925)	5,839	5,436
Privately-owned companies	-	-	-	-	-	-	-
State-owned companies	-	1,473	-	-	-	1,473	770
Non-resident companies	-	-	-	-	-	-	-
Other financial institutions, residents	-	-	-	-	-	-	-
Loans to entrepreneurs	-	-	-	-	-	-	-
Interest and other receivables	34	45	1	-	15	93	55

As of December 31, 2024, the Bank has one guarantee in the amount of EUR 342.50 on the off-balance sheet in S3.

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## RESTRUCTURING OF RECEIVABLES

December 31, 2025	Gross exposure	Restructured receivables gross exposure	S 1 restructured receivables	S 2 restructured receivables	S 3 restructured receivables	Impairment allowance of restructured receivables	Impairment allowance of restructured receivables S1	Impairment allowance of restructured receivables S2	Impairment allowance of restructured receivables S3	Share of restructured receivables in gross exposures
Loans and receivables from customers	156,080	6,788	-	367	6,420	1,081	-	12	1,069	4%
Retail loans	72,587	-	-	-	-	-	-	-	-	0%
Housing loans	10,579	-	-	-	-	-	-	-	-	0%
Cash non-purpose loans	31,862	-	-	-	-	-	-	-	-	0%
Purchase of cars	140	-	-	-	-	-	-	-	-	0%
Refurbishment of residential space or business premises	1,510	-	-	-	-	-	-	-	-	0%
Other	28,496	-	-	-	-	-	-	-	-	0%
Corporate loans	83,138	6,734	-	367	6,367	1,050	-	12	1,038	8%
Administrative and support service activities	1,999	130	-	130	-	1	-	1	-	6%
Financial and insurance activities	1,090	-	-	-	-	-	-	-	-	0%
Construction	12,000	157	-	157	-	1	-	1	-	1%
Information and communication	2,683	-	-	-	-	-	-	-	-	0%
Education	27	-	-	-	-	-	-	-	-	0%
Other service activities	3,053	-	-	-	-	-	-	-	-	0%
Agriculture, forestry and fishing	291	-	-	-	-	-	-	-	-	0%
Real estate operations	2,059	-	-	-	-	-	-	-	-	0%
Processing industry	12,272	214	-	80	134	143	-	10	133	2%
Traffic and warehousing	4,381	-	-	-	-	-	-	-	-	0%
Water supply	613	-	-	-	-	-	-	-	-	0%
Professional, scientific and technical activities	3,270	-	-	-	-	-	-	-	-	0%
Trade	12,475	773	-	-	773	579	-	-	579	6%
Art, entertainment and recreation	697	-	-	-	-	-	-	-	-	0%
Accommodation and catering services	16,104	5,461	-	-	5,461	326	-	-	326	34%
Extraction of ores and stone	1,813	-	-	-	-	-	-	-	-	0%
Healthcare and social security	605	-	-	-	-	-	-	-	-	0%
State administration and defence, mandatory social insurance	7,706	-	-	-	-	-	-	-	-	0%
Loans to entrepreneurs	65	-	-	-	-	-	-	-	-	0%
Interest and other receivables	290	54	-	1	53	31	-	-	31	19%

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

4.5 Credit risk (Continued)  
RESTRUCTURING OF RECEIVABLES

	Gross exposure	Restructured receivables gross exposure	S 1 restructured receivables	S 2 restructured receivables	S 3 restructured receivables	Impairment allowance of restructured receivables	Impairment allowance of restructured receivables	Impairment allowance of restructured receivables	Impairment allowance of restructured receivables	Share of restructured receivables in gross exposures
December 31, 2024	123,055	9,447	-	3,705	5,742	414	-	32	382	8%
Loans and receivables from customers	45,034	500	-	500	-	3	-	3	-	1%
Retail loans	8,716	-	-	-	-	-	-	-	-	0%
Cash non-purpose loans	16,090	500	-	500	-	3	-	3	-	3%
Purchase of cars	-	-	-	-	-	-	-	-	-	0%
Refurbishment of residential space or business premises	1,161	-	-	-	-	-	-	-	-	0%
Other	19,066	-	-	-	-	-	-	-	-	0%
<b>Corporate loans</b>	<b>77,741</b>	<b>8,904</b>	-	<b>3,201</b>	<b>5,703</b>	<b>398</b>	-	<b>29</b>	<b>369</b>	<b>11%</b>
Administrative and support service activities	1,348	250	-	250	-	11	-	11	-	19%
Financial and insurance activities	1,572	-	-	-	-	0	-	-	-	0%
Construction	11,393	2,951	-	2,951	-	18	-	18	-	26%
Information and communication	2,706	-	-	-	-	-	-	-	-	0%
Education	47	-	-	-	-	-	-	-	-	0%
Other service activities	2,410	-	-	-	-	-	-	-	-	0%
Agriculture, forestry and fishing	194	-	-	-	-	-	-	-	-	0%
Real estate operations	3,646	-	-	-	-	-	-	-	-	0%
Processing industry	9,170	134	-	-	134	100	-	-	100	1%
Traffic and warehousing	5,084	-	-	-	-	-	-	-	-	0%
Water supply	725	-	-	-	-	-	-	-	-	0%
Professional, scientific and technical activities	1,435	-	-	-	-	-	-	-	-	0%
Trade	11,586	-	-	-	-	-	-	-	-	0%
Art, entertainment and recreation	819	-	-	-	-	-	-	-	-	0%
Accommodation and catering services	14,041	5,569	-	-	5,569	269	-	-	269	40%
Extraction of ores and stone	448	-	-	-	-	-	-	-	-	0%
Healthcare and social security	1,136	-	-	-	-	-	-	-	-	0%
State administration and defence, mandatory social insurance	9,981	-	-	-	-	-	-	-	-	0%
Loans to entrepreneurs	80	-	-	-	-	-	-	-	-	0%
<b>Interest and other receivables</b>	<b>201</b>	<b>43</b>	-	<b>4</b>	<b>39</b>	<b>13</b>	-	-	<b>13</b>	<b>21%</b>

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**ZAPAD BANKA A.D. PODGORICA**

**Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)**

**4.5 Credit risk (Continued)**

**CHANGES IN RESTRUCTURED S1 RECEIVABLES**

During 2025 and 2024, there was no restructuring of S1 clients.

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## CHANGES IN RESTRUCTURED S2 RECEIVABLES

	Gross restructured S2 receivables as of 31 December 2024	New restructured S2 receivables	Decrease in restructured S2 receivables	Exchange rate impact	Other changes – decrease (increase/decr ease based on the transfer of already restructured loans to S2/ the transfer of already restructured loans to S3)	Gross as of 31 December, 2025	Net as of 31 December, 2025
Loans and receivables from customers	3,705	81	3,419	-	-	368	356
Retail loans	500	-	500	-	-	-	-
Corporate loans	3,201	80	2,914	-	-	367	355
Government of Montenegro	-	-	-	-	-	-	-
Privately-owned companies	3,201	80	2,914	-	-	367	355
State-owned companies	-	-	-	-	-	-	-
Non-resident companies	-	-	-	-	-	-	-
Other financial institutions, residents	-	-	-	-	-	-	-
Non-governmental and other non-profit organisations	-	-	-	-	-	-	-
Loans to entrepreneurs	-	-	-	-	-	-	-
Interest and other receivables	4	1	4	-	-	1	1

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## CHANGES IN RESTRUCTURED S2 RECEIVABLES (Continued)

	Gross restructured S2 receivables as of December 31, 2023.	New restructured S2 receivables	Decrease in restructured S2 receivables	Exchang e rate impact	Other changes – decrease (increase/decr ease based on the transfer of already restructured loans to S2/ the transfer of already restructured loans to S3)	Gross restructure d S2 receivables as of December 31,2024	Net as af December 31,2024
Loans and receivables from customers	1,768	2,196	751	-	493	3,705	3,673
Retail loans	27	500	27	-	-	500	497
Corporate loans	1,738	1,695	722	-	490	3,201	3,172
Government of Montenegro	-	-	-	-	-	-	-
Privately-owned companies	1,738	1,695	722	-	490	3,201	3,172
State-owned companies	-	-	-	-	-	-	-
Non-resident companies	-	-	-	-	-	-	-
Other financial institutions, residents	-	-	-	-	-	-	-
Non-governmental and other non-profit organisations	-	-	-	-	-	-	-
Loans to entrepreneurs	-	-	-	-	-	-	-
Interest and other receivables	2	1	2	-	3	4	4

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## CHANGES IN RESTRUCTURED S3 RECEIVABLES

	Gross restructured S3 receivables as of December 31, 2024	New restructured S3 receivables	Decrease in restructured receivables	Exchange rate impact	Other changes (increase based on the transfer of already restructured loans to S3)	Gross as of December 31, 2025	Net as of December 31, 2025
Loans and receivables from customers	5,742	773	94	-	-	6,420	1,069
Retail loans	-	-	-	-	-	-	-
Corporate loans	5,703	773	108	-	-	6,367	1,038
Government of Montenegro	-	-	-	-	-	-	-
Privately-owned companies	5,703	-	108	-	-	5,595	459
State-owned companies	-	-	-	-	-	-	-
Non-resident companies	-	773	-	-	-	772	579
Other financial institutions, residents	-	-	-	-	-	-	-
Non-governmental and other non-profit organisations	-	-	-	-	-	-	-
Loans to entrepreneurs	-	-	-	-	-	-	-
Interest and other receivables	39	-	-14	-	-	53	31

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## CHANGES IN RESTRUCTURED S3 RECEIVABLES (Continued)

	Gross restructured S3 receivables as of December 31 2023	New restructured S3 receivables	Decrease in restructured S3 receivables	Exchange rate impact	Other changes (increase based on the transfer of already restructured loans to S3)	Gross as of December 31, 2024	Net as of December 31, 2024
Loans and receivables from customers	6,625	-	65	-	818	5,742	5,360
Retail loans	-	-	-	-	-	-	-
Corporate loans	6,596	-	79	-	814	5,703	5,334
Government of Montenegro	-	-	-	-	-	-	-
Privately-owned companies	6,596	-	79	-	814	5,703	5,334
State-owned companies	-	-	-	-	-	-	-
Non-resident companies	-	-	-	-	-	-	-
Other financial institutions, residents	-	-	-	-	-	-	-
Non-governmental and other non-profit organisations	-	-	-	-	-	-	-
Loans to entrepreneurs	-	-	-	-	-	-	-
Interest and other receivables	29	-	-14	-	4	39	26

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.5 Credit risk (Continued)****Concentration Risk**

Concentration risk is the risk of the occurrence of negative consequences for the Bank due to the existence of an individual, direct and indirect exposure to one party, a group of related parties, i.e. a central counterparty, or the existence of a set of exposures associated with common risk factors .

Concentration risk is identified by the Bank: when approving credit exposures; investing in securities and depositing funds in correspondent accounts and commercial bank accounts .

The Bank monitors and manages the concentration risk related to :

- Individual persons and groups of related persons ;
- Exposure groups linked by common factors (activity, geographic area, similar businesses, application of the same credit risk reduction techniques);
- Entire credit portfolio.

The Bank monitors the concentration risk related to individual persons and groups of related persons through the indicator of large exposures. The Bank's exposure to one person or a group of related persons is considered a large exposure if its value is equal to or exceeds 10% of the Bank's basic capital. The highest amount of the Bank's exposure to one person or a group of related persons, after taking into account the effects of credit risk mitigation techniques, in accordance with the Law on Credit Institutions, may not exceed 25% of the Bank's basic capital, i.e. the established internal limit is 24.5% of the basic capital.

Groups of exposure linked by common risk factors are: Exposure according to economic sectors (industries); exposure according to geographic areas, exposure according to types of credit products and the application of the same credit risk reduction techniques.

The Bank monitors the concentration risk based on exposure to non-residents within the country risk, which is in line with the Bank's risk appetite .

The Bank is not significantly exposed to concentration risk arising from the use of guarantees and other guarantees and credit derivatives, because the dominant instrument for reducing credit risk for the Bank's exposures is cash and cash equivalents deposited in the Bank's accounts. Furthermore, the Bank does not automatically approve credit placements to clients on the basis of coverage with a recognised credit risk reduction instrument (cash and cash equivalents deposited in the Bank's accounts). Each credit placement in the Bank, regardless of credit risk reduction instruments, is subject to a special risk analysis and requires a decision by the authorised competent committee.

The Risk Control Sector monitors internal limits and reports to ALCO and the Bank's Management Board on the Bank's exposure to concentration risk (on a monthly basis). Operational limits are set at the RAS risk tolerance level. .

- High exposure (limit 24.5% of basic capital, tolerance 25% of basic capital));
- Concentration of credit exposures to individual clients (top 10) – (limit 33%, tolerance 38%);
- Concentration of credit exposures of non-residents in total credit exposures (limit 15%, tolerance 20%)
- Exposure to one industry branch in the total credit portfolio – (limit 24%. tolerance 28%);
- Exposure limit for debt securities in total assets – (limit 45%, tolerance 50%).

For the calculation of internal capital requirements and stress testing (on a quarterly basis), the Bank can use the HHI indexes: Individual concentration index (HHIi) of the credit portfolio; Sector concentration index; HHIs); Geographic Concentration Index (HHIg) and Product Concentration Index (HHIp).

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## Concentration Risk

## LOANS AND RECEIVABLES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS BY INDUSTRY AND GEOGRAPHICAL EXPOSURE CONCENTRATION

December 31, 2025	Receivables from S1 and S2 customers				Receivables from S3 customers					
	Montenegro	USA	Germany	Croatia	Other	Montenegro	USA	Germany	Croatia	Other
Loans and receivables from banks	1,940	-	35,836	9,413	23,684	-	-	-	-	-
Loans and receivables from customers	141,005	-	-	975	6,070	5,316	-	193	-	-
Retail loans	69,528	-	-	-	2,424	86	-	-	-	-
Housing loans	8,115	-	-	-	2,416	-	-	-	-	-
Cash non-purpose loans	31,595	-	-	-	8	40	-	-	-	-
Purchase of cars	139	-	-	-	-	-	-	-	-	-
Refurbishment of residential space or business premises	1,504	-	-	-	-	-	-	-	-	-
Other	28,175	-	-	-	-	46	-	-	-	-
Corporate loans	71,203	-	-	975	3,643	5,207	-	193	-	-
Administrative and support service activities	967	-	-	975	-	-	-	-	-	-
Financial and insurance activities	1,089	-	-	-	-	-	-	-	-	-
Construction	11,904	-	-	-	-	3	-	-	-	-
Information and communication	2,652	-	-	-	-	-	-	-	-	-
Education	26	-	-	-	-	-	-	-	-	-
Other service activities	3,007	-	-	-	-	-	-	-	-	-
Agriculture, forestry and fishing	288	-	-	-	-	-	-	-	-	-
Real estate operations	2,056	-	-	-	-	-	-	-	-	-
Processing industry	12,045	-	-	-	-	1	-	-	-	-
Traffic and warehousing	4,329	-	-	-	-	2	-	-	-	-
Water supply	585	-	-	-	-	-	-	-	-	-
Professional, scientific and technical activities	3,229	-	-	-	-	-	-	-	-	-
Trade	8,825	-	-	-	2,649	56	-	193	-	-
Art, entertainment and recreation	653	-	-	-	-	3	-	-	-	-
Accommodation and catering services	10,587	-	-	-	-	5,143	-	-	-	-
Extraction of ores and stone	741	-	-	-	994	-	-	-	-	-
Healthcare and social security	593	-	-	-	-	-	-	-	-	-
State administration and defence, mandatory social insurance	7,626	-	-	-	-	-	-	-	-	-
Loans to entrepreneurs	65	-	-	-	-	-	-	-	-	-
Interest and other receivables	209	-	-	-	3	23	-	-	-	-
Securities (at amortised cost)	52,447	61,554	14,215	-	36,603	-	-	-	-	-
Securities (at FVTOCI)	-	-	-	-	-	-	-	-	-	-
Off-balance sheet items	33,020	-	-	-	1,707	1	-	-	-	-
Guarantees	26,519	-	-	-	394	-	-	-	-	-
Irrevocable commitments	6,501	-	-	-	1,314	-	-	-	-	-
<b>Total</b>	<b>228,411</b>	<b>61,554</b>	<b>50,051</b>	<b>10,387</b>	<b>68,065</b>	<b>5,316</b>	<b>-</b>	<b>193</b>	<b>-</b>	<b>-</b>

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## Concentration Risk

## LOANS AND RECEIVABLES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS BY INDUSTRY AND GEOGRAPHICAL EXPOSURE CONCENTRATION (Continued)

December 31, 2024

	Receivables from S1 and S2 customers				Receivables from S3 customers					
	Montenegro	Germany	USA	BIH	Other	Montenegro	Germany	USA	BIH	Other
Loans and receivables from banks	2,325	38,073	-	9,726	11,921	-	-	-	-	-
Loans and receivables from customers	107,129	-	2,569	-	4,937	5,528	797	-	-	-
Retail loans	39,965	-	-	-	4,742	64	-	-	-	-
Housing loans	4,584	-	-	-	4,093	-	-	-	-	-
Cash non-purpose loans	15,470	-	-	-	497	41	-	-	-	-
Purchase of cars	0	-	-	-	0	-	-	-	-	-
Refurbishment of residential space or business premises	1,157	-	-	-	0	-	-	-	-	-
Other	18,754	-	-	-	152	23	-	-	-	-
<b>Corporate loans</b>	<b>66,978</b>	<b>-</b>	<b>2,569</b>	<b>-</b>	<b>195</b>	<b>5,436</b>	<b>770</b>	<b>-</b>	<b>-</b>	<b>-</b>
Administrative and support service activities	1,313	-	-	-	-	-	-	-	-	-
Financial and insurance activities	1,524	-	-	-	-	-	-	-	-	-
Construction	11,235	-	-	-	-	41	-	-	-	-
Information and communication	2,679	-	-	-	-	-	-	-	-	-
Education	47	-	-	-	-	-	-	-	-	-
Other service activities	2,395	-	-	-	-	-	-	-	-	-
Agriculture, forestry and fishing	191	-	-	-	-	-	-	-	-	-
Real estate operations	3,643	-	-	-	-	-	-	-	-	-
Processing industry	8,797	-	-	-	195	33	-	-	-	-
Traffic and warehousing	5,044	-	-	-	-	3	-	-	-	-
Water supply	723	-	-	-	-	-	-	-	-	-
Professional, scientific and technical activities	1,395	-	-	-	-	-	-	-	-	-
Trade	7,353	-	2,569	-	-	54	770	-	-	-
Art, entertainment and recreation	813	-	-	-	-	-	-	-	-	-
Accommodation and catering services	8,381	-	-	-	-	5,306	-	-	-	-
Extraction of ores and stone	440	-	-	-	-	-	-	-	-	-
Healthcare and social security	1,127	-	-	-	-	-	-	-	-	-
State administration and defence, mandatory social insurance	9,878	-	-	-	-	-	-	-	-	-
<b>Loans to entrepreneurs</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Interest and other receivables</b>	<b>106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Securities (at amortised cost)</b>	<b>53,004</b>	<b>9,077</b>	<b>31,446</b>	<b>-</b>	<b>43,010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Securities (at FVTOCI)</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet items</b>	<b>23,088</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,373</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Guarantees	17,095	-	-	-	1,061	-	-	-	-	-
Irrevocable commitments	5,994	-	-	-	5,312	-	-	-	-	-
<b>Total</b>	<b>185,546</b>	<b>47,150</b>	<b>34,015</b>	<b>9,726</b>	<b>66,241</b>	<b>5,528</b>	<b>797</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.5 Credit risk (Continued)****Security Instruments Received**

The Bank has implemented a credit risk management system, which aims to ensure optimal management of insurance instruments (collaterals) and reduce potential credit loss in case of debtor's default. The collateral policy, which is in line with the requirements of the regulator, prescribes the acceptability of security instruments (collateral) by type, valuation and monitoring rules, and ensures reliability, legal enforceability and timely collection from collateral, while technological support enables the recording of acceptable security instruments and the control of parameters that affect their valuation.

The insurance instrument can appear in several forms: real estate, movable property, cash deposit, securities, insurance policies, in the form of intangible credit protection: guarantees and other collaterals accepted in accordance with the EU and local regulations.

Insurance instruments are accepted exclusively as a secondary (additional) source of credit risk insurance (primary is the creditworthiness of the client/debtor) and cannot serve as a substitute for the debtor's ability to fulfil obligations.

The bank evaluates the acquired security instruments as part of the loan/placement approval process. The assessment is subject to regular audit.

During the duration of the contractual relationship, the Bank hired an independent external appraiser for immovable properties to carry out revaluations: for immovable properties used for business purposes - at least once a year; for residential real estate - at least once every three years; in shorter terms in case of significant changes in the market.

The collateral must be reevaluated by a professional external appraiser at the latest when the credit exposure becomes a non-performing exposure and before the Bank decides to initiate legal proceedings. For all non-performing exposures, collateral valuations should be updated when the exposure is classified as non-performing and at least annually for as long as it is classified as non-performing.

All real estate pledged with the Bank is insured against the occurrence of adverse events, whereby the insurance policy is provided for a term that is at least equal to the maturity of the loan. For movable property such as vehicles, aircraft and vessels and other equipment, an insurance policy is provided on an annual basis. For the insurance of equipment and machinery, an insurance policy is provided on an annual basis.

## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## COLLATERALISED LOANS AND RECEIVABLES FROM CUSTOMERS

December 31, 2025	S 1 customers			S 2 customers			S 3 customers		
	Property	Deposits	Other collaterals	Property	Deposits	Other collaterals	Property	Deposits	Other collaterals
<b>Retail loans</b>	<b>29,873</b>	<b>1,126</b>	<b>39,134</b>	<b>1,069</b>	<b>-</b>	<b>633</b>	<b>22</b>	<b>-</b>	<b>64</b>
Housing loans	8,337	954	794	436	-	-	-	-	-
Cash non-purpose loans	7,902	165	22,694	277	-	509	22	0	18
Purchase of cars	61	-	78	-	-	-	-	-	-
Refurbishment of residential space and business premise	1,501	-	1,501	-	-	-	-	-	-
Other	12,072	7	15,568	355	-	124	-	-	46
<b>Corporate loans</b>	<b>36,644</b>	<b>5,051</b>	<b>24,530</b>	<b>6,137</b>	<b>1,017</b>	<b>2,204</b>	<b>49</b>	<b>5,136</b>	<b>214</b>
Government of Montenegro	-	-	7,615	-	-	-	-	-	-
Privately-owned companies	35,080	4,477	12,281	6,137	23	1,519	49	5,136	19
State-owned companies	-	574	-	-	-	-	-	-	-
Non-resident companies	-	-	3,178	-	994	427	-	-	193
Other financial institutions, residents	159	-	0	-	-	-	-	-	-
Non-governmental and other non-profit organisations	1,404	-	1,456	-	-	163	-	-	3
Public services of local self-government units	-	-	-	-	-	95	-	-	-
<b>Loans to entrepreneurs</b>	<b>50</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>66,566</b>	<b>6,177</b>	<b>63,678</b>	<b>7,205</b>	<b>1,017</b>	<b>2,837</b>	<b>71</b>	<b>5,136</b>	<b>278</b>
			<b>136,422</b>			<b>11,060</b>			<b>5,485</b>

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## ZAPAD BANKA A.D. PODGORICA

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.5 Credit risk (Continued)

## COLLATERALISED LOANS AND RECEIVABLES FROM CUSTOMERS

December 31, 2024	S 1 customers			S 2 customers			S 3 customers			
	Property	Deposits	Other collateral	Property	Deposits	Other collateral	Property	Deposits	Other collateral	
<b>Retail loans</b>	<b>17,650</b>	<b>3,200</b>	<b>22,826</b>	<b>137</b>	<b>497</b>	<b>246</b>	<b>27</b>	<b>-</b>	<b>37</b>	<b>64</b>
Housing loans	5,134	3,045	483	-	-	-	-	-	-	-
Cash non-purpose loans	4,871	145	10,238	-	497	158	27	-	14	41
Purchase of cars	-	-	-	-	-	-	-	-	-	-
Refurbishment of residential space and business premise	1,154	-	1,154	-	-	-	-	-	-	-
Other	6,491	10	12,104	137	-	88	-	-	23	23
<b>Corporate loans</b>	<b>19,620</b>	<b>5,093</b>	<b>28,396</b>	<b>15,936</b>	<b>-</b>	<b>491</b>	<b>93</b>	<b>5,300</b>	<b>812</b>	<b>6,205</b>
Government of Montenegro	-	-	9,860	-	-	-	-	-	-	-
Privately-owned companies	17,478	3,161	14,598	15,936	-	474	93	5,300	42	5,436
State-owned companies	-	1,932	-	-	-	-	-	-	-	-
Non-resident companies	-	-	2,758	-	-	-	-	-	770	770
Other financial institutions, residents	273	-	273	-	-	-	-	-	-	-
Non-governmental and other non-profit organisations	1,869	-	497	-	-	17	-	-	-	-
Public services of local self-government units	-	-	684	-	-	-	-	-	-	-
<b>Loans to entrepreneurs</b>	<b>80</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>37,350</b>	<b>8,292</b>	<b>51,222</b>	<b>16,073</b>	<b>497</b>	<b>737</b>	<b>120</b>	<b>5,300</b>	<b>849</b>	<b>6,269</b>

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**Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**4. RISK MANAGEMENT (Continued)****4.6. Risk of Excessive Financial Leverage**

The risk of excessive financial leverage is the risk arising from the Bank's vulnerability due to existing or potential financial leverage that may lead to unwanted changes to the Bank's business plan, including the forced sale of assets that may lead to losses or to the adjustment of the value of the Bank's remaining assets.

Measuring and limiting the risk of excessive financial leverage is done by monitoring regulatory limits, as well as establishing internal exposure limits to the risk of excessive financial leverage. In order to manage this risk, the Bank, in addition to regulatory limits, also monitors internal limits and tolerance. The regulatory limit for the financial leverage coefficient is defined at a minimum level of 3%, while the internal limit is defined at a minimum level of 4.50% and the tolerance at a minimum level of 4.00%.

In order to mitigate the risk of excessive financial leverage, the Bank proactively undertakes activities to monitor deviations of the realized values of balance sheet positions compared to the planned ones, whereby in the event of significant balance sheet positions exceeding the amount of more than 15% compared to the business plan (budget), it considers the need to revise internal acts and performs a review of sufficient capitalisation, in order to assess the Bank's risk profile and define the measures that need to be taken. Significant balance sheet items are considered to be: asset size, loan amount and securities amount.

On a quarterly basis, the Bank assesses the exposure to the risk of excessive financial leverage, operations within the established limits, while monthly it monitors the excesses of the realised values compared to the planned ones and takes measures in case of a significant excess of the realised values compared to the planned ones

As of December 31, 2025 financial leverage coefficient was 5.25% and it is in line with regulatory and internally prescribed limits

**4.7. Operational risk**

Operational risk is the risk of losses for the Bank arising from inadequate or failed internal processes, people and systems or external events, including legal risk.

The Bank's operational risk management includes, in particular:

- 1) existing or potential risk of loss for the credit institution arising from inappropriate provision of financial services, including cases of intent or negligence (risk of negligent operation);
- 2) information system risk;
- 3) model risk;
- 4) business changes, including new products, activities, processes and systems;
- 5) risk that appears in project management
- 6) legal risk;
- 7) external events,
- 8) operational risk arising from outsourcing; and
- 9) significant inherent risks in existing products, activities, processes and systems

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

**4. RISK MANAGEMENT (Continued)****4.7. Operational risk (Continued)**

The Bank manages operational risk in such a way that it controls, mitigates, transfers to third parties or avoids it.

Internal acts that regulate the operational risk management system:

- Operational risk management policy,
- Operational risk management procedure,
- Methodology for identification of key risk indicators,
- Outsourcing management policy,
- Outsourcing management procedure,
- Methodology for assessing the impact of risks associated with outsourcing,
- Model risk management policy;
- New product introduction procedure.

Demarcation of responsibilities is achieved in a way that prevents conflicts of interest so that the employee in the Risk Control Department who coordinates operational risk management and prepares reports is independent of the areas where the risks arise.

The annual revision of internal documents for operational risk management is carried out regularly.

Awareness of the culture of operational risk management is continuously improved by additional employee education conducted by the Risk Control Sector, as well as by improving the reporting system. The reporting system was established in order to inform management and relevant bodies about exposure to operational risk and measures to reduce operational risk.

Awareness of the culture of operational risk management is continuously improved by additional employee education conducted by the Risk Control Sector, as well as by improving the reporting system. The reporting system was established with the aim of informing the management and relevant bodies about exposure to operational risk and measures to reduce operational risk.

The Bank has a database of risk events in which events caused by operational risk are recorded, regardless of whether they resulted in a loss for the Bank or not. Based on these data, additional possible measures/controls to reduce operational risks are defined. The risk control department reports on all operational risk events, regardless of the amount of loss, on a monthly basis. For events with a gross loss between EUR 10,001 and EUR 50,000, the information is submitted immediately after the occurrence of the event by electronic means and included in the first monthly report of the Risk Control Sector. A special report is prepared only in case of repetition of the same or similar event, which may indicate a systemic risk. For events with a gross loss exceeding EUR 50,000, the Risk Control Sector is obliged to prepare a special report with detailed information immediately after reporting the operational risk event. analysis, and submit it to: the IS and operational risk Committee and the Bank's Board of Directors. If it is known that the loss, regardless of the amount, will be fully compensated within five working days, the event is still recorded, but it can be reported through regular reports, without creating a special report.

The bank has established and regularly maintains an early warning system - Key Risk Indicators (KRI), which are included in the operational risk report.

The bank regularly supervises the fulfillment of contractual obligations and the quality of service with the aim of quality risk management arising from outsourced activities. Also, the Bank informs the Central Bank of the intention to externalize critical and significant operations of the Bank (according to the Decision on risk management related to the externalization of the CBM).

In accordance with the Procedure for the introduction of new products, risk identification is carried out before the introduction of new products, processes and systems, as well as every time there are major changes in products, the appearance of new products, or changes in the execution of an individual part of the process, which may cause new risks or change existing risks.

The calculation of the capital requirement for operational risk is carried out once a year using a simple approach.

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## 4. RISK MANAGEMENT (Continued)

## 4.8. Fair Value of Financial Assets and Liabilities

	Carrying value		Fer vrijednost	
	2025	2024	2025	2024
<b>Cash balances and deposits with central banks</b>	<b>34,290</b>	<b>41,820</b>	<b>34,290</b>	<b>41,820</b>
<b>Financial assets at amortised cost</b>	<b>397,079</b>	<b>319,423</b>	<b>397,156</b>	<b>318,021</b>
Loans and receivables from banks	70,873	62,045	70,873	62,045
Loans and receivables from customers	153,201	120,601	153,201	120,601
Securities	164,819	136,536	164,896	135,135
Other financial assets	8,186	240	8,186	240
<b>Financial assets at FVTOCI (securities)</b>	-	-	-	-
<b>Financial assets at FVTPL (loans and receivables from customers)</b>	-	-	-	-
<b>Financial liabilities at amortised cost</b>	<b>404,884</b>	<b>337,294</b>	<b>404,884</b>	<b>337,294</b>
Customers' deposits	383,898	323,663	383,898	323,663
Depoziti banaka	6	5	6	5
Loans of customers other than banks	1,969	2,595	1,969	2,595
Other liabilities	19,011	11,031	19,011	11,031

Fair value is the amount that would be collected for sale of assets, i.e. paid for the settlement of the liabilities in a regular transaction between market participants at the measurement date under the given market conditions. However, there are no available market price for a certain part of the Bank's financial instruments. In conditions in which there is no available market price, fair value is estimated using discounted cash flow model or other models. Changes in assumptions underlying the estimates, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, determined estimates of fair market value cannot be realized in a current sale of the financial instrument. .

## 4.8.1 Fair Value of Financial Instruments Not Measured at Fair Value

*Fair value hierarchy of financial instruments not measured at fair value*

IFRS 13 defines a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) on active markets for identical assets or liabilities. This level includes listed equity securities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or a liability, either directly (that is, as prices) or indirectly (that is, as derived from prices).
- Level 3 - Inputs for an asset or a liability that are not based on observable market data (unobservable inputs). This level includes equity investments with Bank's market assumption (no available market data).

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 4. RISK MANAGEMENT (Continued)

## 4.8. Fair Value of Financial Assets and Liabilities (Continued)

## 4.8.1 Fair Value of Financial Instruments Not Measured at Fair Value (Continued)

*Fair value hierarchy of financial instruments not measured at fair value*

An estimated fair value of financial instruments based on a fair value hierarchy is presented in the table below:

December 31, 2025	Stage 1	Stage 2	Stage 3	Total
<b>Financial assets:</b>				
Cash and cash balances and deposit accounts with central banks	34,920	-	-	34,920
<i>Financial assets at amortized cost</i>				
Loans and placements to banks	-	-	70,873	70,873
Loans and placements to customers	-	-	153,201	153,201
Securities	164,896	-	-	164,896
Other financial assets	-	-	-	-
Other assets	-	-	520	520
<b>Total</b>	<b>199,816</b>	<b>-</b>	<b>224,594</b>	<b>424,410</b>
<b>December 31, 2024</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Financial assets:</b>				
Cash and cash balances and deposit accounts with central banks	41,820	-	-	41,820
<i>Financial assets at amortized cost</i>				
Loans and placements to banks	-	-	62,045	62,045
Loans and placements to customers	-	-	120,601	120,601
Securities	135,135	-	-	135,135
Other financial assets	-	-	-	-
Other assets	-	-	630	630
<b>Total</b>	<b>176,955</b>	<b>-</b>	<b>183,276</b>	<b>360,231</b>

*Valuation techniques and assumptions used for the valuation of financial instruments not measured at fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. However, no readily available market prices exist for a certain portion of the Bank's financial instruments, and those were accordingly classified into Level 2 and Level 3 based on fair value hierarchy. In this circumstance where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing models as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affects the estimates. Therefore, the calculated fair market estimates cannot be realized in a current sale of the financial instrument.

**4. RISK MANAGEMENT (Continued)**

**4.8. Fair Value of Financial Assets and Liabilities (Continued)**

**4.8.2 Fair value of financial instruments valued at fair value (continued)**

**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.

**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.

**Securities at Amortised Cost**

In the opinion of the Bank's Management, the book value at which the listed financial instruments are stated does not deviate significantly from the fair value of similar instruments on the market as of December 31, 2025.

**Financial liabilities**

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. According to the Bank's management, the Bank's interest rates are harmonized with the current market rates and the amounts stated in the financial statements represent the fair value which accurately reflects the fair value of these financial instruments, under the current circumstances.

**Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**5. CAPITAL MANAGEMENT**

The Bank manages capital in such a way as to ensure compliance with capital requirements in accordance with regulations, as well as to ensure an adequate level of capital for future business development.

Regulatory capital represents the sum of the basic and additional capital of a credit institution. The core capital of a credit institution represents the sum of items of regular core capital and items of additional core capital, after regulatory adjustments and reductions for deductible items, in the manner regulated by the Decision on Capital Adequacy of Credit Institutions ("Official Gazette of Montenegro" No. 140/21, 144/22, 52/24).

As of December 31, 2025, the Bank's share capital consists entirely of Common Equity Tier 1 capital in the amount of EUR 23,582 thousand. The share capital includes: ordinary shares, retained earnings from previous years, and recognized profit for the current year.

Deductions from the Bank's Common Equity Tier 1 capital include: intangible assets; the positive difference between the amount of calculated provisions for potential losses and the sum of value adjustments for on-balance sheet assets and provisions for off-balance sheet items classified as performing assets; and the positive difference between the amount of calculated provisions for potential losses and the sum of value adjustments for on-balance sheet assets 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 Capital Adequacy of Credit Institutions (arising before the entry into force of that Decision) does not apply.

As of December 31, 2025, the Bank has no Additional Tier 1 capital instruments.

As of December 31, 2025, the Bank has a Tier 2 capital instrument in the form of subordinated debt, recognized in the amount of EUR 2,000 thousand.

The prescribed minimum capital ratios in accordance with the Law on Credit Institutions ("Official Gazette of Montenegro", Nos. 72/19, 8/21, 24/25) are as follows:

- Common Equity Tier 1 capital ratio of 4.5% (ratio of Common Equity Tier 1 capital to total risk exposure amount);
- Tier 1 capital ratio of 6% (ratio of Tier 1 capital to total risk exposure amount);
- Total capital ratio of 8% (ratio of the credit institution's regulatory capital to total risk exposure amount).

Based on the CBCG Decision No. 03-10319-11/2024 on the required amount of capital for Pillar 2 risks (P2R), the so-called SREP requirement of 3.05% of RWA, the Bank is obliged, as of December 31, 2025, to maintain a CET1 ratio at a minimum level of 10.73%, a minimum Tier 1 capital ratio of 12.80%, and a minimum total capital adequacy ratio of 15.56%.

In addition to the regulatory minimum capital adequacy ratios and the required Pillar 2 (P2R) capital, the Bank is required, as of December 31, 2025, to meet the following Common Equity Tier 1 capital buffers:

- Capital conservation buffer of 2.50% of the total risk exposure amount;
- Structural systemic risk buffer of 1.50% of the total risk exposure amount;
- Countercyclical capital buffer of 0.50% of the total risk exposure amount;
- Specific countercyclical capital buffer rate based on exposures to non-residents of 0.01%

The combined buffer applicable to the Bank as of December 31, 2025, amounts to 4.51% of the total risk exposure. By CBCG Decision No. 0101-9399-6/2025 dated November 28, 2025, it was determined that the Bank no longer qualifies as a systemically important (OSV) credit institution. As of December 31, 2025, the Bank meets all regulatory and internally prescribed capital limits.

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## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 5. CAPITAL MANAGEMENT (Continued)

The following table shows the structure of regulatory capital, total risk-weighted assets, and capital adequacy ratios: Common Equity Tier 1, Tier 1, and total capital.

	December 31, 2025	December 31, 2024
<b>1 REGULATORY CAPITAL</b>	<b>25,582</b>	<b>22,468</b>
<b>1.1. Tier 1</b>	<b>23,582</b>	<b>20,468</b>
<b>1.1.1. CET 1</b>	<b>23,582</b>	<b>20,468</b>
1.1.1.. Equity instruments that are recognized as CET 1	15,500	15,500
1.1.1.2 Retained earnings	11,710	7,666
Retained earnings from prior years	10,209	5,155
recognised profit or losses (current year)	1,501	2,512
1.1.1.3 Accumulated other comprehensive income (total other comprehensive income) - FVOCI	-	-
1.1.1.4 Adjustments to CET 1 due to prudential filters	-	-
(-) adjustment of valuation due to requirements for prudential valuation (AVA)	-	-
Other prudential adjustments	-	-
1.1.1.5 Other intangible assets	458	334
-) Positive difference between the amount of the calculated provisions for potential losses and the sum of the amount of the value adjustment for balance sheet assets and provisions for off- balance sheet items	3,170	2,364
1.1.1.7 Other elements or deductions from the regular share capital	-	-
1.1.2. AT1	-	-
<b>1.2. Tier 2</b>	<b>2,000</b>	<b>2,000</b>
<b>TOTAL AMOUNT OF RISK EXPOSURE</b>	<b>139,133</b>	<b>114,323</b>
ET1 ratio	<b>16.95%</b>	<b>17.90%</b>
Tier 1 ratio	<b>16.95%</b>	<b>17.90%</b>
TCR	<b>18.39%</b>	<b>19.65%</b>

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## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 6. INTEREST INCOME AND INTEREST EXPENSES AND SIMILAR INCOME AND EXPENSES

	2025	2024
<b>Interest income and similar income Deposits held with foreign banks</b>		
	<b>2,063</b>	<b>1,959</b>
<b>Loans</b>	<b>8,325</b>	<b>6,503</b>
Privately-owned companies	3,486	3,133
State-owned companies	47	96
Companies engaged in financial activity	9	34
Government of Montenegro	566	600
Retail customers	4,042	2,561
Entrepreneurs	3	4
Other	172	75
<b>Securities</b>	<b>5,244</b>	<b>4,475</b>
<b>Loans approved fee</b>	<b>316</b>	<b>313</b>
<b>Total interest income and similar income</b>	<b>15,948</b>	<b>13,250</b>
<b>Interest income on impaired placements</b>		
Privately-owned companies	288	316
Retail customers	5	3
<b>Total interest income on impaired placements</b>	<b>293</b>	<b>319</b>
<b>Interest expenses and similar expenses</b>		
<b>Deposits</b>	<b>(2,252)</b>	<b>(1,975)</b>
Banks	(1)	(12)
Government of Montenegro	0	0
Privately-owned companies	(1,272)	(1,033)
State-owned companies	(131)	(33)
Other deposit institutions, other financial institutions and companies engaged in financial business	(350)	(278)
Non-governmental sector	(1)	(1)
Retail customers	(497)	(542)
Entrepreneurs	0	0
Other	0	(76)
<b>Borrowings</b>	<b>(17)</b>	<b>(18)</b>
Government of Montenegro	(3)	(6)
Banks	(14)	(12)
<b>Interest expenses from repo arrangements</b>	<b>(0)</b>	<b>(0)</b>
<b>Lease interest expenses</b>	<b>(65)</b>	<b>(71)</b>
<b>Subordinated debt</b>	<b>(85)</b>	<b>(2)</b>
<b>Total interest expenses</b>	<b>(2,419)</b>	<b>(2,066)</b>
<b>Net interest income</b>	<b>13,822</b>	<b>11,503</b>

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## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

**7. NET GAINS/LOSSES FROM IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>2025</u>	<u>2024</u>
Costs of loan impairment	411	774
Costs of impairment of interest receivables	(137)	(12)
Costs of impairment of cash equivalents, deposits, loans and other receivables with banks	(23)	15
Costs of impairment of securities	(26)	(9)
Costs of impairment of other financial assets	58	1
Costs of impairment of other assets	88	95
Provision costs for off-balance sheet liabilities	9	190
<b>Total impairment and provision costs</b>	<b><u>380</u></b>	<b><u>1,054</u></b>

**7.1. Movements in Impairment Allowances and Provisions in the Balance Sheet**

Movements in impairment allowances and provisions were as follows:

	<u>Loans (Note 15.2)</u>	<u>Interest (Note 15.2)</u>	<u>Banks (Notes 14 and 15.1)</u>	<u>Securities (Note 16.1)</u>	<u>Other financial assets</u>	<u>Other assets (Note 20)</u>	<u>Off- balance sheet items</u>	<u>Total</u>
<b>Balance as of December 31, 2023</b>	<b><u>1,639</u></b>	<b><u>8</u></b>	<b><u>145</u></b>	<b><u>826</u></b>	<b><u>311</u></b>	<b><u>95</u></b>	<b><u>284</u></b>	<b><u>3,308</u></b>
Increase in impairment allowances	3,070	34	775	332	5	98	1,666	5,980
Reversal of impairment allowances	(2,295)	(46)	(760)	(341)	(4)	(3)	(1,477)	(4,926)
Write-off	0	0	-	-	-	(39)	-	(39)
Unwinding	-	44	-	-	-	-	-	44
<b>Balance as of December 31, 2024</b>	<b><u>2,414</u></b>	<b><u>40</u></b>	<b><u>160</u></b>	<b><u>817</u></b>	<b><u>312</u></b>	<b><u>151</u></b>	<b><u>473</u></b>	<b><u>4,367</u></b>
Increase in impairment allowances	3,307	77	797	680	296	94	2,024	7,275
Reversal of impairment allowances	(2,896)	(214)	(820)	(706)	(238)	(7)	(2,015)	(6,896)
Write-off	(1)	(1)	-	-	-	(55)	-	(57)
Unwinding	-	152	-	-	-	-	-	152
<b>Balance as of December 31, 2025</b>	<b><u>2,824</u></b>	<b><u>54</u></b>	<b><u>137</u></b>	<b><u>791</u></b>	<b><u>370</u></b>	<b><u>183</u></b>	<b><u>482</u></b>	<b><u>4,841</u></b>

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**Notes to the financial statements for the year ended december 31, 2025***All amounts are expressed in EUR thousand, unless otherwise stated )***8. FEE AND COMMISSION INCOME AND EXPENSES**

	<u>2025</u>	<u>2024</u>
<b>Fees and commission income</b>		
Payment transaction	1,988	1,961
Account management	1,137	1,140
Fees for off-balance sheet transactions	340	259
Card and ATM operations	509	361
Investment banking	939	2,065
Other fees	137	318
Loan fees	59	4
	<u>5,109</u>	<u>6,108</u>
<b>Total fees and commission income</b>		
<b>Fee and commission expenses</b>		
Payment transaction	(551)	(520)
Deposit insurance	(611)	(530)
Card and ATM operations	(443)	(349)
Investment banking	(311)	(347)
Off-balance sheet operations	(4)	(8)
Account management	(53)	(6)
Other	(232)	(207)
	<u>(2,205)</u>	<u>(1,967)</u>
<b>Total fees and commission expenses</b>		
<b>Net fees and commission income</b>	<u>2,904</u>	<u>4,141</u>

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## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 9. EMPLOYEE EXPENSES

	<u>2025</u>	<u>2024</u>
Net salary expenses	4,627	3,544
Taxes, surcharges and contributions on earnings	1,500	1,566
Fees to members of the Supervisory and Audit Committee	519	411
Employee training	11	37
Travel expenses and per diems	37	32
Other costs	230	170
<b>Total</b>	<b><u>6,924</u></b>	<b><u>5,760</u></b>

## 10. DEPRECIATION EXPENSES

	<u>2025</u>	<u>2024</u>
Software depreciation costs	43	64
Depreciation costs of IT equipment	151	107
Depreciation costs of office furniture	46	39
Depreciation costs of plant and equipment	30	44
Depreciation costs of other tangible assets	94	112
Vehicle depreciation costs	3	3
Depreciation cost of assets with right of use (leasing and sublease)	611	548
<b>Total</b>	<b><u>978</u></b>	<b><u>917</u></b>

Compared to the previous year, there is an evident increase in employee costs, which is due to the growth in the number of employees and the expansion of the network, in accordance with the new business strategy. The increase in costs was achieved at a level that enables profitable operations of the Bank..

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 11. GENERAL AND ADMINISTRATIVE COSTS

	<u>2025</u>	<u>2024</u>
Rent costs	14	3
Costs of CBM control	333	304
Software maintenance costs	193	178
Costs of legal services	192	60
Costs of one-year licenses	235	197
Hardware maintenance costs	50	28
Costs of postage, telephone and communication networks	170	163
Property security costs	173	132
Translation costs	20	19
SWIFT maintenance costs	35	33
UBCG membership fees	16	16
Maintenance costs	139	96
Costs of office and consumables	26	18
Electricity and heating costs	50	41
Costs of auditing and other related services	144	96
Insurance costs	65	25
Advertising and propaganda costs	160	107
Representation costs	445	375
Donations and assistance	85	58
Costs of consulting services	278	116
Card maintenance costs	102	86
Costs related to HOV	3	4
Other business expenses	528	262
<b>Total</b>	<b><u>3,456</u></b>	<b><u>2,417</u></b>

## 12. INCOME TAX

	<u>2025</u>	<u>2024</u>
Current tax expenditure	840	913
Deferred tax expense/(income)	2	(1)
<b>Total</b>	<b><u>842</u></b>	<b><u>912</u></b>

Deferred tax expense in the amount of EUR 2 thousand was created on the basis of a deferred tax asset on the temporary difference between the accounting and tax value of fixed assets and intangible investments. Deferred tax assets on the above basis as of December 31, 2025 amount to EUR 2 thousand (as of December 31, 2024, deferred tax liabilities amounted to EUR 3 thousand).

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 12. INCOME TAX (Continued)

The Bank's income tax calculation is presented below:

	<u>2025</u>	<u>2024</u>
<b>Current income tax</b>		
Profit according to the income statement before taxation	5,520	5,966
Capital gains	-	-
Capital losses	-	-
Depreciation expenses in the income statement	978	917
Depreciation expenses for tax purposes	(881)	(871)
Tax effect of unrecognized expenses and income, net	273	356
The difference in calculated costs based on transfer price corrections between related parties	30	21
The difference in calculated income based on transfer price corrections between related parties	-	11
<b>Taxable profit</b>	<b>5,920</b>	<b>6,400</b>
Utilized tax losses up to the amount of taxable profit	-	-
<b>The rest of the taxable operating profit</b>	<b>5,920</b>	<b>6,400</b>
<b>Capital gains</b>	<b>-</b>	<b>-</b>
Capital losses carried forward	-	-
<b>The rest of the taxable capital gain</b>	<b>-</b>	<b>-</b>
<b>Tax base</b>	<b>5,920</b>	<b>6,400</b>
<b>Tax amount for the period</b>	<b>840</b>	<b>913</b>
Reduction of tax liability based on timely payment	-	-
<b>Tax effect of temporary differences</b>	<b>840</b>	<b>913</b>
Tax effect of temporary differences related to fixed assets and intangible investments	2	(1)
<b>Deferred tax expense</b>	<b>2</b>	<b>(1)</b>
<b>Total tax expense in the income statement</b>	<b>842</b>	<b>912</b>

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 13. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit by total number of shares issued during the year.

	<u>2025</u>	<u>2024</u>
Profit in EUR 000	4,678	5,054
Number of shares issued during the year	<u>155,000</u>	<u>155,000</u>
<b>Basic gain per share (in EUR per share)</b>	<b><u>30,18</u></b>	<b><u>32,61</u></b>

## 14. CASH AND DEPOSITS WITH CENTRAL BANKS

	<u>2025</u>	<u>2024</u>
Cash equivalents	3,357	4,322
Funds in the gyro account with the Central Bank of Montenegro	11,194	20,644
Mandatory reserve held with the Central Bank of Montenegro	<u>19,770</u>	<u>16,892</u>
<b>Total cash equivalents and deposits with central banks</b>	<b><u>34,321</u></b>	<b><u>41,858</u></b>
Impairment allowance of the funds in the gyro account	11	21
Impairment allowance of the mandatory reserve	<u>20</u>	<u>17</u>
<b>Impairment allowance of cash equivalents and deposits with central banks (Note 7.1.)</b>	<b><u>31</u></b>	<b><u>38</u></b>
<b>Cash equivalents and deposits with central banks reduced by an allowance for impairment</b>	<b><u>34,290</u></b>	<b><u>41,820</u></b>

The reserve requirement is set aside in accordance with the Decision of the CBCG on the reserve requirement of banks (Official Gazette of Montenegro No. 40/10, 46/10, 06/13, 70/17, 88/17, 43/20, 019/22 and 078/24). Mandatory reserve is calculated by applying a rate of 5.5% - on the part of the base made up of demand deposits and contracted deposits with a maturity of up to one year, i.e. up to 365 days; and 4.5% - on the part of the base made up of deposits contracted with a maturity of over one year, i.e. over 365 days without the possibility of deferment. A rate of 5.5% is applied to deposits that have a clause on the possibility of installments within a period of less than one year, that is, within a period of less than 365 days.

Cash and cash equivalents (for the purpose of preparing the Separate Statement of Cash Flows).

	<u>2025</u>	<u>2024</u>
Cash	3,358	4,322
Funds in the gyro account with the Central Bank of Montenegro	11,194	20,644
Funds in sight accounts with foreign banks)	36,715	29,510
Sight deposits with local banks	1,945	2,332
Mandatory reserve held with the Central Bank of Montenegro	<u>19,770</u>	<u>16,892</u>
<b>Total cash equivalents and deposits with central banks</b>	<b><u>72,982</u></b>	<b><u>73,700</u></b>

## Notes to the financial statements for the year ended december 31, 2025

*All amounts are expressed in EUR thousand, unless otherwise stated )***15. FINANCIAL ASSETS AT AMORTISED COST****15.1. Loans and Receivables from Banks**

	<u>2025</u>	<u>2024</u>
Correspondent accounts with foreign banks	36,715	29,511
Deposits held with domestic banks and other financial institutions	1,945	2,332
Term deposits held with foreign banks and other financial institutions	32,268	30,266
Interest receivables for deposits with banks	3	2
Accruals	48	56
<b>Total loans and receivables from banks</b>	<b><u>70,979</u></b>	<b><u>62,167</u></b>
Impairment allowance of funds in foreign accounts	47	55
Impairment allowance of deposits with resident banks	6	7
Impairment allowance of deposits with non-resident banks	53	60
<b>Impairment allowance of cash equivalents with banks (Note 7.1.)</b>	<b><u>106</u></b>	<b><u>122</u></b>
<b>Loans and receivables from banks reduced for impairment allowance</b>	<b><u>70,873</u></b>	<b><u>62,045</u></b>

As of December 31, 2025, the Bank had funds in foreign currency accounts with the following banks:

	<u>2025</u>	<u>2024</u>
JOINT STOCK COMPANY "VST BANK"	556	1,189
CaixaBank S:A, Espania	5,594	4,869
Podravska banka DD, Croatia	408	2,493
Kentbank d.d.	13	0
ASA banka doo Sarajevo, BiH	18	4,886
BANCA POPOLARE DI SONDRIO, Sondrio, Italy	4,641	55
Banca Creditinvest SA, Switzerland	5,183	946
AKTIF YATIRIM BANKASI A.S., Istanbul, Turkey	0	18
Landesbank Baden – Wuerttemberg, Germany	39	34
Harbour and Hills Financial Services Limited, Hong Kong	0	0
INTESA SANPAOLO BANKA, Sarajevo, BiH	102	4,862
AIK BANKA, Belgrade, Serbia	29	1,610
KT BANK AG, Frankfurt, Germany	4,824	2,772
ZHEJIANG CHOUZHOU COMMERCIAL BANK, Hangzhou, China	613	795
BAYERISCHE LANDESBANK, Minhen, Germany	742	4,982
<b>Total</b>	<b><u>22,762</u></b>	<b><u>29,511</u></b>

Movements in the allowance for impairment of loans and receivables from banks and cash equivalents and deposit accounts held with central banks (Note 14):

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 15. FINANCIAL ASSETS AT AMORTISED COST (Continued)

## 15.1. Loans and Receivables from Banks (Continued)

	Balance as of December 31,2024	Increase/ decrease	Balance as of December 31,2025
<b>Allowance for impairment</b>			
Allowance for impairment of the funds in the gyro account	21	(10)	11
Allowance for impairment of the mandatory reserve	17	3	20
Allowance for impairment of the funds in foreign accounts	55	(8)	47
Impairment allowance of deposits with resident banks	7	(1)	6
Impairment allowance of deposits with non-resident banks	60	(7)	53
<b>Total</b>	<b>160</b>	<b>(23)</b>	<b>137</b>

## 15.2. Loans and Receivables from Customers

Short-term and long-term loans by client category were as follows:

	2025			2024		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Privately-owned companies	19,200	46,996	66,196	18,801	39,565	58,366
State-owned companies	-	575	575	-	1,936	1,936
Other financial institutions – residents	-	161	161	-	276	276
Entrepreneurs	-	65	65	-	81	81
Non-resident companies	2,440	3,069	5,509	4,258	-	4,258
Government of Montenegro	-	7,717	7,717	-	10,000	10,000
Public services of local self government units	-	110	110	-	700	700
Non-governmental and other non-profit organisations	188	2,922	3,110	148	2,262	2,410
Non-resident Retail customers	-	2,435	2,435	500	4,271	4,771
Residents Retail customers	42	70,229	70,271	57	40,358	40,415
<b>Total gross loans at AC</b>	<b>21,870</b>	<b>134,279</b>	<b>156,149</b>	<b>23,764</b>	<b>99,449</b>	<b>123,213</b>
Interest receivables	83	207	290	70	131	201
Accruals	(55)	(303)	(358)	(49)	(310)	(359)
Allowance for impairment of principa	(357)	(2,468)	(2,825)	(1,030)	(1,384)	(2,414)
Allowance for impairment of interest and accruals	(1)	(53)	(54)	(16)	(24)	(40)
<b>Net loans at AC</b>	<b>21,540</b>	<b>131,661</b>	<b>153,201</b>	<b>22,739</b>	<b>97,862</b>	<b>120,601</b>

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## 15. FINANCIAL ASSETS AT AMORTISED COST (Continued)

### 15.2. Loans and Receivables from Customers (Continued)

#### Gross loans

	Level 1	Level 2	Level 3	Total
<b>As of January 1<sup>st</sup>, 2025</b>	<b>97,797</b>	<b>17,575</b>	<b>7,483</b>	<b>122,855</b>
New receivables	84,437	5,780	5	90,222
Decrease in/repayment of receivables	(44,924)	(9,779)	(902)	(55,605)
Transfer to Level 1	3,808	(3,779)	(29)	-
Transfer to Level 2	(2,879)	2,879	-	-
Transfer to Level 3	(120)	(70)	190	-
Other changes (utilised credit limits and other)	(510)	(1,127)	(12)	(1,649)
<b>As of December 31, 2025</b>	<b>137,609</b>	<b>11,479</b>	<b>6,736</b>	<b>155,823</b>
<b>Interest and other receivables</b>	<b>193</b>	<b>20</b>	<b>77</b>	<b>290</b>
<b>Loans and receivables from customers</b>	<b>137,802</b>	<b>11,500</b>	<b>6,811</b>	<b>156,113</b>

#### Allowance for impairment

	Nivo 1	Nivo 2	Nivo 3	Ukupno
<b>As of January 1<sup>st</sup>, 2025</b>	<b>932</b>	<b>268</b>	<b>1,213</b>	<b>2,414</b>
New receivables	730	275	3	1,008
Decrease in/repayment of receivables	(487)	(125)	(50)	(662)
Transfer to Level 1	26	(26)	-	-
Transfer to Level 2	(111)	111	-	-
Transfer to Level 3	(75)	(10)	85	-
Other changes (utilised credit limits and other)	143	(77)	-	66
<b>As of December 31, 2025</b>	<b>1,158</b>	<b>416</b>	<b>1,251</b>	<b>2,825</b>
<b>Impairment allowance of interest receivables</b>	<b>2</b>	<b>1</b>	<b>52</b>	<b>55</b>

## Notes to the financial statements for the year ended december 31, 2025

*All amounts are expressed in EUR thousand, unless otherwise stated )***16. SECURITIES****16.1. Securities at amortized cost**

	<u>2025</u>	<u>2024</u>
Montenegro Government	53,620	53,435
International financial institutions	33,156	50,236
General government, non-residents	75,936	29,576
Non-resident companies	3,402	3,830
Non-depreciated discount   premium	(1,306)	(820)
Interest accruals	802	1,096
<b>Total securities at AC</b>	<b><u>165,610</u></b>	<b><u>137,353</u></b>
<b>Impairment allowance of securities at AC (Note 7.1)</b>	<b><u>(791)</u></b>	<b><u>(817)</u></b>
<b>Total securities at AC</b>	<b><u>164,819</u></b>	<b><u>136,536</u></b>

**17. INVESTMENT PROPERTY****Right-of-use assets (lease) – sub-lease****Cost**

Balance as of January 1 <sup>st</sup> , 2024	887
Transfer to right-of-use assets	<u>(887)</u>
<b>Balance as of December 31, 2024</b>	<u>-</u>

Transfer to right-of-use assets	<u>-</u>
<b>Balance as of December 31, 2025</b>	<u>-</u>

**Accumulated depreciation**

Balance as of January 1 <sup>st</sup> , 2024	(313)
Transfer to right-of-use assets	<u>313</u>
<b>Balance as of December 31, 2024</b>	<u>-</u>

Transfer to right-of-use assets	<u>-</u>
<b>Balance as of December 31, 2025</b>	<u>-</u>

<b>Carrying value as of December 31, 2024</b>	<u><u>-</u></u>
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<b>Carrying value as of December 31, 2025</b>	<u><u>-</u></u>
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Transfer to right-of-use assets is recognised due to termination of a sublease agreement.

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 18. PROPERTY, PLANT AND EQUIPMENT

	Right-of use assets (lease)	Equipme nt	Construct ion in progress	Total
<b>Cost</b>				
Balance as of January 1 <sup>st</sup> , 2024	4,524	2,149	5	6,678
Transfer from investment property (Note 17)	887	541	(5)	1,423
Disposals and write-offs	-	(45)	-	(45)
<b>Balance as of December 31, 2024</b>	<b>5,411</b>	<b>2,645</b>	<b>-</b>	<b>8,056</b>
Additions	290	638	5	933
Disposals and write-offs	-	-	-	0
<b>Stanje na dan 31.12.2025</b>	<b>5,701</b>	<b>3,283</b>	<b>5</b>	<b>8,989</b>
<b>Accumulated depreciation</b>				
Balance as of January 1 <sup>st</sup> , 2024	(1,407)	(1,346)	-	(2,753)
Depreciation expense (Note 10)	(548)	(304)	-	(854)
Transfer from investment property (Note 17)	(313)	-	-	(313)
Disposals and write-offs	-	40	-	40
<b>Balance as of December 31, 2024</b>	<b>(2,270)</b>	<b>(1,610)</b>	<b>-</b>	<b>(3,880)</b>
Depreciation for the year (Note 10)	(611)	(325)	-	(936)
Disposals and write-offs	85	-	-	85
<b>Balance as of December 31, 2025</b>	<b>(2,796)</b>	<b>(1,935)</b>	<b>-</b>	<b>(4,731)</b>
<b>Carrying value as of December 31, 2024</b>	<b>3,141</b>	<b>1,035</b>	<b>-</b>	<b>4,176</b>
<b>Carrying value as of December 31, 2025</b>	<b>2,905</b>	<b>1,348</b>	<b>5</b>	<b>4,258</b>

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

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 19. INTANGIBLE ASSETS

	Software	Intangible assets under construction	Total
<b>Cost</b>			
Balance as of January 1 <sup>st</sup> , 2024.	920	34	954
Additions	88	160	248
Disposals and write-offs	-	-	-
<b>Balance as of December 31, 2024.</b>	<b>1,008</b>	<b>194</b>	<b>1,202</b>
Additions for the year	51	116	167
Disposals and write-offs	-	-	0
<b>Balance as of December 31, 2025</b>	<b>1,059</b>	<b>310</b>	<b>1,369</b>
<b>Accumulated depreciation</b>			
Balance as of January 1 <sup>st</sup> , 2024	(804)	-	(804)
Depreciation for the year (Note 10)	(64)	-	(64)
Disposals and write-offs	-	-	-
<b>Balance as of December 31, 2025</b>	<b>(868)</b>	<b>-</b>	<b>(868)</b>
Depreciation for the year (Note 10)	(43)	-	(43)
Disposals and write-offs	-	-	-
<b>Balance as of December 31, 2025</b>	<b>(911)</b>	<b>-</b>	<b>(911)</b>
<b>Carrying value as of December 31, 2024</b>	<b>140</b>	<b>194</b>	<b>334</b>
<b>Carrying value as of December 31, 2025</b>	<b>148</b>	<b>310</b>	<b>458</b>

## 20. OTHER ASSETS

	2025	2024
Receivables from fees and commissions	258	212
Prepaid expenses	264	248
Temporary accounts	6	2
Trade receivables	-	-
Card receivables	150	300
Advances given	14	13
Other operating receivables	13	6
Impairment of other assets (Note 7.1.)	(183)	(151)
<b>Total</b>	<b>522</b>	<b>630</b>

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## Notes to the financial statements for the year ended december 31, 2025

*All amounts are expressed in EUR thousand, unless otherwise stated )***21. FINANCIAL LIABILITIES CARRIED AT AMORTISED COST****21.1. Deposits due to Customers and Banks**

	<b>2025</b>	<b>2024</b>
Demand deposits	275,412	246,059
Term deposits	106,034	77,280
Interest liabilities	40	19
Accruals	418	310
<b>Total</b>	<b>381,904</b>	<b>323,668</b>
<b><i>Demand deposits</i></b>	<b>2025</b>	<b>2024</b>
State-owned companies, residents	6,769	2,464
Privately owned companies	17,280	15,632
Entrepreneurs	326	182
Non-resident companies	108,663	106,946
Government of Montenegro	4,991	4,767
Non-governmental and other non-profit organizations, residents	619	1,566
Non-governmental and other non-profit organizations, non-residents	1	2
Natural persons, residents	14,554	10,265
Natural persons, non-residents	97,228	74,747
Other financial institutions, residents	23	24
Other financial institutions, non-residents	-	1
Companies engaged in financial activity, residents	219	1
Business companies engaged in financial activity, non-residents	21,767	29,005
Funds, non-residents	2,949	390
Public services of local self-government units	15	60
Local self-government units	2	2
Banks	6	5
<b>Total Demand deposits</b>	<b>275,412</b>	<b>246,059</b>
<b><i>Term deposits</i></b>	<b>2025</b>	<b>2024</b>
State-owned companies, residents	4,200	7,210
Privately owned companies	332	746
Non-resident companies	58,421	40,176
Business companies engaged in financial activity, non-residents	15,359	9,753
Entrepreneurs	55	-
Government of Montenegro	-	-
Non-governmental and other non-profit organizations, residents	50	50
Retail, residents	9,231	8,008
Retail non-residents	18,386	11,337
<b>Total Term deposits</b>	<b>106,034</b>	<b>77,280</b>
<b>Total deposits</b>	<b>381,446</b>	<b>323,339</b>

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## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 21. FINANCIAL LIABILITIES CARRIED AT AMORTISED COST (Continued)

## 21.2. Borrowings from Clients other than Banks

	<u>2025</u>	<u>2024</u>
Borrowings	1,969	2,595
Interest payable on borrowings	-	-
<b>Total</b>	<b><u>1,969</u></b>	<b><u>2,595</u></b>
	<u>2025</u>	<u>2024</u>
Payable within 12 months from the balance sheet date	500	625
Payable within 1-5 years	1,469	1,970
Payable within a period exceeding 5 year	-	-
<b>Total</b>	<b><u>1,969</u></b>	<b><u>2,595</u></b>

The loans used by the Bank refer to long-term credit lines approved by the Investment and Development Fund of Montenegro and a loan from the Government of Montenegro based on the agreement on cooperation on the implementation of measures to support the economy and citizens due to the situation caused by covid. The final maturity date is 2030. The interest rate paid by the Bank ranges from 0% to 1.5%.

## 22. DERIVATIVES HELD FOR HEDGING PURPOSES

Swap transactions are shown in the balance sheet under the derivatives position held as a hedge against foreign exchange risk. Postings of contracted swap transactions are carried out off-balance sheet, while the effect of reducing the contracted exchange rate in relation to the reporting date is recorded under the derivative position in the Balance Sheet and under the position of net gains from exchange rate differences in the Income Statement. As of December 31, 2025, the bank had no swap and forward contracts.

## 23. OTHER LIABILITIES

	<u>2025</u>	<u>2024</u>
Advances received	271	931
Obligations based on custody of affairs	2.616	1.824
Liabilities based on leasing	3.041	3.265
Temporary account	6.577	4.223
Obligations to suppliers	165	115
Obligations for card business	34	89
Other passives	5.685	56
Obligations for other taxes	8	4
Obligations for fees and commissions	34	24
Accruals	580	500
<b>Total</b>	<b><u>19,011</u></b>	<b><u>11,031</u></b>

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## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 23. OTHER LIABILITIES (Continued)

A breakdown of liabilities and maturities by years is provided below::

	<u>2025</u>	<u>2024</u>
Short-term liabilities	16,584	8,305
Long-term liabilities	<u>2,427</u>	<u>2,726</u>
<b>Total</b>	<b><u>19,011</u></b>	<b><u>11,031</u></b>
	<u>2025</u>	<u>2024</u>
Leasing liability maturity:		
- up to one year	614	539
- from one to two years	560	537
- from two to three years	495	482
- from three to four years	492	421
- from four to five years	439	418
- over five years	<u>441</u>	<u>867</u>
	<b><u>3,041</u></b>	<b><u>3,264</u></b>

## 24. EQUITY

	<u>2025</u>	<u>2024</u>
Issued share capital -ordinary shares (a)	15,500	15,500
Priority shares	-	-
Accumulated profit (a)	10,380	5,326
Effect of IFRS 9 application	(171)	(171)
Other reserves (b)	-	-
Profit for the year	<u>4,678</u>	<u>5,054</u>
<b>Total</b>	<b><u>30,387</u></b>	<b><u>25,709</u></b>

(a) Share capital comprises ordinary shares issued in kind and paid in owners' accounts with the Central Securities Depository and Clearing Company (CSDC). Shareholders have the right to participate in the management of the Bank, the right to a percentage of profit (dividend), and the right to an appropriate portion of assets in the event of liquidation or bankruptcy, in accordance with law.

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 24. EQUITY (Continued)

In April 2025, the Bank's capital was increased based on the recognition of the remaining amount of undistributed profit as of December 31, 2024. of EUR 2,542 thousand. (The Bank's profit on 31.12.2024 was EUR 5,054 thousand, but in 2024, undistributed profit was already recognized on 30.06.2024 in the amount of EUR 2,512 thousand.) The shareholders' meeting of Zapad banka AD Podgorica was held on 29.04.2025. adopted the Decision on the distribution of profit for the year 2024, (number: 384/2025), which determined that the realized net profit in the amount of EUR 5,054 thousand remains undistributed, i.e. retained profit, and the difference between the profit realized on 12.31.2024 is included in the calculation of the regular basic capital. in relation to the profit on June 30, 2024. (EUR 2,512 thousand), because the profit on June 30, 2024 already recognized in the regular share capital in the year 2024 (Decision of the Assembly of Shareholders on the inclusion of the profit from the current year in the regular share capital number: 691/2024 of 08/28/2024).

The Bank's capital was additionally increased on September 30, 2025. year, based on the realized profit in the current year for the period 01.01.2025-30.06.2025. in the amount of EUR 1,501 thousand. The shareholders' meeting of Zapad banka AD Podgorica was held on August 29, 2025. passed the Decision on the inclusion of the current year's profit in the regular share capital. The following activities were previously undertaken: a) CBCG, by Decision No. 03-682-2/2025 of 12 September 2025. gave the Bank permission to include the current year's profit realized on June 30, 2025. in the regular capital; b) The Bank submitted to the CBCG the decision of the Supervisory Board of the Bank and the Report of the audit company Crowe MNE, which was prepared on August 7, 2025. year, which includes the following periodic statements: periodic balance sheet as of June 30, 2025, periodic income statement, periodic statement of other comprehensive income, periodic statement of changes in equity and periodic statement of cash flows for the period January 1, 2025 - June 30, 2025.

The Law on Credit Institutions ("Official Gazette of Montenegro", no. 72/19, 82/20, 8/21) defines that the initial capital of a credit institution cannot be less than EUR 7,500 thousand .

The Bank's share capital as of December 31, 2025, amounts to EUR 15,500 thousand and consists of 155,000 ordinary shares, each with a nominal value of EUR 100.00.

The ownership structure of the bank's share capital as of December 31, 2025 and December 31, 2024 is shown in the following table:

	2025	% of share	2024	% of share
Volodymyr Kostelman	5.952	38,40%	5,952	38.40%
Liya Morokhovska	5.893	38,02%	5,893	38.02%
Vadym Morokhovskyy	655	4,23%	655	4.23%
OU Calyptra Invest	3.000	19,35%	3,000	19.35%
<b>Total</b>	<b>15,500</b>	<b>100%</b>	<b>15,500</b>	<b>100%</b>

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

## 24. EQUITY (Continued)

## 24.1. COMPLIANCE WITH THE REGULATIONS OF THE CENTRAL BANK OF MONTENEGRO

In accordance with the Law on Credit Institutions and CBCG regulations, the Bank achieved the following indicators:

Achieved business indicator	December 31, 2025	December 31,2024
Initial capital of the Bank (minimum amount EUR 7.5 million)	15,500	15,500
Total capital adequacy ratio (min. 15.56%)	18.39%	19.65%
Basic capital adequacy ratio (min. 12.80%)	16.95%	17.90%
Adequacy ratio of regular basic capital (min. 10.73%)	16.95%	17.90%
Coefficient of financial leverage (minimum 3%)	5.25%	5.40%
Liquidity coverage ratio (LCR) (minimum 100%)	282%	238%
Daily liquidity indicator (minimum 0.90)	1.26	1.28
Decadal liquidity indicator (minimum 1) (for the 3rd decade of December)	1.24	1.31
The Bank's exposure to one person or a group of related persons after taking into account the effects of credit risk techniques (limit 25% of the base capital, i.e. for credit institutions the greater of two amounts: 25% of the Bank's base capital or an amount of EUR 2,500 thousand	23.60%	24.22%

As of December 31, 2025, the Bank's operations are in accordance with the prescribed exposure limits.

## Notes to the financial statements for the year ended december 31, 2025

All amounts are expressed in EUR thousand, unless otherwise stated )

**25. OFF-BALANCE SHEET ITEMS**

	<u>2025</u>	<u>2024</u>
Irrevocable commitments for granted loans	8,034	11,546
<b>Issued quarantees (a)</b>	<b>27,176</b>	<b>18,389</b>
- Issued payable guarantees	5,051	1,218
- Issued performance bonds	11,197	9,967
- Other guarantees	10,928	7,204
Current contracts for foreign currency transactions	-	-
Collateral for receivables (b)	276,386	266,170
Custody operations (c)	146,143	147,326
<b>Total off-balance sheet items</b>	<b><u>457,739</u></b>	<b><u>443,431</u></b>

- a) Guarantees are given to companies - residents and non-residents as payable guarantees, tender guarantees and guarantees for good performance of the contracted work. The Bank allocated provisions for losses on off-balance sheet items in the amount of EUR 482 thousand to the issued guarantees and other assumed obligations (note 7.1).
- b) Collateral on the basis of claims refers to received security funds in the amount of EUR 276,386 thousand.

A structure of the received collaterals is presented in the table below:

	<u>2025</u>	<u>2024</u>
Property	224,869	198,939
Cash collateral	40,913	47,288
Pledged movable property	10,604	19,943
<b>Total</b>	<b><u>276,386</u></b>	<b><u>266,170</u></b>

- c) The bank provides investment services to clients, primarily trading in the name and for the client's account, as well as safekeeping of clients' financial instruments. Financial instruments are kept in the custody of the banks with which Zapad banka cooperates. Financial instruments are with the custodian in the name of Zapad banka, while in the bank's records they are in the name of the client and do not enter the bankruptcy or liquidation estate. Value of financial instruments on clients' investment accounts as of 12/31/2025. year is EUR 146,144 thousand, while on 31.12.2024 amounted to EUR 147,326 thousand.

**26. RELATED PARTY TRANSACTIONS**

The Bank carries out numerous transactions with related parties in the course of its regular operations. In accordance with the Law on Credit Institutions, the definition of persons associated with the Bank is explained in Note 3.17

**ZAPAD BANKA A.D. PODGORICA**  
**Notes to the financial statements for the year ended december 31, 2025**  
*All amounts are expressed in EUR thousand, unless otherwise stated )*

**PUBLIC**

**26. RELATED PARTY TRANSACTIONS (Continued)**

The volume of transactions with related parties, the balance of assets and liabilities as of December 31, 2025, and the related expenses and income in the income statement are shown in the following table :

	Calyptra invest	PJSC Vostok bank	Gama Montenegro	UNDER HEAVE N, d.o.o.	Fozzy Holdings	MARLIND INDUSTRIE S LTD	Eenvoudig e Trade B.V.	Inside Outside Holdings	Other related parties	Other
<b>Receivables</b>										
Foreign currency accounts	-	556	-	-	-	-	-	-	-	556
Deposits with banks	-	-	-	-	-	-	-	-	-	-
Loans granted	-	-	493	1,000	-	-	-	-	1,470	2,963
Other receivables	2	411	-	-	-	-	-	-	-	413
Off-balance sheet receivables	583	-	-	-	-	-	-	-	47	630
<b>Total receivables</b>	<b>585</b>	<b>967</b>	<b>493</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,517</b>	<b>4,562</b>
<b>Liabilities</b>										
Demand deposits	1,529	-	16	25	23	-	-	11	12,210	13,814
Term deposits	10,736	-	-	-	-	-	-	-	593	11,329
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Other liabilities	7	4	-	-	-	-	-	-	-	1,264
<b>Total liabilities</b>	<b>12,272</b>	<b>4</b>	<b>16</b>	<b>25</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>14,056</b>	<b>26,408</b>
<b>Net receivables/(liabilities)</b>	<b>(11,687)</b>	<b>963</b>	<b>476</b>	<b>975</b>	<b>(23)</b>	<b>-</b>	<b>-</b>	<b>(11)</b>	<b>(12,539)</b>	<b>(21,846)</b>
<b>Cash collateral</b>	<b>5,242</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,242</b>
<b>Net receivables/(liabilities) reduction for cash collateral)</b>	<b>(6,445)</b>	<b>963</b>	<b>476</b>	<b>975</b>	<b>(23)</b>	<b>(-)</b>	<b>(-)</b>	<b>(11)</b>	<b>(12,539)</b>	<b>(16,604)</b>

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**ZAPAD BANKA A.D. PODGORICA**

**Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**PUBLIC**

**26. RELATED PARTY TRANSACTIONS (Continued)**

	Calyptra invest	PJSC Vostok bank	Gama Montenegro	UNDER HEAVE N, d.o.o.	Fozzy Holdings	MARLI ND INDUS TRIES LTD	Eenvoudig e Trade B.V.	Inside Outside Holdings	Other related parties	Total
<b>Income</b>										
Interest income	-	23	18	16	-	-	-	-	37	95
Fee income	53	1	-	3	7	4	1	3	72	143
<b>Total income</b>	<b>53</b>	<b>24</b>	<b>18</b>	<b>19</b>	<b>7</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>109</b>	<b>238</b>
<b>Expenses</b>										
Interest expense	285	-	-	-	-	-	-	-	5	290
Commission expense	-	145	-	-	-	-	-	-	-	145
Rent expense	-	-	-	-	-	-	-	-	22	22
<b>Total expense</b>	<b>285</b>	<b>145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>457</b>
<b>Net income/(expenses)</b>	<b>(232)</b>	<b>(121)</b>	<b>18</b>	<b>19</b>	<b>7</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>82</b>	<b>(219)</b>

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**ZAPAD BANKA A.D. PODGORICA**

**Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

**PUBLIC**

**26. RELATED PARTY TRANSACTIONS (Continued)**

The volume of transactions with related parties, the balance of assets and liabilities as of December 31, 2024, and the related expenses and income in the income statement are shown in the following table:

	Calyptra invest	PJSC Vostok bank	Gama Montenegro	Staronovy pivovar s.r.o.	Fozzy Holdings	MARLIND INDUSTRIE S LTD	Eenvoudige Trade B.V.	Inside Outside Holdings	Other related parties	Total
<b>Receivables</b>										
Foreign currency accounts	-	-	-	-	-	-	-	-	-	1,188
Deposits with banks	-	1,188	-	-	-	-	-	-	-	-
Loans granted	-	-	549	-	-	-	-	-	409	958
Other receivables	2	41	-	-	-	-	-	-	-	43
Off-balance sheet receivables	-	-	-	-	-	-	-	-	17	17
<b>Total receivables</b>	<b>2</b>	<b>1,229</b>	<b>549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>426</b>	<b>2,206</b>
<b>Liabilities</b>										
Demand deposits	13,694	-	126	2	78	15	1	27	7,188	21,131
Term deposits	7,753	-	-	-	-	-	-	-	122	7,875
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Other liabilities	3	3	6	-	-	-	-	-	1,184	1,196
<b>Total liabilities</b>	<b>21,450</b>	<b>3</b>	<b>132</b>	<b>2</b>	<b>78</b>	<b>15</b>	<b>1</b>	<b>27</b>	<b>8,494</b>	<b>30,202</b>
<b>Net receivables/(liabilities)</b>	<b>(21,448)</b>	<b>1,226</b>	<b>417</b>	<b>(2)</b>	<b>(78)</b>	<b>(15)</b>	<b>(1)</b>	<b>(27)</b>	<b>(8,068)</b>	<b>(27,996)</b>
<b>Cash collateral</b>	<b>5,901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,901</b>
<b>Net receivables/(liabilities) reduction for cash collateral)</b>	<b>(15,547)</b>	<b>1,226</b>	<b>417</b>	<b>(2)</b>	<b>(78)</b>	<b>(15)</b>	<b>(1)</b>	<b>(27)</b>	<b>(8,068)</b>	<b>(22,095)</b>

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**ZAPAD BANKA A.D. PODGORICA**

**Notes to the financial statements for the year ended december 31, 2025**

*All amounts are expressed in EUR thousand, unless otherwise stated )*

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**26. RELATED PARTY TRANSACTIONS (Continued)**

	Calyptra invest	PJSC Vostok bank	Gama Montenegro	Staronovy pivovar s.r.o.	Fozzy Holdings	MARLIND INDUSTRIES LTD	Eenvoudige Trade B.V.	Inside Outside Holdings	Other related parties	Total
<b>Income</b>										
Interest income	-	36	20	-	-	-	-	-	25	81
Fee income	360	340	-	1	5	4	3	2	93	808
<b>Total income</b>	<b>360</b>	<b>376</b>	<b>20</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>118</b>	<b>889</b>
<b>Expenses</b>										
Interest expense	227	-	-	-	-	-	-	-	3	230
Commission expense	-	119	-	-	-	-	-	-	-	119
Rent expense	-	-	-	-	-	-	-	-	24	24
<b>Total expense</b>	<b>227</b>	<b>119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>373</b>
<b>Net income/(expenses)</b>	<b>133</b>	<b>257</b>	<b>20</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>91</b>	<b>516</b>

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**27. LITIGATIONS**

As of December 31, 2025, there are 3 (three) court cases initiated by non-resident legal entities and 1 (one) misdemeanor proceeding against the Bank based on a request to initiate misdemeanor proceedings. The total value of the disputes against the Bank amounts to EUR 8,090 thousand (not including the amount for misdemeanor proceedings), which amount does not include legal interest and costs of court proceedings. The law offices that represent the Bank in these disputes and the Legal Affairs Department estimate that a positive outcome in the disputes for the Bank is probable, and this assessment was accepted by the Bank's Board of Directors, and no provisions have been formed for the same.

In addition to the aforementioned, the Bank also initiated 1 (one) enforcement proceeding on the basis of a previously completed court proceeding in which it obtained a court settlement in its favor, and on the basis of which enforcement proceeding it is conducting the collection of the established claim in the total amount of EUR 8.8 thousand in the name of the principal debt, statutory default interest and the costs of the enforcement proceeding.

**28. EXCHANGE RATES**

The official exchange rates that were used to convert the foreign exchange positions of the balance sheet into EUR as of December 31, 2025 and 2024 were:

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
USD	1.1757	1.044400
GBP	0.871199	0.829500
RUB	92.414	110.29
AED	4.3239	3.828800

**29. SUBSEQUENT EVENTS**

There were no events after the balance sheet date that would affect the financial performance and operating results recorded in the financial statements for the year ended 31 December 2025.

**ZAPAD BANKA A.D. PODGORICA****Notes to the financial statements for the year ended December 31, 2025***(all amounts are expressed in EUR thousand, unless otherwise stated)***30. GENERAL INFORMATION ABOUT 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. 15/2012, 18/2013, 24/2018 and 34/22) general information on the Bank is presented below:

Bank's name: Zapad banka AD Podgorica  
 Address: Moskovska 2b/VII  
 Company number: 03032531  
 Telephone: +382 (0) 20 690 000  
 Web page: [www.zapadbanka.me](http://www.zapadbanka.me)  
 E-mail: [info@zapadbanka.me](mailto:info@zapadbanka.me)

As of 31 December 2025, the Bank had a head office, 8 branches and 2 representative offices.  
 As of 31 December 2025, the Bank had 166 employees (31 December 2024: 132 employees).  
 Gyro account: 907-57001-31

Zapad banka AD Podgorica is registered with the Central Registry of Business Entities under number 4-0009448.

On January 30, 2015 the Central Bank of Montenegro issued an operating license to the Bank.

The members of the Bank's Supervisory Board as of 31 December 2025:

- Mladen Rabrenović - Chairman
- Vadym Morokhovskyy - Deputy Chairman
- Volodymyr Kostelman - Member
- Vitalii Migasko - Member
- Natalia Ninachuk - Member

An audit company that performed an audit of the financial statements for the year ended December 31, 2025 was CROWE MNE d.o.o., Vucedolska 7, 81000 Podgorica, Montenegro.

There were no dividend payments in 2025.

In Podgorica,

March 25, 2026

  
 \_\_\_\_\_  
 Luka Mišović  
 Finance Director



  
 \_\_\_\_\_  
 Lesia Vykhodtseva  
 Chairperson of the Management Board

  
 \_\_\_\_\_  
 Vesna Kovačević  
 Management Board Member