AIK Banka
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AIK BANKA A.D. BELGRADE

Financial Statements
for the Year Ended 31 December 2024

and

Independent Auditor's Report

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This is an English translation of Independent Auditor's Report originally issued in the Serbian language

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF AIK BANKA A.D. BELGRADE

Opinion

We have audited the financial statements of AIK BANKA A.D. BELGRADE (hereinafter: the "Bank"), which comprise the balance sheet as of 31 December 2024 and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with the Law on Audit and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Serbia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Annual Business Report for the year ended 31 December 2024, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

In respect of the Annual Business Report, we conducted procedures in accordance with the Law on Accounting. These procedures include verification whether the Bank's Annual Business Report, which includes a non-financial report, has been prepared in accordance with the applicable provisions of the Law on Accounting.

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Other Information (Continued)

Solely based on the work we have performed during the audit of the financial statements, in our opinion:

- The information provided in the Annual Business Report for the year ended 31 December 2024, is consistent, in all material respects, with the financial statements of the Bank as of and for the year ended 31 December 2024;
- The Annual Business Report has been prepared in accordance with the provisions of the Law on Accounting; and
- The non-financial report of the Bank, which is an integral part of the Annual Business Report, has been prepared in accordance with the applicable legal provisions.

In addition, if based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS
OF AIK BANKA A.D. BELGRADE (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with the Law on Audit and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

Belgrade, 25 February 2025

Ksenija Ristic Kostic
Certified Auditor

Društvo za reviziju BDO d.o.o. Beograd

BALANCE SHEET
As of 31 December 2024
(In RSD thousand)

	Note	31 December 2024	31 December 2023
ASSETS			
Cash and balances with Central Bank	20	66,074,054	74,271,638
Pledged financial assets	21	6,806,777	20,420,056
Derivatives	22.1.	9,380	114,421
Securities	23	52,058,288	44,821,602
Loans and placements to banks and other financial institutions	24	85,771,023	68,141,375
Loans and placements to customers	25	236,068,910	227,387,789
Investments in associates and joint ventures	26.1.	-	150,064
Investments in subsidiaries	26.2.	26,782,517	12,633,118
Intangible assets	27	659,570	417,590
Property, plant and equipment	28, 29	5,850,907	3,911,742
Investment property	30	1,093,373	1,733,280
Current tax assets	31	3,023,477	2,220,054
Deferred tax assets, net	32	379,878	559,504
Non-current assets held for sale and discontinued operations		5,537	5,537
Other assets	33	3,688,546	1,909,462
TOTAL ASSETS		**488,272,237**	**458,697,232**
LIABILITIES AND EQUITY			
Derivatives	22.2.	45,773	21,556
Deposits and other liabilities due to banks, other financial institutions and Central Bank	34	43,330,274	18,905,515
Deposits and other liabilities due to customers	35	339,375,779	338,631,966
Provisions	36	1,465,184	833,553
Other liabilities	37	5,970,389	4,471,680
TOTAL LIABILITIES		**390,187,399**	**362,864,270**
EQUITY	38		
Share capital		35,987,974	35,987,974
Retained earnings		47,842,093	46,781,335
Reserves		14,254,771	13,063,653
TOTAL EQUITY		**98,084,838**	**95,832,962**
TOTAL LIABILITIES AND EQUITY		**488,272,237**	**458,697,232**

The notes on the following pages
form an integral part of these financial statements.

These financial statements were approved by the management of AIK Bank A.D. Belgrade on 24 February 2025.

Signed on behalf of AIK Banka A.D. Belgrade by:

Petar Jovanovic
Executive Board Chairman

Andrija Vukovic
Executive Board Member

INCOME STATEMENT
For the Year Ended 31 December 2024
(In RSD thousand)

	Note	2024	2023
Interest income	7	24,044,439	24,215,283
Interest expenses	7	(9,314,284)	(9,639,636)
Net interest income	7	**14,730,155**	**14,575,647**
Fee and commission income	8	5,209,877	4,709,330
Fee and commission expenses	8	(1,741,320)	(1,299,295)
Net fee and commission income	8	**3,468,557**	**3,410,035**
Net gains from changes in fair value of financial instruments	9	258,762	453,005
Net gains from derecognition of financial instruments measured at fair value	10	38,179	7,693
Net foreign exchange losses and effects of contracted foreign currency clause	11	(245,163)	(141,527)
Net losses from impairment of financial asses not measured at fair value through profit or loss	12	(550,849)	(2,279,039)
Net gains from derecognition of financial instruments measured at amortised cost	13	112,168	123,231
Other operating income	14	2,397,207	524,351
Total operating income, net		**20,209,016**	**16,673,396**
Salaries, compensations and other personal expenses	15	(4,353,979)	(2,701,795)
Depreciation and amortisation expense	16	(922,356)	(980,850)
Other income	17	743,687	1,228,915
Other expenses	18	(5,762,616)	(5,213,982)
Profit before tax		**9,913,752**	**9,005,684**
Income taxes	19	(711,934)	(639,439)
Deferred tax income/(expense)	19	30,571	(194,614)
Profit for the year		**9,232,389**	**8,171,631**

The notes on the following pages
form an integral part of these financial statements.

These financial statements were approved by the management of AIK Bank A.D. Belgrade on 24 February 2025.

Signed on behalf of AIK Banka A.D. Belgrade by:

Petar Jovanovic
Executive Board Chairman

Andrija Vukovic
Executive Board Member

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the Year Ended 31 December 2024
(In RSD thousand)

	Note	2024	2023
Profit for the year		**9,232,389**	**8,171,631**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial losses	36, 38(iii)	(7,754)	(5,718)
Negative effects of changes in fair value of equity instruments measured at fair value through other comprehensive income	38(ii)	(32,993)	(151)
Items that will or may be reclassified to profit or loss:			
Positive effects of changes in fair value of debt instruments measured at fair value through other comprehensive income	38(ii)	1,442,062	1,882,153
Deferred tax expenses related to items of other comprehensive income	32.2.	(210,197)	(281,444)
Other comprehensive income for the year, net of tax		**1,191,118**	**1,594,840**
Total comprehensive income for the year		**10,423,507**	**9,766,471**

The notes on the following pages
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These financial statements were approved by the management of AIK Bank A.D. Belgrade on 24 February 2025.

Signed on behalf of AIK Banka A.D. Belgrade by:

Petar Jovanovic
Executive Board Chairman

Andrija Vukovič
Executive Board Member

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2024
(In RSD thousand)

	Share capital	Share premium	Reserves from profit and other reserves	Revaluation reserves	Retained earnings	Total
Balance as of 1 January 2023	**19,762,595**	**7,433,135**	**13,953,877**	**(2,485,064)**	**38,609,706**	**77,274,249**
Transactions with owners directly credited to equity – increase in share capital	2,029,086	6,763,158	-	-	-	8,792,244
Profit for the year	-	-	-	-	8,171,631	8,171,631
Other	-	-	-	-	(2)	(2)
Other comprehensive income, net of tax	-	-	-	1,594,840	-	1,594,840
Balance as of 31 December 2023	**21,791,681**	**14,196,293**	**13,953,877**	**(890,224)**	**46,781,335**	**95,832,962**
Balance as of 1 January 2024	**21,791,681**	**14,196,293**	**13,953,877**	**(890,224)**	**46,781,335**	**95,832,962**
Profit for the year	-	-	-	-	9,232,389	9,232,389
Profit distribution – dividends paid	-	-	-	-	(8,171,631)	(8,171,631)
Other comprehensive income, net of tax	-	-	-	1,191,118	-	1,191,118
Balance as of 31 December 2024	**21,791,681**	**14,196,293**	**13,953,877**	**300,894**	**47,842,093**	**98,084,838**

The notes on the following pages
form an integral part of these financial statements.

These financial statements were approved by the management of AIK Bank A.D. Belgrade on 24 February 2025.

Signed on behalf of AIK Banka A.D. Belgrade by:

Petar Jovanovic
Executive Board Chairman

Andrija Vukovic
Executive Board Member

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2024
(In RSD thousand)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from operating activities	**32,843,130**	**29,083,805**
Interest receipts	25,274,347	23,860,650
Fee and commission receipts	5,212,501	4,306,436
Receipts from other operating activities	617,306	841,919
Dividends received and profit sharing	1,738,976	74,800
Cash used in operating activities	**(19,548,117)**	**(15,769,602)**
Interest paid	(8,846,164)	(7,494,835)
Fee and commission paid	(1,799,527)	(1,281,324)
Salaries, compensations and other personal expenses	(3,955,771)	(2,831,443)
Taxes, contributions and other duties paid	(218,058)	(378,484)
Payments for other operating expenses	(4,728,597)	(3,783,516)
Net cash flows from operating activities before increase or decrease in financial assets and financial liabilities	**13,295,013**	**13,314,203**
Decrease in financial assets and increase in financial liabilities	**16,807,218**	**32,352,293**
Decrease in securities and other financial assets not held for investments	-	2,110,952
Increase in deposits and other liabilities due to banks, other financial institutions, Central Bank and customers	16,807,218	30,241,341
Increase in financial assets and decrease in financial liabilities	**(31,742,302)**	**(37,040,979)**
Increase in loans and placements to banks, other financial institutions, Central Bank and customers	(30,019,678)	(37,040,979)
Increase in securities and other financial assets not held for investments	(1,722,624)	-
Net cash (used in)/from operating activities before income taxes	**(1,640,071)**	**8,625,517**
Income taxes paid	(1,511,160)	(4,841,675)
Dividends paid	(8,171,686)	(194)
Net cash (used in)/from operating activities	***(11,322,917)***	***3,783,648***
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash from investing activities	**3,466,389**	**21,679,435**
Proceeds from investment securities	2,669,418	21,233,272
Proceeds from sale of intangible assets, property, plant and equipment	5,843	30,244
Proceeds from sale of investment property	629,263	412,201
Other inflows from investing activities	161,865	3,718
Cash used in investing activities	**(11,251,688)**	**(41,583,160)**
Purchases of investment securities	(6,722,606)	(6,373,654)
Investments in subsidiaries, associates and joint ventures	(536,120)	(33,053,174)
Purchases of intangible assets, property, plant and equipment	(1,940,360)	(2,156,332)
Purchases of investment property	-	-
Other outflows from investing activities	(2,052,602)	-
Net cash used in investing activities	***(7,785,299)***	***(19,903,725)***
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash from financing activities	**9,046,269**	**9,610,107**
Increase in capital	-	8,792,244
Proceeds from borrowings	9,046,269	817,863
Cash used in financing activities	**(347,174)**	**(395,427)**
Other outflows from financing activities - lease	(347,174)	(395,427)
Net cash from financing activities	***8,699,095***	***9,214,680***
TOTAL CASH INFLOWS	**62,163,006**	**92,725,640**
TOTAL CASH OUTFLOWS	**(72,572,127)**	**(99,631,037)**
NET DECREASE IN IN CASH AND CASH EQUIVALENTS	**(10,409,121)**	**(6,905,397)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**55,905,031**	**62,874,307**
FOREIGN EXCHANGE GAINS	279,751	495,109
FOREIGN EXCHANGE LOSSES	(239,148)	(558,988)
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 20)	**45,536,513**	**55,905,031**

The notes on the following pages
form an integral part of these financial statements.

These financial statements were approved by the management of AIK Bank A.D. Belgrade on 24 February 2025.

Signed on behalf of AIK Banka A.D. Belgrade by:

Petar Jovanovic
Executive Board Chairman

Andrija Vukovic
Executive Board Member

NOTES ON THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2024

1. CORPORATE INFORMATION

Agro-industrial Commercial Bank “AIK Banka” a.d. Belgrade (hereinafter: the “Bank”) was established in accordance with the Articles of Association on 10 August 1993. The Bank harmonised its operations and organisational structure with the Law on Banks and Other Financial Organisations in 1995 and was registered with the Commercial Court of Nis as a shareholding company under the Decision no. Fi 1291/95 dated 22 June 1995.

At its regular session held on 29 June 2015 the Bank's Shareholder Assembly enacted the Decision on Change of the Registered Seat of the Bank. The change was registered with the Serbian Business Registers Agency under the Decision no. BD 57565/2015 dated 2 July 2015. Consequently, Agroindustrijsko komercijalna banka AIK Banka a.d. Nis changed its legal name to Agroindustrijsko komercijalna banka “AIK Banka” a.d. Belgrade.

As of 31 December 2024, the largest shareholder of the Bank owing 100% of controlling shares is the Broker-Dealer Company “M&V Investments” a.d. Belgrade (31 December 2023: M&V Investments a.d. Belgrade with 100% shares). More details on the shareholder’s structure of the Bank are provided in Note 38.

The Bank is registered in the Republic of Serbia to provide banking services of payment transfers and lending and depositary operations performed domestically and abroad. As stipulated by the Law on Banks, the Bank is obligated to operate based on principles of liquidity, safety and profitability.

On 1 March 2022, the Bank acquired 100% of shares in Sberbank Srbija a.d. Belgrade and changed its name into Nasa AIK Banka a.d. Belgrade. In accordance with the Merger Agreement between the Bank, as the acquirer and Nasa AIK Banka as the transferor, which ceased to exist by merger without conducting the liquidation procedure. 1 December 2022 was defined as a contracted merger date, when this status change was registered with the Serbian Business Registers Agency.

On 2 March 2023, the Bank signed a Purchase Agreement with Eurobank S.A. Athens, Greece on the acquisition of 100% ownership of Eurobank Direktna a.d. Belgrade ("Eurobank Direktna”). On 2 November 2023, after obtaining the approval of the National Bank of Serbia and other competent regulatory bodies, the Bank officially became the sole owner of Eurobank Direktna. The Bank and Eurobank Direktna have continued to operate as two separate banks in the period until the integration, without any changes that would affect the clients and the services that these two banks provide to them at present.

Taking into account that the Bank is the only shareholder and direct controlling owner of 100% shares and equity of Eurobank Direktna, as its subsidiary, the Bank intends to merge the subsidiary after obtaining the approval from the National Bank of Serbia. The merger with Eurobank Direktna may generate synergistic effects, which will result in the Bank’s more significant presence and stronger position on the local market. The merger will also provide better control of the capital and risk management process.

On 21 October 2024, a draft Merger Agreement between the Bank, as the acquiring bank, and Eurobank Direktna, as the transferring bank, was accepted by the Boards of Directors of both banks and published on the website of the Company Register maintained by the Serbian Business Registers Agency, as well as on the websites of the acquiring bank and the transferring bank.

In line with the strategy of further growth and development, the Bank successfully signed a purchase transaction agreement on 29 February 2024, becoming the sole owner of NDM Leasing d.o.o. Belgrade, which was subsequently renamed to AIK Leasing d.o.o. Belgrade. This acquisition represents an opportunity to expand the range of products and services for existing clients of AIK Banka and Eurobank Direktna, while simultaneously strengthening the position in the financial services’ market. AIK Leasing will serve as an important channel for attracting new customers, both corporate and retail.

The Bank’s headquarter is in Belgrade, at no. 115dj, Mihajla Pupina Street. The Bank operates through its Head Office in Belgrade, 18 branch offices and 3 counters in Belgrade, 4 branches in Novi Sad, 2 branches in Zrenjanin and one branch in the following cities: Lazarevac, Obrenovac, Pancevo, Pozarevac, Smederevo, Sabac, Valjevo, Pirot, Prokuplje, Krusevac, Leskovac, Vranje, Jagodina, Paracin, Zajecar, Bor, Negotin, Kragujevac, Cacak, Gornji Milanovac, Uzice, Prijepolje, Novi Pazar, Kraljevo, Ruma, Indjija, Stara Pazova, Sremska Mitrovica, Vrsac, Subotica, Kikinda, Vrbas, Sombor, which makes the total of 1 Head Office and 61 branches and 3 counters throughout Serbia.

As of 31 December 2024, the Bank had 1,310 employees (31 December 2023: 1,133 employees).

The Bank’ tax identification number is 100618836, and its corporate ID is 06876366.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Basis of Preparation

The financial statements of the Bank for the year ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board and Interpretations (collectively "IFRS Accounting Standards"), and regulations of the National Bank of Serbia governing the financial reporting of banks.

The Bank, as a large legal entity, is obliged to apply International Financial Reporting Standards (IFRS) pursuant to the Law on Accounting ("RS Official Gazette", no. 73/2019 and 44/2021 - hereinafter the "Law"). In addition, the Law on Banks ("RS Official Gazette", no. 107/2005, 91/2010 and 14/2015) stipulates that banks apply IFRS when preparing annual financial statements from the date set by a competent international body as the date of their application. IFRS comprise the Conceptual Framework for Financial Reporting, International Accounting Standards - IAS, International Financial Reporting Standards - IFRS and Interpretations, subsequent amendments to these standards and related interpretations, published by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC).

The accompanying financial statements are presented in the format prescribed by the Decision on Forms and Content of Items in Financial Statement Forms for Banks ("RS Official Gazette", no. 93/2020).

These financial statements have been prepared under the historical cost convention, except for the measurement of the following items:

- financial assets measured at fair value through other comprehensive income;
- financial assets and liabilities measured at fair value through profit and loss;
- derivative financial instruments stated at fair value, and
- investment property measured at fair value.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Upon estimating the fair value of assets or liabilities, the Bank takes into account characteristics of assets or liabilities that other market participants would also consider upon determining the price of assets or liabilities at the measurement date. Fair value for measurement and/or disclosure purposes in the accompanying financial statements was determined in the aforesaid manner, except for share-based payment transactions, which are in the scope of IFRS 2, leasing transactions, which are in the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as the net realisable value in IAS 2 or value in use in IAS 36.

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Observable inputs other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability that reflect the Bank's own assumptions and estimates.

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

The accounting policies and estimates adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Bank's financial statements for the year ended 31 December 2023, except for the adoption of amended IFRS Accounting Standards disclosed in Note 2.2, effective from 1 January 2024, where applicable.

The Bank's financial statements are stated in thousands of Dinars, unless otherwise stated. The Dinar (RSD) is the functional and official reporting currency in the Republic of Serbia. All transactions in currencies other than the functional currency are considered as foreign currency transactions.

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

2.2. New and Amended IFRS Accounting Standards Mandatory for the First Time for the Financial Year Beginning on 1 January 2024

The following amended standards, which have been issued by the IASB, are mandatorily effective for reporting periods beginning on or after 1 January 2024 and, as such, are applicable for the Bank's accompanying financial statements:

- *Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback*

  The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions.

  The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 "Revenue from Contracts with Customers" to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

  The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

  A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

  These amendments had no effect on the accompanying financial statements of the Bank.

- *Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-current*

  The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments affect only the presentation of liabilities as current or non-current in the balance sheet (statement of financial position) and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

  The amendments also clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  These amendments had no effect on the accompanying financial statements of the Bank.

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

2.2. New and Amended IFRS Accounting Standards Mandatory for the First Time for the Financial Year Beginning on 1 January 2024 (Continued)

- *Amendments to IAS 1 "Presentation of Financial Statements" – Non-current Liabilities with Covenants*

  The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

  The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

  The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

  These amendments had no effect on the accompanying financial statements of the Bank.

- *Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" – Supplier Finance Arrangements*

  The amendments add disclosure requirements, and "signposts" within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

  The amendments to IAS 7 state that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.
  The amendments contain specific transition provisions for the first annual reporting period in which the group applies the amendments. Under the transitional provisions an entity is not required to disclose:

  - comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments; and
  - the information otherwise required by IAS 7:44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

  These amendments had no effect on the accompanying financial statements of the Bank.

The adoption of the above-mentioned amended standards did not result in substantial changes to the accounting policies and did not have an impact on the Bank's accompanying financial statements.

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

2.3. New and Amended IFRS Accounting Standards that are Not Yet Effective and Have Not Been Early Adopted by the Bank

The following new and amended standards have been issued by the IASB with a mandatory effective date in future accounting periods. They have not been early adopted by the Bank and the Bank intends to adopt them when they become effective.

- Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates” – Lack of Exchangeability (effective for annual reporting periods beginning on or after 1 January 2025). The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.
- Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – Amendments to the Classification and Measurement of Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2026). The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 “Financial Instruments“.
- Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – Contracts Referencing Nature-dependent Electricity (previously Power Purchase Agreements) (effective for annual reporting periods beginning on or after 1 January 2026).
- Annual Improvements to IFRS Accounting Standards – Volume 11 (effective for annual reporting periods beginning on or after 1 January 2026). As a result of the IASB's annual improvement project, this cycle addresses the following standards: IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7.
- IFRS 18 “Presentation and Disclosures in Financial Statements” (effective for annual reporting periods beginning on or after 1 January 2027). IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in general purpose financial statements.
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” (effective for annual reporting periods beginning on or after 1 January 2027). IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.

The Bank is currently assessing the impact of these amended and new standards. The management does not expect that the adoption of the amendments to the existing standards effective from 1 January 2025 will have a material impact on the Bank’s financial statements in the period of their first application.

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

2.4. Going Concern Assumption

The Bank's accompanying financial statements have been prepared under the going concern principle, which assumes that the Bank will continue its operations in the foreseeable future.

At the date of these financial statements the Bank continues to meet its obligations as they fall due and, therefore, continues to apply the going concern assumption.

Main triggers corresponding the going concern basis of preparation of the Bank's financial statements are:

- **Liquidity –** The Bank monitors liquidity position on the daily basis. Liquidity ratios were significantly above regulatory limits throughout the whole 2024. Furthermore, the Bank has all liquidity ratios above the regulatory limits, as disclosed within the Note 4.2.
- **Capital** – The Bank has a very strong capital position and, accordingly, high capital adequacy ratio as disclosed in Note 4.9.
- **Reserves and Profit** – The Bank's capital represents 20.09% of total assets of the Bank, whereas the reserves and profit represent 12.72% of total assets.

2.5. Comparative Information

Comparative information comprises the data from the Bank's audited financial statements as of and for the year ended 31 December 2023.

2.6. Use of Estimates

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

These estimates and underlying assumptions are reviewed on an ongoing basis, and changes in estimates are recognised in the periods in which they become known.

Areas that require a higher degree of judgment or complexity, or areas where assumptions and estimates are material to the financial statements are disclosed in Note 5.

2.7. Statement of Compliance

The accompanying financial statements of the Bank have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

3. MATERIAL ACCOUNTING POLICIES

The accompanying financial statements represent the separate financial statements of the Bank.

As of 31 December 2024, the Bank has control over Eurobank Direktna a.d. Belgrade and AIK Leasing d.o.o. Belgrade, as disclosed in Note 26.2.

In 2024, as in the prior years, the Bank did not prepare the consolidated financial statements in accordance with Article 32 of Law on Accounting, since the obligor of the consolidation in Serbia is the ultimate parent - M&V Investments a.d. Belgrade.

3.1. Interest Income and Expenses

Interest income and interest expenses are recorded in the income statement on an accrual basis and in accordance with the obligations stipulated by contracts between the Bank and the client. They are recognised in the income statement in the period to which they relate and are calculated using the effective interest method for all interest-bearing financial instruments measured at amortised cost (AC) and fair value through profit or loss.

Interest income on financial assets at fair value through other comprehensive income (FVOCI) under IFRS 9 is also recorded using the effective interest method.

In the case of financial assets that become impaired after initial recognition, interest income is calculated using the effective interest rate to the amortised (net) value of a financial asset. If the asset ceases to be impaired, the basis for calculating interest income again becomes the gross carrying value of the financial asset.

In the case of financial assets purchased or originally impaired at initial recognition (POCI), interest income is calculated using the effective interest rate adjusted for credit risk to the amortised (net) value of a financial asset and never at the gross carrying value of the financial asset.

The effective interest rate is the rate that precisely discounts estimated future payments or receipts over the expected life of the financial instrument or over a shorter period, where appropriate, to the net carrying value of the financial asset or financial liability. In calculation of the effective interest rate, the Bank estimates cash flows taking into account all the contractually agreed terms of the financial instrument but does not consider future credit losses.

Effective interest rate includes all fees and amounts paid or received between the counterparties that form an integral part of the effective interest rate, transaction costs and other premiums or discounts. The effective interest rate calculation includes the following types of the Bank's fees, which by their nature are an integral part of the effective rate: loan application processing fees, fees for processing authorised account overdraft applications, fees for investment project assessment and evaluation, fees for obligatory loan extension, when it is probable that a financial asset will be issued, fees for loan term modification.

Fees that are an integral part of the effective interest rate are deferred and amortised as interest income over the loan term using the effective interest rate.

Interest income and expenses presented within the Bank’s income statement include: interest on financial assets and liabilities measured at amortised cost calculated using the effective interest method, interest on securities measured at FVOCI calculated using the effective interest method and interest on coupon securities held for trading.

3.2. Fee and Commission Income and Expenses

Fees and commission primarily comprise considerations for banking services of payment transactions in the country and abroad, services per payment cards, issuance of guarantees and letters of credit and other banking services.

Fee and commission income and expenses are recognised on an accrual basis, when such services are rendered.

Fees for issuance of guarantees and letters of credit are deferred and recognised as income proportionately to the outstanding loan maturities, or guarantee and letter of credit validity terms.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.3. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at the official middle exchange rates determined at the Interbank Foreign Exchange Market effective at each transaction date.

Assets and liabilities denominated in foreign currencies, including those in RSD but with a currency clause index, are translated into dinars by applying the official middle exchange rates, as determined at the Interbank Foreign Exchange Market, prevailing at the reporting date (Note 44).

Foreign exchange gains or losses arising upon the translation of balance sheet items denominated in foreign currencies and transactions in foreign currencies are credited or charged as appropriate, to the income statement, as foreign exchange gains or losses and effects of the contracted currency clause (Note 11).

3.4. Dividend Income

Dividend income is recognised when the Bank's entitlement to dividend receipt is established. Dividend income is presented within other operating income.

3.5. Net Gains/(Losses) from Changes in Fair Value of Financial Instrument

Net gains/(losses) from changes in fair values of the financial instruments comprise the net effects of changes in the fair values of derivatives (other than derivatives designated as risk hedging instruments), as well as of valuation gains/(losses) in fair value of financial instruments measured at fair value through profit or loss (FVTPL).

3.6. Net Gains/(Losses) from Derecognition of Financial Instruments

Net gains/(losses) from derecognition of financial instruments and investments comprise the net effect of derecognition of financial instruments in accordance with IFRS 9.

3.7. Net Gains from Risk Hedges

Net gains from risk hedges include net gains from changes in value of financial derivatives designated as risk hedging instruments, as well as in the fair value adjustment of loans, receivables and securities as hedged items, which arise from the risk against which the item is hedged.

3.8. Income Taxes

Income taxes comprise current tax and deferred taxes. Current taxes and deferred taxes are recognised in the income statement, except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current Income Tax

Current income tax is an amount calculated by applying the legally prescribed tax rate of 15% (2023: 15%) to profit before taxes, as adjusted for permanent differences that brings down the statutory tax rate to the effective tax rate. The total amount of the income tax payable is determined by applying the legally prescribed tax rate to the taxable base determined in the annual corporate income tax return.

The Corporate Income Tax Law of the Republic of Serbia does not envisage that any tax losses of the current period be used to recover taxes paid within a specific carry back period. However, losses recognised in the tax return in the current accounting period may be used to reduce the tax base of future accounting periods, but not longer than five ensuing years.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.8. Tax Expenses (Continued)

Deferred Income Tax

Deferred tax liabilities are recognised as at the reporting date for all taxable temporary differences between the carrying values of assets used for financial reporting purposes and their tax bases. The currently enacted tax rates or the substantively enacted rates at the balance sheet date are used to determine the deferred income tax amount.

Deferred tax liabilities are recognised on all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forwards of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax assets and liabilities are offset when levied by the same tax authority on the same taxable entity, when related to the same tax authority and if there is a legally enforceable right to offset tax liabilities against tax assets.

Current and deferred taxes are recognised as income or expense and are included in net profit for the period other than those amounts that are recorded directly in equity in the current or other accounting period.

Indirect Taxes and Contributions

Indirect taxes and contributions include property taxes, municipal fees and charges and other taxes and contributions payable pursuant to effective republic and local tax regulations. These taxes and contributions are reported within other expenses.

3.9. Financial Assets and Liabilities

Recognition

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

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

Classification

In accordance with IFRS 9 classification and measurement of financial assets depend on the following two main criteria:

(a) the business model within which the asset is held; and
(b) characteristics of the contractual cash flows of financial assets (the so-called SPPI criterion).

The business model reflects the manner in which the Bank manages its financial assets in order to collect the cash flows therefrom, i.e., the business model determines whether the cash flows will result from collection of cash flows, sales of assets or both. The Bank performed detailed analysis and defined the following business models:

(a) hold to collect;
(b) hold to collect and sell; and
(c) other business models (e.g. hold to sell).

In instances of business models “hold to collect” or “hold to collect and sell”, it is assessed whether the cash flows represent solely payments of principal and interest (the Solely Payments of Principal and Interest - SPPI test”).

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Classification (Continued)

In accordance with the basic loan arrangement, interest includes the time value of money, the accepted level of counterparty credit risk and other basic lending risks, including adequate profit margin. If the contractual terms include risk exposures that are not in line with the basic loan arrangement, such a financial asset is classified and measured at fair value through profit or loss irrespective of the business model to which it belongs.

Based on the performed analysis of the business models and characteristics of the contractual cash flows, in line with IFRS 9 the Bank classifies its financial assets in one of the following three categories:

1) Financial assets at amortised cost (AC);
2) Financial assets at fair value through other comprehensive income (FVOCI); and
3) Financial assets at fair value through profit or loss (FVTPL).

The Bank measures its financial liabilities at amortised cost.

Reclassification

If a change occurs to the model underlying a financial asset management, the financial assets is reclassified. Reclassification is made prospectively, i.e., as of the first day of the following reporting period.

Upon reclassification of a financial asset from the category of measurement at amortised cost to the category of measurement at FVTPL, the asset's fair value is measured at the reclassification date, while any gain or loss on the difference between the previously amortised cost and the fair value is recognised in the profit or loss.

In case of a contrary reclassification, from an asset measured at FVTPL to the category of assets measured at amortised cost, the asset's fair value as of the reclassification date becomes its gross carrying value.

Upon reclassification of a financial asset from the category of measurement at amortised cost into the category of measurement at FVOCI, the asset's fair value is measured at the reclassification date, while any gain or loss on the difference between the previously amortised cost and the fair value is recognized in the other comprehensive income.

In case of a contrary reclassification, from an asset measured at FVOCI to the category of assets measured at amortised cost, the financial asset will be reclassified at its fair value. However, the accumulated gains or losses previously recognised within the other comprehensive income will cease to be recognised within equity and the value of the financial asset will be adjusted by the amount thereof as of the reclassification date. As a result, the financial asset is measured as of the reclassification date as if it had always been measured at amortised cost.

Upon reclassification of a financial asset from the category of measurement at FVTPL to the category of assets measured at FVOCI, the financial asset continues to be measured at fair value.

In case of a contrary reclassification, from an asset measured at FVOCI to the category of assets measured at FVTPL, the financial asset will continue to be measured at fair value. The accumulated gains or losses previously recognised in other comprehensive income are reclassified from equity to the profit or loss.

Modification and Derecognition of Financial Assets

In some circumstances, renegotiation or modification of the contractual cash flows of a financial asset may lead to derecognition of the existing financial asset in line with IFRS 9. When modification of a financial asset results in derecognition of the existing asset and subsequent recognition of a modified asset, the modified asset will be deemed a “new” financial asset for the purposes of this standard.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Modification and Derecognition of Financial Assets (Continued)

In such situations, the Bank makes quantitative and qualitative analyses and assesses whether there is a significant difference between the contractual cash flows of the original financial asset and the contractual cash flows of the modified or replacement asset. If there is a significant difference, the contractual rights pertaining to the original financial asset will be considered as expired and the new asset, issued under new terms, is to be recognised.

Accordingly, the reclassification date will be treated as the date of the initial recognition date of such a financial asset upon implementation of the impairment requirements to the modified asset.

In the event of a significant modification of a financial instrument, IFRS 9 stipulates derecognition of the original financial asset and recognition of the new one at fair value at the recognition date.

Derecognition results in a permanent gain or loss, which must be recognised in profit or loss, in the amount of the difference between the amortised cost of the original financial asset and the fair value of the new financial asset net of expected credit losses recognised as impairment allowance of the new financial asset.

Purchased or Originated Credit Impaired Financial Assets (POCI)

A financial asset is credit impaired when one or more events have occurred with adverse effects on the estimated contractual cash flows of the financial asset.

At the moment of initial recognition such financial assets will have no impairment but the lifetime expected credit losses need to be included in the calculation of their effective interest rate. Therefore, the Bank includes the initial expected credit losses into the estimate of the future cash flows upon calculation of the credit-adjusted effective interest rate of the financial assets impaired at initial recognition.

Upon initial recognition, expected credit losses (ECLs) for POCI assets are always measured as lifetime ECLs. However, at the reporting date, the Bank recognises an additional level of impairment, respecting the change in objective circumstances since the recognition of a financial asset. In other words, at each reporting date, in the income statement the Bank recognises changes in lifetime ECLs as gains or losses on impairment.

Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risk and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualifies for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the balance sheet. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that was previously recognised in other comprehensive income is recognised in profit or loss.

The Bank enters in transactions involving the transfer of its assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, repurchase transactions.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to offset the recognised amounts and it intends either to settle a liability on a net basis or to realise the asset and settle the liability simultaneously.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Offsetting (Continued)

Income and expenses are presented on net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as those in the Bank's trading activity.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

In case of inactive financial market, the Bank determines fair value using the valuation methodology. Valuation methodologies include transactions on market conditions between the willing, willing parties (if available), reference to the existing fair value of other instruments that are substantially the same, discounted cash flow analysis, and other alternative methods.

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

Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument of based on other available observable market data.

Assets and long positions are measured at bid prices and liabilities, while short positions are measured at ask prices. When the Bank has a risk offsetting position, middle market prices are used for measuring offsetting or risk-weighted assets, while adjustment to bid or ask prices is applied only to the net open positions. Here the fair value reflects the credit risk of the instrument and includes adjustments reflecting the credit risk of the Bank and the counterparty, where relevant. Fair value assessments based on the valuation models are adjusted for all other factors, such as liquidity risk or uncertainty models, to the extent that the Bank believes that third party market participants may take them into consideration upon determining transaction cost.

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

Impairment of the Financial Assets

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

Expected credit losses are recalculated at each reporting date in order to reflect changes occurred in the credit risk since the initial recognition of the financial instrument. Such an approach results in sooner identification of credit losses.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Impairment of the Financial Assets (Continued)

Upon calculating expected credit losses, the Bank uses forward-looking information and macroeconomic inputs, i.e., the Bank considers not only historical information adjusted so as to reflect the effects of the present conditions and information providing objective evidence of the financial assets being impaired for actual losses incurred, but reasonable and supportable information as well, which includes projections of the future economic conditions upon calculation of expected credit losses, both at individual and at collective levels. The amount of provisions for credit losses will increase with deterioration of the projected economic conditions and decrease with their improvement.

The Bank's basic principles and rules upon calculation of provisions under IFRS 9 are as follows:

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

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

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

In accordance with the foregoing, the Bank calculates an impairment allowance (provision) for a particular instrument in the amount of lifetime expected credit losses if the credit risk of the instrument has increased significantly since its initial recognition or if there is objective evidence of impairment identified (a financial asset classified into Stage 2 or Stage 3, respectively). Impairment allowance is calculated up to the amount of 12-month expected credit losses for all financial instruments with no significant credit risk increase since the initial recognition (financial assets classified into Stage 1).

For impairment allowance calculation purposes, the 12-month expected credit losses are part of the life-time expected credit losses identified and represent cash shortages over the life of an instrument that will occur in the event of default within 12 months from the reporting date or a shorter period, if the expected lifetime of an instrument is shorter than 12 months).

Financial assets are transferred from Stage 1 to Stage 2 when the credit risk has increased significantly since the instruments' initial recognition. The transfer logic is based on quantitative and qualitative criteria and must be applied to all the financial instruments. Relative deterioration of the lifetime PD above the threshold of 200% for corporate customers and 250% for retail customers at the reporting date in comparison to the placement approval date, is the key parameter underlying the quantitative criterion of the transfer logic. The additional qualitative criteria that come after applying the quantitative criteria are:

- Forbearance status classification results in automatic classification to Stage 2.
- Reclassification into the red zone of the Watch list process.
- 30 days past due – if a transaction reaches more than 30 but up to 90 days past due, it should be classified as Stage 2.

As far as the receivables from banks and the state are concerned, the criterion that is taken into consideration is the rating deterioration of an external rating agency, which results in the transition from an investment rating (Aaa-Baa3) to a non-investment rating (Ba-C).

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Impairment of the Financial Assets (Continued)

In the impairment process, the Bank applies a special treatment to the purchases of already impaired assets from the so-called NPL portfolios and to the approval of new loans to the borrowers with already impaired loans within its portfolio. In accordance with the standard, such assets are defined as POCI (purchased or originated credit impaired financial assets) and an additional level of impairment is allocated for them after the passage of a certain time. Positive changes in the lifetime expected credit losses of the instrument are recognised as gains on the impairment of instruments if the expected credit loss in lower than the amount of expected credit losses included in the estimated cash flows upon initial recognition.

Write-Off and Transfer of Receivables from Balance Sheet to Off-Balance Sheet Items

The Bank (in accordance with the Procedure on the Write-Off and Transfer of Receivables from Balance Sheet to Off-Balance Sheet Items) writes off certain loans and receivables and securities that have been determined as irrecoverable.

3.10. Cash and Balances with the Central Bank

Cash and balances held with the Central Bank comprise cash in hand, the Bank's gyro account balance, other cash funds and the required foreign currency reserve held with the central bank. Cash and balances held with the central bank are stated at amortised cost in the Bank's balance sheet.

Within the statement of cash flows cash and cash equivalents also comprise balances on accounts held with foreign banks, whereas the required foreign currency reserves held with the Central bank are not included therein.

3.11. Financial Assets Measured at Amortised Cost

This category includes financial assets meeting the two below listed criteria, if they are not designated upon initial recognition as financial assets measured at FVTPL:

- The objective of the business model in which the assets are held is achieved by collecting the contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial recognition, such assets are measured at amortised cost using the effective interest rate, net of expected credit losses.

Interest income from these instruments is calculated using the effective interest and presented in the income statement. Impairment losses on financial instruments measured at amortised cost are recognised within the income statement under losses from impairment of financial assets.

Loans and Placements

Loans and placements are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. They arise when the Bank provides money or services directly to a customer with no intention of trading the receivable. Loans and receivables comprise loans and placements to banks and customers.

Loans and receivables are initially measured at fair value. Upon initial recognition, based on the analysis of the business model and characteristics of the contractual cash flows, loans and receivables are measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

After initial recognition and measurement, loans and placements to banks and customers are measured at amortised cost and are stated at the amounts outstanding, taking into account all the discounts and premiums granted upon acquisition, net of the impairment allowances.

Income and interest receivable calculated on such instruments are recorded within interest income and interest receivable, respectively. Fees that are part of the effective interest on these instruments are deferred and recognised in the income statement under interest income over the life of the instrument.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.11. Financial Assets Measured at Amortised Cost (Continued)

Loans and Placements (Continued)

Approved RSD loans hedged using a contractual currency clause linked to the RSD/EUR exchange rate, to another foreign currency or consumer price index are converted into dinars at the reporting date in accordance with the terms of the particular loan agreement. The effects of the currency translation are reported within foreign exchange gains/losses and currency clause effects, i.e. income and expenses of contracted hedge items.

In accordance with its internally adopted methodology, at each reporting date, the Bank assesses whether there has been a significant increase in credit risk of all of its financial assets and calculates impairment allowance in the amount of lifetime expected credit losses for the financial assets whose credit risk has increased significantly since their initial recognition or if there is objective evidence of their impairment, and, on the other end, in the amount of 12-month expected losses for all those financial assets where the credit risk has not increased significantly since their initial recognition.

For the purposes of the Bank's calculation of impairment allowance, 12-month ECLs represent a portion of the lifetime ECLs and are in fact losses that will arise if the asset (loan) defaults (if the default status occurs) within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months), weighted by the probability of default (PD).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the borrower’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement under the item of net gains from reversal of impairment/losses on impairment of financial assets not measured at FVTPL.

3.12. Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

After initial recognition, financial assets measured at FVOCI are stated at fair value. The fair value of the assets is determined in line with the Bank's internally adopted fair value assessment methodology. Gains or losses from changes in fair value of these assets, except for impairment losses and foreign exchange gains/losses, are recognised in other comprehensive income, until derecognition or reclassification of the financial assets. Upon derecognition, the accumulated gains or losses previously recognised within other comprehensive income are reclassified from equity to profit or loss.

Interest accrued on such assets is recognised under the effective interest method within interest income in the income statement.

The calculated impairment losses (ECL) on these assets are recognised within other comprehensive income and they do not reduce the carrying value of the financial assets (as is the case with financial assets measured at amortised cost), in other words, the impairment allowance does not affect the carrying value of these assets.

3.13. Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)

Financial assets measured at FVTPL are all those financial assets that are not measured at AC or FVOCI. In line with IFRS 9, such assets are measured at fair value, with the effect of changes in their fair value recorded within profit or loss (income statement).

A financial asset classified into this category is a financial asset held for trading, i.e., an asset acquired primarily with the aim to earn a profit from short-term price fluctuations and/or dealer’s margin.

Financial instruments (including shares held for trading) classified in the Bank's trading book are initially recognised at their purchase price. Transaction costs are not included in their value but represent expenses for the period of acquisition. Financial assets held for trading are subsequently valued – by being adjusted to fair value on a daily basis. Gains and/or losses on sale of financial assets held for trading are recognised within income or expenses for the period.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.13. Financial Assets Measured at Fair Value through Profit or Loss (FVTPL) (Continued)

Derivative Instruments

Financial derivatives comprise forward and swap transactions. Financial derivatives are initially recognised at cost and are subsequently measured at market value. Market values are obtained using different valuation techniques, including discounted cash flows.

Financial derivatives are accounted for under assets if their market value is positive and under liabilities if their market value is negative.

Unless designated as hedging instruments, derivatives are treated as held for trading and measured at FVTPL under IFRS 9. Fluctuations in market value of financial derivatives are reported in the income statement within net gains or losses from changes in the fair value of financial instruments.

3.14. Equity Instruments

All investments in equity instruments are measured at FVTPL under IFRS 9, with the changes in their fair values recognised through profit or loss, except for those equity investments for which the Bank has elected to recognise fair value changes within other comprehensive income (OCI).

Dividend income on the equity instruments for which the Bank has decided to initially recognise fair value changes within OCI, is recognised in income statement. Upon derecognition, accumulated gains or losses within OCI are not reclassified to the income statement. In accordance with IFRS 9, such financial instruments are not tested for impairment.

In accordance with IFRS 9, if an equity instrument is not held for trading, at initial recognition the Bank may make an irrevocable decision to measure such an instrument at FVOCI, with only dividend income recognised within the income statement. Such instruments are not subject to impairment assessment in accordance with IFRS 9.

3.15. Property and Equipment

Recognition and Measurement

Items of property and equipment are initially measured at cost or purchase price.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of such equipment.

After initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Gains or losses arising on disposal of property and equipment are calculated as the difference between the sales proceeds and the carrying values of the assets and are presented within other income/expenses.

Subsequent Expenditures

Costs incurred in replacement of a critical part of equipment are capitalised and recognised as an increase of the carrying value of the fixed asset if it is probable that future economic benefits from the said part will flow to the Bank and if its cost can be measured reliably. The carrying value of the replaced part is derecognised.

The regular equipment maintenance and servicing costs are recognised within expenses as incurred.

Depreciation

Depreciation of property and equipment is calculated on the cost, on a straight-line basis, using the following annual rates in order to write off the cost of assets over their estimated useful lives.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.15. Property and Equipment (Continued)

Depreciation (Continued)

The following depreciation rates were used in the current and previous accounting period:

Buildings	1.30%
Computer equipment	20.00%
Furniture and other equipment	8.00% - 40.00%
Motor vehicles	15.50%

Calculation of depreciation of property and equipment starts in the month following the month when an asset is put into use. Calculation of depreciation for disposed assets ceases from the month following the month of asset disposal.

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

3.16. Right-of-use Assets

The accounting policies for the recognition and measurement of leases in accordance with IFRS 16 "Leases" applied to the current and prior reporting periods are set out below.

(i) Bank as a Lessee

In accordance with IFRS 16, a lease is defined as a contract or part of a contract that transfers the right to use the property for a specified period of time in exchange for a fee. A qualifying asset is recognised if the following conditions are cumulatively fulfilled:

- if the leased asset can be identified explicitly or implicitly;
- when all material economic benefits from the use of the asset can be realised during the lease period; and
- if the use of the asset can be managed, that is, deciding how and for what purposes the asset will be used throughout the lease period.

The Bank does not apply IFRS 16 requirements on low value assets, short-term leases (up to one year) and intangible assets. These leases are recognised as an expense on a proportional basis in the income statement (Note 18).

When an analysis of a contract determines that the contract is a lease, the asset with the right to use is recognised in the assets and the liability for the leasing in the liabilities of the balance sheet. An asset with a right of use is initially measured at cost, consisting of:

- the initial amount of the lease liability adjusted for all lease payments incurred on or before the lease begins;
- increased by any initial direct costs incurred and the estimated cost of dismantling and removing the asset or restoring the asset or location to its original condition; and
- reduced for received lease incentives.

After initial recognition, the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for remeasuring of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis. Depreciation starts from the first day of the month following the month in which the asset becomes available for use.

The lease liability is initially measured at the present value of all future lease payments (excluding value added tax), discounted at the interest rate implicit in the lease, and in the absence thereof, at the incremental borrowing rate. The incremental borrowing rate is determined based on the cost of financing a liability of similar duration and similar security to that provided for in the lease contract.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.16. Right-of-use Assets (Continued)

(i) Bank as a Lessee (Continued)

Future lease payments that are included in the value of the lease liability after discounting include:

- fixed payments less any lease incentives received;
- variable lease payments, that is, index- or rate-dependent payments;
- payments under the residual value guarantee clause of the leased item;
- the purchase price of the redemption option, if there is reasonable possibility for redemption; and
- penalties for termination of the contract, if there is reasonable possibility for termination.

After initial recognition, the lease liability is reduced by the lease liability payments made, increased by the accrued interest and adjusted based on:

- changes in future lease payments resulting from a change in the rate or index used to determine the initial lease liability;
- changes in the valuation of the use of the option to purchase the property;
- changes in the amount expected to be paid under the residual value guarantee; and
- changes in the lease period.

Adjusting the value of the lease liability also requires adjusting the right-of-use asset. Based on leases, the Bank recognises depreciation expense and interest expense in the income statement.

(ii) Bank as a Lessor

When the Bank appears as a leasing provider, it is assessed whether it is a financial lease or an operating lease. If the Bank estimates that the contract transfers all the risks and benefits arising from the ownership, the lease is classified as financial. Otherwise, it is operating leasing. IFRS 16 does not make any material changes to the accounting treatment of leases with a lessor compared to IAS 17.

3.17. Intangible Assets

Intangible assets consist of software, licenses and other intangible assets. Intangible assets acquired by the Bank are stated at cost less accumulated amortisation and accumulated impairment losses.

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

Amortisation of intangible assets is calculated on a straight-line basis in order to write off the assets over their estimated useful lives of five years, unless the assessment of the useful life and the possibility of using the respective investment, taking into account the technological characteristics and efficiency, do not exceed the stated period of use. For intangible assets, the period of use of which is determined by the contract, the amortisation rate is determined based on the period of use from the contract.

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

3.18. Investment Property

In accordance with IAS 40 “Investment Property”, investment property is property (land or a building, part of building or both) held by the owner (or lessee) in order to generate rental income or increase the value of equity or both.

Upon acquisition, investment property is measured at cost or purchase price. At initial measurement, all acquisition related costs are included in the cost or purchase price of investment property.

For subsequent measurement of investment property, the Bank uses the fair value model. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Gains or losses arising from the fair value adjustment of investment property are recognised as income or expenses in the period when realised/incurred.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.19. Impairment of Non-financial Assets

In accordance with the adopted accounting policy, at each reporting date, the Bank's management reviews the carrying amounts of the Bank's intangible assets, property, equipment and repossessed property following the foreclosure. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be lower than its carrying value, the carrying amount of the asset is reduced to its recoverable amount, being the higher of an asset's fair value less costs to sell and value in use. Impairment losses, representing a difference between the carrying amount and the recoverable amount of property, plant and equipment and intangible assets, are recognised in the income statement as required by IAS 36 "Impairment of Assets".

Non-financial assets (other than goodwill) that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.20. Investments in Subsidiaries

Subsidiaries are subordinate entities under the Bank's control, i.e., those where the Bank is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees.

Investments in subsidiaries are recorded in the financial statements at cost in accordance with IAS 27. The historical cost method requires that the investments in subsidiaries be recorded at cost (the amount of investment) and periodically (once a year) tested for impairment in line with IAS 36.

If an equity investment is impaired, i.e., if it is determined upon subsequent measurement that its recoverable amount is lower than its cost (or the carrying value), the cost (the carrying value) of the investment is reduced through impairment allowance to the recoverable amount. Impairment losses on equity interests held in subsidiaries are recorded within expenses in the current period's income statement.

Income from equity investments is recognised only if a subsidiary has enacted a relevant decision on profit distribution.

Consolidation of the financial statements is carried out using the full consolidation method, which, inter alia, involves the "line-by-line" summation of the same/corresponding items of assets, liabilities, income and expenses with elimination of all the intragroup balances, transactions, income and expenses.

3.21. Inventories

Inventories include repossessed property following the foreclosure (foreclosed assets).

Assets acquired in lieu of debt collection represent properties initially assigned under mortgage liens in favour of the Bank as collaterals for loans' repayment, and which the Bank foreclosed in the process of debt collection.

Such property is measured at the lower of the carrying values of the respective loans collected from their foreclosure and market prices determined by certified appraisers.

3.22. Managed funds on behalf of third parties

The funds that the Bank manages on behalf of and for the account of third parties for a fee are disclosed within off-balance sheet items (Note 39.2). The Bank bears no risk in respect of repayment of these placements.

3.23. Deposits and Borrowings

Deposits are stated in the amount of deposited funds, which may be increased by accrued interest, depending on the contractual terms agreed between depositors and the Bank.

Deposits and borrowings are initially measured at fair value increased for all directly attributable transaction costs, while they are subsequently measured at amortised cost using the effective interest rate method.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.24. Provisions, Contingent Liabilities and Contingent Assets

Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation (Note 36).

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes to the financial statements (Note 39.1), unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

3.25. Financial Guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are reported under off-balance sheet items.

3.26. Employee Benefits

In accordance with the regulations effective in the Republic of Serbia, the Bank is obligated to pay contributions to various state social security funds, which guarantee social security insurance benefits to employees. These obligations involve the payment of taxes and contributions on behalf of the employee, by the employer, in the amounts computed by applying the specific, legally prescribed rates, which are withheld from the gross salaries. The Bank also calculates and pays social security contributions charged to the employer.

In accordance with the Labour Law, the Bank is obliged to pay retirement benefits, and in accordance with its acts, it also pays jubilee awards for 10, 20, 30 and 40 years of employment with the Bank.

Long-term liabilities/provisions for retirement benefits and jubilee awards in accordance with IAS 19 represent the present value of the expected future payments to employees as determined by actuarial assessment using assumptions disclosed in Note 36(b).

Accumulated compensated absences may be carried forward and used in future periods if the current period's entitlement has not been fully used. The expected cost of accumulated compensated absences is recognised in the amount that is expected to be paid as a result of the unused entitlement that has accumulated as of the balance sheet date. In the instance of non-accumulating compensated absences, no liability or expense is recognised until the time of the absence.

3.27. Equity

The Bank's equity consists of founders' capital, subsequent share issues, share premium, reserves, fair value reserves and retained earnings and current year result. The Bank's equity was formed from monetary contributions invested by the Bank's founders. A founder cannot withdraw funds invested in the Bank's equity.

Gains and losses arising from changes in the market value of securities measured at fair value through other comprehensive income, as well as impairment of these securities in accordance with IFRS 9, are recorded within unrealised gains/losses on the indicated securities.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.28. Related Party Disclosures

For the purpose of these financial statements, legal entities are treated as related parties when one legal entity has the ability to control another entity or has the right to govern the financial and business operations of the entity, as defined by IAS 24 “Related Party Disclosures”.

Relations between the Bank and its related parties are regulated at contractual basis. Outstanding balances of receivables and liabilities at the reporting date, as well as transactions occurred during the reporting periods with related parties are disclosed separately (Note 40).

4. RISK MANAGEMENT

A risk is the possibility of adverse effects on the Bank’s capital and financial result as a consequence of transactions performed by the Bank and the macroeconomic environment it operates in. The Bank’s long-term goal in risk management is to minimise negative effects on the Bank’s financial result and capital due to its risk exposure.

Risks are an integral part of banking operations and it is impossible to eliminate them completely. It is important however to manage risks in such a manner that they are reduced to the levels acceptable for all stakeholders: capital owner i.e. shareholders, creditors, depositors and regulators.

The risk management process implies continued risk identification, measurement, i.e. assessment, undertaking risk mitigation measures, risk monitoring and control, i.e. establishing the risk exposure limit system, as well as reporting on risks in line with the Bank’s internal acts and the decisions of the regulators. An adequate risk management system is one of the key elements in ensuring the stability of the Bank’s operations.

Risk monitoring and control are primarily based on establishing the procedures and limit system. The established limits reflect the Bank’s business strategy and market environment, as well as the risk level that the Bank is willing to accept. The Bank permanently monitors and measures the capacity of the acceptable risk exposure level, taking into account the total exposure to all types of risks and activities.

The Bank continuously monitors all changes in law and bylaw regulations and international standards, analyses the effect on the risk level and undertakes measures for the timely harmonisation of its operations with the current regulations.

Risk Management System

The Bank has established a comprehensive and reliable risk management system defined by:

- Risk Management Strategy;
- Risk Appetite;
- Capital management Strategy and Plan;
- Risk Management Policy;
- Individual risks’ management procedures;
- Methodologies by which the Bank defines in detail the methods and approaches used in managing individual risks; and
- Other internal acts of the Bank.

The Risk Management Strategy defines the risk management principles for the purpose of ensuring an adequate assessment of all the risks the Bank is exposed or may be exposed to in its operations, and the adequate capital necessary for supporting the realisation of the Bank’s strategic goals, in line with the Bank’s Business Policy and Strategy.

4. RISK MANAGEMENT (Continued)

Risk Management System (Continued)

The Risk Management Strategy defines:

- All the risks that the Bank is or may be exposed to in its operations;
- The long-term goals in risk management, as established by the Bank's Business Policy and Strategy, as well as risk inclination and tolerance determined in line with those goals;
- Basic principles of risk assumption and management;
- Basic principles of the internal capital adequacy assessment process;
- Obligation of regular reporting to the Bank's bodies and the National Bank of Serbia about risk management;
- The criteria for determining the Bank's non-performing loans the basic principles of managing such assets, as well as the highest acceptable level of non-performing loans.

Risk Appetite is defined as a set of indicators with set out limits or targets used by the Bank to determine the maximum risk exposure tolerance by various risk types, a calculation method of selected indicators as well as the design method of risk appetite and its connection to the strategic planning process. In addition, Risk Appetite prescribes a detailed escalation process in case of limit exceedance. A Risk Appetite Compliance Report is regularly sent to the Bank's management bodies, and the document itself is updated at least once a year or more often if necessary and/or in case of any significant changes in factors that may affect the Bank's risk appetite.

In the Risk Management Policy, the Bank determines the basic principles of risk management, and in particular defines the organisation of the risk management process, the basis for the Bank's risk profile assessment, i.e. risk identification and measurement, measures for individual risk mitigation and monitoring, the internal risk management control system, the establishment of the individual risk limit system, as well as actions in the event of exceeding the defined limits, the manner and methodology for implementing the internal capital adequacy assessment process, establishes the framework and frequency of the stress testing of individual types of risks. In addition, Risk Management Policy determines the obligation of regular reporting to the Bank's bodies and the National Bank of Serbia regarding risk management.

In the risk management procedures, the Bank further defines the process or risk identification, measurement, i.e. assessment, as well as the procedure for risk mitigation, monitoring and control, reporting about the risks the Bank is exposed to, as well as the competencies and responsibilities of the Bank's organisational parts in the risk management system. Moreover, in a separate procedure, the Bank defines activities, rules for the employees' actions, authorities and responsibilities in relation to:

- Management of placements in arrears from the corporate, public and financial sectors with up to 90 days overdue; and
- Non-performing placements of the Bank to corporate customers related to restructuring of their placements, i.e. to all non-performing customers (corporate and retail) related to enforced collection.

Through individual methodologies, the Bank prescribes in detail the methods and approaches applied for measuring exposure to individual risks.

Competencies

The Bank has established a comprehensive and reliable risk management system that is fully integrated into all the Bank's business activities and that ensures that the Bank's risk profile is in line with the Bank's defined risk appetite. For the purpose of adequate risk management, the Bank has formed an adequate organisational structure that corresponds to the scope, type and complexity of the operations it performs and with the aim of preventing conflicts of interest risk-taking function (front office) is separated from the risk management function (middle office) and supporting activities (back office). This organisational structure enables the achievement of the determined goals and principles of risk management in practice.

The risk management process includes the following participants:

The Bank's Shareholders Assembly – adopts the Bank's Business Policy and Strategy that define the Bank's business goals for a minimum period of three years, adopts the Bank's financial statement and decides on the use and distribution of the realised profit i.e. covering losses. The Assembly also decides on increasing capital i.e. capital investments in other entities in the financial sector or other corporate customers, as well as about the amount of investments in fixed assets and investment property.

4. RISK MANAGEMENT (Continued)

Competencies (Continued)

The Bank's Board of Directors is competent and responsible for establishing a unique risk management system and control over that system, adopting the Risk Management Strategy and Policy, the Capital Management Strategy and Plan, and the Methodology for Internal Capital Requirements Assessment, establishing the internal control system, adopting the Liquidity Contingency Plan and the Bank Recovery Plan, as well as other activities stipulated by the Law on Banks. Moreover, the Board of Directors controls the work of the Executive Board.

The Executive Board is competent and responsible for implementing the Bank's Business Policy and Strategy according to the three-year strategic plan, the Risk Management Strategy and Policy, the Capital Management Strategy and Plan, the Internal Control System Policy, the adoption and analysis of the efficiency of individual risk management procedures that further define the process of risk identification, measurement (assessment), mitigating, monitoring and control, as well as reporting on the risks that the Bank is exposed to. The Bank's Executive Board regularly reports to the Board of Directors about the efficiency of the adopted Policy and risk management procedures.

The Audit Committee is competent and responsible for adopting the proposed Bank's Strategy and Policy in relation to risk management and implementing the internal control system submitted to the Board of Directors for consideration and adoption. Moreover, this Committee is in charge of analysing and controlling the application and adequate implementation of the adopted internal acts: The Risk Management Strategy and Policy and the Internal Control System Policy. At least once a month, the Board of Directors reports on its activities and identified irregularities, and proposes ways to eliminate them.

The Asset and Liability Committee monitors the Bank's risk exposure arising from the structure of its balance sheet liabilities, receivables and off-balance sheet items and proposes measures for managing market risks, interest rate risk and liquidity risk.

The Risk Committee is responsible for monitoring the Bank's exposure to credit risk, liquidity risk, interest rate risk, market risks, operational risk, country risk, concentration, investment risk and other risks, and it proposes measures for managing those risks to the Bank's Executive Board. The Risk Committee meets as prescribed by the Rules of Procedure.

The Client Monitoring Committee is responsible for monitoring the placement quality at the level of individual clients and observing the increased credit risk, i.e. for monitoring the receivables from clients in arrears and clients with a probability of increased credit risk. The role of this Committee is to consider potentially non-performing clients and placements, as well as to undertake certain activities in order to improve the status of these placements/clients. The Committee is also in charge of monitoring the status of previously proposed measures and decisions at the Committee's sessions. The Client Monitoring Committee meets at least once a month and more frequently if necessary.

The Bank's Credit Committees decide on loan requirements/placements within the frameworks determined in the Bank's acts, and analyse the Bank's exposure to credit, interest rate and market risks. The Bank's Board of Directors makes the Decision on forming credit committees and appointing the members of the following credit committees:

- Credit Committee for Corporate and Finance Sector clients; and
- Credit Committee for Retail and small and medium-sized enterprises (SME).

The Credit Risk Management Departments (the Corporate, Public and Finance Sector Credit Risk Management Department and the Retail and SME Sector Credit Risk Management Department) identify, measure i.e. assess and manage the credit risk of performing clients in the corporate segment, the public and financial sector, i.e. the segment of retail and small and medium enterprises.

The Monitoring Department monitors, analyses, controls and reports on receivables from potentially problematic clients that are managed by the sales departments in the segments or corporate, public sector, financial institutions, retail and small clients, and it also monitors, controls and reports on the contracted collaterals, the importance of appraisal reports and insurance policies for mortgaged real estate, the validity of data related to the contracted collaterals entered in the *Collateral Management System (applications for collateral recording and management)*, the status of the contracted subsequent conditions with the Bank's credit clients, etc.

4. RISK MANAGEMENT (Continued)

Competencies (Continued)

The Risk Control Sector proposes the risk management strategy, policy, procedures and methodologies for adoption. This Sector is responsible for implementing and maintaining risk-related methodologies and procedures from the aspect of ensuring the independent risk control process. This Sector also ensures the complete inclusion of risks in the measurement and reporting system of the risks that the Bank is exposed to in its operations. The Risk Control Sector comprises two departments:

- Credit Risk Controlling; and
- Market, Liquidity and Operational Risk Controlling.

The Workout Sector – in order to implement the strategy for addressing NPLs, which is an integral part of the Bank's risk management strategy, the Bank set up this Sector within its organisation as a separate organisational unit for NPL management so that it is functionally and organisationally separated from the organisational units whose scope of activity includes risk-taking. The main function of the Sector is to manage the collection of non-performing customers – corporate and retail, entrepreneurs and registered agricultural estates, and to manage the early collection of natural persons' placements in arrears.

The Finance Sector is in charge of maintaining books of accounts, the preparation and issue of financial statements and reporting to the National Bank of Serbia and other external users. Furthermore, *it carries out analysis and control* providing the appropriate support to all participants in the process of planning available internal capital, as well as in preparing the Bank's Financial Plan, which is taken as the basis for planning available internal capital.

The Treasury Sector is responsible for managing assets and liquidity, as well as the Bank's assets and liabilities. Moreover, it participates in the liquidity risk management, interest rate and foreign currency position of the Bank. The operations of this Sector are organised through the work of two units: Trading, Sales and Financial Institutions Relations and Asset/Liability and Liquidity Management.

The Operations Sector, through its operational activities, performs a support function, by managing the Bank's operations in the areas of business support, payment operations, credit and deposit administration.

The Internal Audit Department is responsible for the continued monitoring of the implementation of risk management policies and procedures, as well as for the regular assessment of the adequacy, reliability and effectiveness of the internal control system and the compliance function of the Bank.

The Compliance Sector is obligated to identify and monitor compliance risks in the Bank's operations, as well as to manage those risks that particularly relate to the risk of money laundering and terrorist financing, the risk of sanctions by the regulator, the risk of financial losses and reputation risk. The basic function of this Sector is the implementation of an ongoing, adequate and efficient control of the Bank's compliance in a manner that enables indicating the existing and potential compliance risks and management of such risks in order to achieve the highest standards in the Bank's operations.

In its regular course of business, the Bank is particularly exposed to the following risks: credit risk and associated risks, liquidity risk, interest rate risk, market risks, operational risk, exposure risk i.e. concentration risk, investment risk and country risk.

4.1. Credit Risk

Credit risk is the risk of negative effects on the Bank's financial result and capital arising from borrowers' inability to settle overdue liabilities to the Bank.

Through its internal Credit Policy, loan approval procedures and methodologies, the Bank has defined criteria for approving loans, modifying terms of use and the settlement of loans approved, the rescheduling and restructuring of receivables etc. The Credit Policy defines general terms of business with the Bank's clients, as well as fundamentals of crediting the corporate, public, retail and SME sector and risk management for all the aforementioned segments.

The loan approval process depends on the borrower type, loan type, loan characteristics and purpose and the collateral obtained, etc.

In order to implement the policy of optimum credit risk exposure, the Bank assesses the creditworthiness, i.e. the financial situation and creditworthiness of each borrower upon loan application submission and subsequently, when the same borrower applies for another loan or as part of regular and continuous borrower performance monitoring.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

An assessment of the borrower's financial situation and creditworthiness, historical regularity in liability settlement and an assessment of the value of offered collateral are carried out on an individual level, i.e. for each individual loan.

In such an analysis, the Bank assesses the ability of the borrowers to fulfil their liabilities due to the Bank.

In order to mitigate credit risk, the Bank demands certain collaterals upon loans approval. The amount and type of the required collateral depend on the assessed credit risk for each borrower individually. Terms for securitising loan repayment are defined based on analyses of the borrower's creditworthiness, the type and extent of credit risk exposure, loan maturity and loan amount.

The Bank manages credit risk at an individual loan level, individual borrower level, as well as at the Bank's entire loan portfolio level.

Credit risk monitoring at an individual borrower level is based on obtaining updated information on the borrower's financial situation and creditworthiness and the value of the collateral, while credit risk monitoring at the portfolio level is performed through the analysis of the change within a group of borrowers with a similar risk level and characteristics in order to determine and manage the balances and quality of assets.

At the credit portfolio level, credit risk impairment is assessed/calculated on a monthly basis in accordance with the International Accounting Standards and the International Financial Reporting Standards (IFRS 9).

The Bank also classifies its balance sheet assets and off-balance sheet items on a quarterly basis in accordance with the Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items.

In addition to loans, the Bank issues guarantees and letters of credit to its customers and has potential liabilities in this respect to make payments to third parties. In this way, the Bank is exposed to risks associated with the credit risk, which may be overcome or mitigated trough control procedures and processes used for credit risk.

Credit Risk Measurement and Assessment

Credit risk is assessed and measured by applying quantitative and qualitative criteria based on which debtors and their placements are classified into appropriate risk categories, in accordance with:

- Rating Policy;
- The Bank's methodology for assessing impairment of balance sheet assets and provision for off-balance sheet items in accordance with the IFRS 9;
- The Bank's methodology for the classification of balance sheet assets and off-balance sheet items; and
- Methodologies for identifying and measuring the credit risk arising from the impact of changes in the dinar exchange rate on the financial position of the borrower.

As part of its credit risk management process, the Bank uses in-house developed internal rating models for various customer segments, out of which statistically developed rating models are applied to retail customers, corporate customers and the micro segment. The internal rating model defines the level of the individual client's credit quality and, accordingly, the appropriate level of probable non-performance of obligations.

The Bank uses the rating scale that includes 26 rating categories, out of which 25 represent non-default status of obligor, while one category marks default status. The expert rating model has been developed for clients with specific characteristics for which the Bank was unable to develop an adequate statistical PD model, such as the specialised lending, etc., primarily due to the lack of a statistically relevant total number of clients and/or an insignificant number of defaults among these clients.

The Bank has applied expert ratings for the following portfolios: local self-government, public enterprises, financial institutions, newly-established enterprises and specialised financing. Additionally, the Bank classifies its clients in accordance with the National Bank of Serbia's regulations. Borrowers and loans are classified based on the following basic criteria:

- The timeliness, i.e. delay in the performance of obligations to the Bank
- Estimates of the financial position, i.e. creditworthiness of the debtor; and
- Quality of collaterals.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Credit Risk Measurement and Assessment (Continued)

Based on the above criteria, placements to customers are classified into one of the following categories: A, B, V, G or D.

Loans and Placements Impairment Assessment

The Bank assesses impairment of balance sheet and off-balance sheet receivables in accordance with its accounting policy and the Methodology for Assessing Impairment of Balance Sheet Assets and Provision for Off-Balance Sheet Items under IFRS 9 (hereinafter: "Impairment Methodology").

In accordance with the requirements of the IFRS 9, the Bank has defined criteria for the staging of its balance sheet assets and off-balance sheet items (Stages 1, 2 and 3) depending on the level of credit risk increase since the initial recognition, as well as the criteria for transfers of assets/receivables from one stage to another.

Off-balance exposures are included calculation in the moment of default (EAD), by applying credit conversion factors (CCF) defined in the Decision on Capital Adequacy issued by the National Bank of Serbia.

For all its financial instruments, the Bank regularly:

- assess the asset quality and determine whether there is objective evidence of impairment, and
- assess whether there has been a significant increase in the credit risk since the initial recognition and calculate the amount of impairment per expected credit losses (ECL).

EAD – Exposure at default includes balance sheet and off-balance sheet exposure

The exposure at default is calculated as the sum of both on-balance sheet and off-balance sheet exposures. Off-balance exposures at the moment of default are included in the EAD calculation with the application of credit conversion factors (CCF), which the Bank calculated on a statistical basis.

PD – Probability of Default

For the purpose of calculating impairment, the probability of default occurrence (PD) is assessed using transition matrices that show debtors' transitions from different performing ratings to default in the period between two dates. The starting point is migration matrices calculated by the Bank in terms of annual client migrations by ratings to the default category (per number) for each month in the past 8 years from the calculation date. In order to calculate PD, TTC (*Through the cycle*) matrix is multiplied by the number of the remaining years until loan maturity.

Effect of Macroeconomic Trends

For the purposes of calculating the forward looking component of PD, the Bank determines a relation between macroeconomic indicators and default rates.

The PD parameter is adjusted taking into account macroeconomic scenarios developed on the basis of statistical models and linear regression models. By analysing the assumptions, the variables that have a significant impact on the movement of the default rate were determined.

Forward-looking models are based on historically achieved values and forecasts of macroeconomic indicators for the current quarter and the next seven quarters, using data published by the National Bank of Serbia, ministries, the Statistical Office of the Republic of Serbia or relevant international data sources. A different combination of independent variables derived from macroeconomic variables (GDP, oil price, the market basket) provides a desired predictive value for each portfolio.

In addition, in order to adhere to the principle of prudency, the Bank included an additional layer of protection of 7% for corporate customers and 10% for retail customers in the calculation of impairment for credit risk, which includes specific hard-to-measure risk factors such as the ESG (Environmental, Social and Governance) component, political risk, supply chain risk, etc.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and Placements Impairment Assessment (Continued)

LGD – Loss Given Default

The LGD parameter represents a loss estimate on individual financial instrument level, under the assumption of default, i.e. non-performance status. When estimating credit losses, the Bank wants to reflect the possibility of the collection of cash flows from both the regular cash flows and from collaterals and other security instruments that are directly connected to the financial instrument.

The Bank generally applies the separate calculation concept for the LGD: for the secured portion of the receivables ("LGD secured") and for the unsecured portion of the receivables ("LGD unsecured"), depending on the degree of collateralisation of an individual loan for impairment calculation for placements in Stages 1 and 2. The LGD unsecured for project financing and collateral-based financing is equivalent to 100%.

Objective Evidence of Impairment and Significant Increase in Credit Risk

Upon assessing the expected credit losses for the purpose of impairment allowance calculation, the Bank assesses all its individual financial instruments (at the loan facility level) to determine whether there has been a significant increase in credit risk or default, and performs the following staging accordingly:

- Stage 1 includes all the new financial assets at the moment of initial recognition and assets with no significant deterioration of credit quality since initial recognition at the reporting date;
- Stage 2 includes financial assets with a significant increase in credit risk since initial recognition, but without objective evidence of impairment based on the credit losses; and
- Stage 3 includes financial assets with objective evidence of impairment at the reporting date.

Default, i.e. a default status (failure to settle liabilities), is defined as a material delay in liability settlement of at least 90 days at the individual financial instrument level. Default may also be identified before the 90-day delay if other quantitative and/or qualitative criteria are identified that indicate that there is objective evidence of the impairment of a financial asset. For such purposes, the Bank defined a list of indicators to consider in order to be able to identify the default status.

If the Bank's client is in delay less than 90 days, default is assigned to the loan portion if the Bank finds that the debtor's ability to repay the debt has deteriorated and that the debt repayment in its full amount has been questioned.

Receivables that are not classified under the default status are classified under the performing status.

Identification of a Significant Increase in Credit Risk

Stage 2 includes receivables with a significant increase in credit risk since the initial recognition, such as arrears from 30 to 90 days, a considerable increase in the lifetime PD in comparison to the time of the placement approval, restructuring, EWS system red signals, etc.

Receivables from banks and the state: deterioration of the rating of an external rating agency, which leads to a transition from one of the investment ratings (Aaa-Baa3) to one of the non-investment ratings (Ba-C).

According to its Impairment Methodology, the Bank recognizes an impairment allowance in the amount of expected credit losses (ECL) over the lifetime of a financial instrument, if the credit risk of a particular financial instrument has significantly increased since the instrument's initial recognition or there is objective evidence of impairment identified (financial assets in Stage 2 and Stage 3), or in the amount of the 12-month ECL for all financial instruments whose credit risk has not significantly increased since initial recognition (financial assets in Stage 1).

Impairment Calculation – Stage 1

For the impairment calculation purposes, the 12-month expected credit losses are part of the lifetime expected credit losses identified and represent cash shortages over the life of an instrument that will occur in the event of default within 12 months from the reporting date, weighted by the probability of such default.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and Placements Impairment Assessment (Continued)

Impairment Calculation – Stage 2

Expected losses here represent probability-weighted estimates of credit losses that will arise over the expected life of a financial instrument.

Impairment Calculation – Stage 3

For the impairment calculation, all the exposures in Stage 3 entail: all exposures with the identified non-performance status – default status.

For such financial instruments, impairment allowance is calculated as the difference between the gross carrying value and the present value of the estimated future cash flows discounted using the effective interest rate of the financial instrument.

Additionally, in order to calculate impairment of repurchased or approved financial assets with identified objective impairment evidence at the initial recognition, i.e. financial assets with a POCI status, the Bank will take into account objective circumstances of a potential collection of the financial assets at the time of the calculation. Impairment for POCI exposures is based on the lifetime of an instrument. Material POCI exposures under Stage 3 are individually impaired, while exposures with values lower than the defined values of materiality are collectively impaired. Objective circumstances must be based on all relevant facts essential for the collection of these receivables. This includes possible collection scenarios that take into account the potential source of collection and the period in which collection can be expected. POCI exposures classified in Stage 2 and grouped into similar groups are collectively impaired.

POCI exposures subject to collective impairment differ in terms of whether they are secured with credit protection or not. In case POCI exposures are secured, the discounted value of the collateral is taken into consideration. The impairment loss based on the amount of receivables before the deduction for the recognised credit loss is compared to the amount of already recognised credit loss in case of POCI placements, whereas in case the impairment amount is higher, additional impairment for such a difference is recognised. Unsecured POCI placements are impaired in the same manner as in the case of similar exposures that are not POCI, but reduced by the initially recognised loss.

Individual Impairment Assessment

When calculating impairment, the Bank views part of the clients on an individual basis. Individually significant exposure – exposure exceeding RSD 18,000,000 at the corporate client level, or RSD 12,000,000 at the retail client level.

Since, under the relevant standard, expected credit losses represent probability-weighted estimates of credit losses, the Bank considers multiple possible collection scenarios upon estimating expected future cash flows: collateral foreclosure, collection from regular cash flows, loan restructuring and rescheduling, bankruptcy of the borrower, sale of receivables, settlement and everything else that is deemed relevant.

Upon the definition of those scenarios, the Bank's starting point is the collection strategy defined by the Workout Sector, the Corporate, Public and Finance Sector Credit Risk Management Department and the Retail and SME Sector Credit Risk Management Department in collaboration with the competent Bank’s sales sectors/departments based on, inter alia, conclusions and measures determined by the Client Monitoring Committee.

In defining the probability (percentage) of certain scenarios, the Bank relies on the historical realisation and collection of NPLs, as well as individual exposure specificities and all other available information and data that may be relevant in estimating the probability of a certain collection strategy realisation.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and Placements Impairment Assessment (Continued)

Collective Impairment Assessment

All other exposures not subject to individual assessment are subject to the collective impairment assessment, which entails grouping the remaining financial instruments in Stage 3 per the following sub-segments:

1. Corporate customers
2. Retail customers – individuals
3. Financial institutions
4. Exposures to governments and government agencies and institutions

Within each of the above-listed sub-segments, the Bank further classifies borrowers into rating groups from R1 to R26, according to the Bank's internal rating model. Clients with the rating R26 are clients with a default status.

The Approach to the Exposures to the States and Financial Institutions

Since the Bank does not possess an adequate history of migrations and defaults for exposures to states and financial institutions, upon the impairment assessment and default risk of the financial instruments of states, its bodies and financial institutions, it relies on the data of an external credit rating agency (Moody's).

For banks without a rating assigned by Moody's, the Bank uses as input the ratings of the countries of their domicile.

Impairment Calculation and Provisioning per Country

The Bank calculates an impairment allowance per country risk for corporate customers and customers subject to transfer risk. Country/transfer risk is a risk that the customers' ability to settle their liabilities will be conditioned by the risk of the country in which they operate. Transfer risk is expressed based on a country's rating.

The PD of a customer that is exposed to transfer risk cannot be lower than the PD of the risk country for customers. Therefore, the upper limit of a country is defined as a customer's rating quality limit (i.e. customer's rating cannot be better than the country's upper limit).

Impairment Calculation for Placements Secured by High Value Collateral

The Bank will apply an impairment rate of 0.5% for placements to the corporate and retail segment in respect of housing loans, for placements secured by high value collateral in cases when the respective receivables do not receive impairment.

This principle applies to all loans to the above-mentioned segments except those that are assessed individually. The amount of exposure to which the said percentage applies consists of the sum of the balance sheet exposure and the off-balance sheet exposure multiplied by the conversion factor.

Provisions for Off-balance Sheet Items

The assessment of provisions for off balance sheet items is performed in the same manner as for balance sheet items, expect for the application of credit conversion factors (CCF). The Bank is using CCF as defined by the appropriate methodology.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Maximum Credit Risk Exposure

The table below represents the maximum credit risk exposure without collaterals or other credit enhancements. The exposure is based on the carrying amounts from the balance sheet as of 31 December 2024 and 2023.

In case of financial instruments measured at fair value (market value), the amounts presented relate to the current credit risk exposure, but not the maximum credit risk exposure that may arise in the future as a result of fair value adjustments.

Breakdown of the Bank's Assets

			In RSD thousand 31 December 2024
	Gross exposure	Allowance for impairment	Net exposure
I Balance sheet items	**449,818,098**	**(8,673,856)**	**441,144,242**
Cash and balances with Central Bank	66,082,059	(8,005)	66,074,054
Derivatives	9,380	-	9,380
Securities	52,104,191	(45,903)	52,058,288
Loans and placements to banks and other financial institutions	86,012,503	(241,480)	85,771,023
Loans and placements to customers	244,359,704	(8,290,794)	236,068,910
Other assets	1,250,261	(87,674)	1,162,587
II Off-balance sheet items	**119,190,911**	**(188,054)**	**119,002,857**
Guarantees issued, unsecured letters of credit and acceptances	55,003,971	(99,957)	54,904,014
Irrevocable commitments per credit lines	64,186,940	(88,097)	64,098,843
Total	**569,009,009**	**(8,861,910)**	**560,147,099**

			In RSD thousand 31 December 2023
	Gross exposure	Allowance for impairment	Net exposure
I Balance sheet items	**424,018,142**	**(8,201,106)**	**415,817,036**
Cash and balances with Central Bank	74,281,428	(9,790)	74,271,638
Derivatives	114,421	-	114,421
Securities	44,868,868	(47,266)	44,821,602
Loans and placements to banks and other financial institutions	68,482,275	(340,900)	68,141,375
Loans and placements to customers	235,095,372	(7,707,583)	227,387,789
Other assets	1,175,778	(95,567)	1,080,211
II Off-balance sheet items	**67,023,959**	**(146,348)**	**66,877,611**
Guarantees issued, unsecured letters of credit and acceptances	62,590,939	(127,068)	62,463,871
Irrevocable commitments per credit lines	4,433,020	(19,280)	4,413,740
Total	**491,042,101**	**(8,347,454)**	**482,694,647**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Portfolio Quality

The table below summarises the quality of **gross portfolio** based on the Bank's internal rating as of **31 December 2024**:

In RSD thousand
31 December 2024

	Placements to customers			Placements to banks			Balance sheet assets exposed to credit risk	Off-balance sheet items exposed to credit risk			
Rating	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	Total
R1	-	-	-	1,770,818	-	-	1,770,818	-	-	-	1,770,818
R2	-	-	-	-	-	-	-	-	-	-	-
R3	-	-	-	-	-	-	-	-	-	-	-
R4	-	-	-	-	-	-	-	-	-	-	-
R5	-	-	-	-	-	-	-	-	-	-	-
R6	2,270,584	7,176	-	-	-	-	2,277,760	1,386,868	-	-	3,664,628
R7	2,341,921	7,109	-	-	-	-	2,349,030	6,101,698	9	-	8,450,737
R8	15,330,626	109,896	-	-	-	-	15,440,522	26,277,658	477	-	41,718,657
R9	13,617,036	192,466	-	-	-	-	13,809,502	13,152,431	19,547	-	26,981,480
R10	29,574,976	174,158	-	9,627,284	-	-	39,376,418	16,122,419	194,777	-	55,693,614
R11	26,845,212	160,430	-	-	-	-	27,005,642	12,618,732	18,677	-	39,643,051
R12	12,552,999	91,991	-	-	-	-	12,644,990	10,488,842	281,725	-	23,415,557
R13	12,455,855	114,948	-	1,006,754	-	-	13,577,557	4,183,582	14,374	-	17,775,513
R14	26,385,559	180,387	-	-	-	-	26,565,946	6,241,981	1,013,002	-	33,820,929
R15	7,365,510	7,650,699	-	-	-	-	15,016,209	1,354,616	1,974,809	-	18,345,634
R16	8,682,401	664,703	-	176,417	-	-	9,523,521	4,532,046	105,209	-	14,160,776
R17	15,301,833	1,210,645	-	-	-	-	16,512,478	6,264,070	301,650	-	23,078,198
R18	14,644,364	5,648,717	-	-	-	-	20,293,081	3,697,009	61,332	-	24,051,422
R19	9,280,392	479,163	-	600	-	-	9,760,155	531,363	49,785	-	10,341,303
R20	7,775,970	92,896	-	-	-	-	7,868,866	619,672	38,301	-	8,526,839
R21	1,469,552	4,235,592	-	-	-	-	5,705,144	20,195	11,455	-	5,736,794
R22	294,514	4,426,030	-	-	-	-	4,720,544	65,468	29,287	-	4,815,299
R23	513,043	2,952,506	-	-	-	-	3,465,549	1,616	23,014	-	3,490,179
R24	162,477	831,913	-	-	-	-	994,390	60	8,765	-	1,003,215
R25	117,162	1,362,766	-	-	-	-	1,479,928	30	300,321	-	1,780,279
R26	-	-	6,783,509	-	-	182,112	6,965,621	-	-	86,194	7,051,815
Aaa - Aa3	-	-	-	571,647	-	-	571,647	-	-	-	571,647
A1-A3	-	-	-	15,955,183	-	-	15,955,183	56	-	-	15,955,239
Baa1-Baa3	-	-	-	4,826,576	-	-	4,826,576	-	-	-	4,826,576
Ba1-Ba3	18	-	-	51,895,112	-	-	51,895,130	-	-	-	51,895,130
B1-B3	-	-	-	-	-	-	-	997,789	-	-	997,789
Caa1 and lower	-	-	-	-	-	-	-	-	-	-	-
Total	**206,982,004**	**30,594,191**	**6,783,509**	**85,830,391**	**-**	**182,112**	**330,372,207**	**114,658,201**	**4,446,516**	**86,194**	**449,563,118**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Portfolio Quality (Continued)

The table below summarises the quality of **gross portfolio** based on the Bank's internal rating as of **31 December 2023**:

In RSD thousand
31 December 2023

	Placements to customers			Placements to banks				Off-balance sheet items exposed to credit risk			
Rating	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Balance sheet assets exposed to credit risk	Stage 1	Stage 2	Stage 3	Total
R1	211,284	18,574	-	1,080,046	-	-	1,309,904	35,894	-	-	1,345,798
R2	206,830	-	-	-	-	-	206,830	38,800	-	-	245,630
R3	747,242	10,364	-	-	-	-	757,606	53,194	-	-	810,800
R4	5,110,054	25,009	-	-	-	-	5,135,063	93,462	-	-	5,228,525
R5	4,347,033	61,160	-	-	-	-	4,408,193	134,246	-	-	4,542,439
R6	4,129,045	80,097	-	-	-	-	4,209,142	1,129,424	62	-	5,338,628
R7	5,450,390	118,207	-	-	-	-	5,568,597	4,351,753	1,620	-	9,921,970
R8	10,687,101	138,478	-	1,449	-	-	10,827,028	23,373,292	2,124	-	34,202,444
R9	9,820,373	198,294	-	-	-	-	10,018,667	7,435,075	12,082	-	17,465,824
R10	32,505,199	364,308	-	1,470,690	-	-	34,340,197	9,734,700	403,155	-	44,478,052
R11	16,355,202	7,546,464	-	-	-	-	23,901,666	5,956,612	71,270	-	29,929,548
R12	10,220,050	5,813,522	-	-	-	-	16,033,572	1,389,078	70,856	-	17,493,506
R13	10,613,255	181,383	-	644,711	-	-	11,439,349	3,238,760	1,336,841	-	16,014,950
R14	12,214,299	537,553	-	-	-	-	12,751,852	2,110,108	20,702	-	14,882,662
R15	17,687,352	321,875	-	-	29,931	-	18,039,158	608,851	386,838	-	19,034,847
R16	16,441,821	1,536,351	-	-	-	-	17,978,172	1,878,555	28,328	-	19,885,055
R17	14,485,399	1,926,047	-	-	-	-	16,411,446	927,968	88,923	-	17,428,337
R18	7,068,431	2,470,679	-	-	-	-	9,539,110	253,852	35,946	-	9,828,908
R19	10,766,860	1,165,091	-	2,254	-	-	11,934,205	262,945	466,262	-	12,663,412
R20	3,807,661	582,030	-	-	-	-	4,389,691	147,446	10,478	-	4,547,615
R21	599,565	1,380,038	-	-	-	-	1,979,603	11,331	112,467	-	2,103,401
R22	353,494	535,608	-	-	-	-	889,102	197,102	2,771	-	1,088,975
R23	56,525	2,036,062	-	-	202	-	2,092,789	50	591	-	2,093,430
R24	26,249	368,827	-	-	-	-	395,076	1,272	1,297	-	397,645
R25	17,229	5,165,904	-	-	436,228	-	5,619,361	-	288,998	-	5,908,359
R26	-	-	8,565,152	-	-	-	8,565,152	-	-	222,002	8,787,154
Aaa - Aa3	-	-	-	1,308,910	-	183,205	1,492,115	-	-	-	1,492,115
A1-A3	-	-	-	9,679,401	-	-	9,679,401	57	-	-	9,679,458
Baa1-Baa3	-	-	-	2,292,720	-	-	2,292,720	-	4,226	-	2,296,946
Ba1-Ba3	13,425	-	6,927	51,163,902	-	88,625	51,272,879	-	-	-	51,272,879
B1-B3	-	-	-	98,337	-	-	98,337	92,293	-	-	190,630
Caa1 and lower	-	-	-	-	-	1,664	1,664	-	-	-	1,664
Total	**193,941,368**	**32,581,925**	**8,572,079**	**67,742,420**	**466,361**	**273,494**	**303,577,647**	**63,456,120**	**3,345,837**	**222,002**	**370,601,606**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Allowance for Impairment

The tables below present movements in the allowance for impairment during the reporting period by the classes of assets:

In RSD thousand

Loans and placements to customers	Stage 1	Stage 2	Stage 3	POCI	2024 Total
Allowance for impairment as of 31 December 2023	**(1,925,731)**	**(2,392,498)**	**(2,953,258)**	**(436,096)**	**(7,707,583)**
Movements in the allowance for impairment					
– Transfer to Stage 1	(280,975)	179,459	101,516	-	-
– Transfer to Stage 2	76,700	(436,134)	359,434	-	-
– Transfer to Stage 3	49,736	79,395	(129,131)	-	-
– POCI	-	-	-	-	-
Increase due to changes in the credit risk	(495,580)	(1,051,150)	(1,813,473)	-	(3,360,203)
Decrease due to changes in the credit risk	798,001	1,313,113	1,452,523	-	3,563,637
Newly acquired/originated assets	(6,493,921)	(3,195,074)	(3,892,669)	(176,894)	(13,758,558)
Decrease due to derecognition	5,937,724	2,805,140	2,190,579	211,269	11,144,712
Write-offs	2,882	-	111,946	-	114,828
Other changes	(271,304)	(6,003)	(91,905)	(74,959)	(444,171)
FX differences	(1,597)	1,381	(303)	(166)	(685)
Transfer to off-balance sheet items	194,396	271,726	1,316,311	374,796	2,157,229
Allowance for impairment as of 31 December 2024	**(2,409,669)**	**(2,430,645)**	**(3,348,430)**	**(102,050)**	**(8,290,794)**

Loans and placements to customers	Stage 1	Stage 2	Stage 3	POCI	2023 Total
Allowance for impairment as of 31 December 2022	**(2,174,599)**	**(1,840,230)**	**(1,045,989)**	**(21,872)**	**(5,082,690)**
Movements in the allowance for impairment					
– Transfer to Stage 1	(273,050)	237,279	35,771	-	-
– Transfer to Stage 2	310,827	(326,547)	15,720	-	-
– Transfer to Stage 3	10,859	248,472	(259,331)	-	-
– POCI	-	-	-	-	-
Increase due to changes in the credit risk	(595,493)	(148,386)	(163,845)	-	(907,724)
Decrease due to changes in the credit risk	409,649	114,909	134,646	-	659,204
Newly acquired/originated assets	(6,739,726)	(3,516,084)	(2,904,464)	(414,024)	(13,574,298)
Decrease due to derecognition	7,144,741	2,854,444	647,706	-	10,646,891
Write-offs and transfer to off-balance sheet items	-	-	702,129	-	702,129
Other changes	(20,067)	(16,982)	(116,267)	(200)	(153,516)
FX differences	1,128	627	666	-	2,421
Allowance for impairment as of 31 December 2023	**(1,925,731)**	**(2,392,498)**	**(2,953,258)**	**(436,096)**	**(7,707,583)**

In 2024, changes in allowances for impairment by risk level are the consequences of the following business changes:

- The effect of macroeconomic factors to the retail portfolio;
- Deterioration of the financial condition of certain customers and transfer to worse risk levels, as well as transfer of certain customers (both retail and corporate) to better risk levels and regular loan repayments; and
- Additional impairment of POCI clients.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Allowance for Impairment (Continued)

In RSD thousand

Loans and placements to banks and other financial institutions	Stage 1	Stage 2	Stage 3	POCI	2024 Total
Allowance for impairment 31 December 2023	**(15,132)**	**(135,656)**	**(190,112)**	**-**	**(340,900)**
Movements in the allowance for impairment					
– Transfer to Stage 1	23	-	(23)	-	-
– Transfer to Stage 2	-	-	-	-	-
– Transfer to Stage 3	-	-	-	-	-
Newly acquired/originated assets	(173,889)	-	(55)	-	(173,944)
Decrease due to derecognition	123,540	135,656	5,263	-	264,459
Write-offs	-	-	-	-	-
FX differences	6,066	-	2,839	-	8,905
Allowance for impairment 31 December 2024	**(59,392)**	**-**	**(182,088)**	**-**	**(241,480)**

Loans and placements to banks and other financial institutions	Stage 1	Stage 2	Stage 3	POCI	2023 Total
Allowance for impairment 31 December 2022	**(20,797)**	**(1,314)**	**(194,066)**	**-**	**(216,177)**
Movements in the allowance for impairment					
– Transfer to Stage 1	(14)	-	14	-	-
– Transfer to Stage 2	-	1,296	(1,296)	-	-
– Transfer to Stage 3	-	-	-	-	-
Newly acquired/originated assets	(358,842)	(136,953)	(19,614)	-	(515,409)
Decrease due to derecognition	356,768	1,264	18,031	-	376,063
Write-offs, transfer to off-balance sheet items and sales	-	-	6,818	-	6,818
FX differences	7,753	51	1	-	7,805
Allowance for impairment 31 December 2023	**(15,132)**	**(135,656)**	**(190,112)**	**-**	**(340,900)**

In RSD thousand

Securities	Stage 1	Stage 2	Stage 3	POCI	2024 Total
Allowance for impairment as of 31 December 2023	**(3,205)**	**(109)**	**(43,952)**	**-**	**(47,266)**
Movements in the allowance for impairment					
– Transfer to Stage 1	(44)	-	44	-	-
– Transfer to Stage 2	-	-	-	-	-
– Transfer to Stage 3	-	-	-	-	-
Newly acquired/originated assets	(3,844)	-	-	-	(3,844)
Decrease due to derecognition	5,008	109	90	-	5,207
Write-offs, transfer to off-balance sheet items and sales	-	-	-	-	-
Allowance for impairment as of 31 December 2024	**(2,085)**	**-**	**(43,818)**	**-**	**(45,903)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Allowance for Impairment (Continued)

Securities	Stage 1	Stage 2	Stage 3	POCI	2023 Total
Allowance for impairment as of 31 December 2022	**(10,985)**	**(145)**	**(110,495)**	**-**	**(121,625)**
Movements in the allowance for impairment					
– Transfer to Stage 1	-	-	-	-	-
– Transfer to Stage 2	-	-	-	-	-
– Transfer to Stage 3	-	-	-	-	-
Newly acquired/originated assets	(6,168)	(18)	-	-	(6,186)
Decrease due to derecognition	14,121	54	96	-	14,271
Write-offs	-	-	66,447	-	66,447
Other changes	(173)	-	-	-	(173)
Allowance for impairment as of 31 December 2023	**(3,205)**	**(109)**	**(43,952)**	**-**	**(47,266)**

In RSD thousand

Other assets	Stage 1	Stage 2	Stage 3	POCI	2024 Total
Allowance for impairment as of 31 December 2023	**(13,745)**	**(1,218)**	**(69,561)**	**(11,043)**	**(95,567)**
Movements in the allowance for impairment					
– Transfer to Stage 1	(4,294)	723	3,571	-	-
– Transfer to Stage 2	40	(913)	873	-	-
– Transfer to Stage 3	13	33	(46)	-	-
– POCI	-	-	-	-	-
Newly acquired/originated assets	(79,474)	(1,529)	(20,235)	(57)	(101,295)
Decrease due to derecognition	87,068	96	14,109	2,595	103,868
Write-offs	635	2	3,644	915	5,196
FX differences	10	-	224	-	234
Other changes	-	(26)	(84)	-	(110)
Allowance for impairment as of 31 December 2024	**(9,747)**	**(2,832)**	**(67,505)**	**(7,590)**	**(87,674)**

Other assets	Stage 1	Stage 2	Stage 3	POCI	2023 Total
Allowance for impairment as of 31 December 2022	**(12,881)**	**(277)**	**(103,623)**	**-**	**(116,781)**
Movements in the allowance for impairment					
– Transfer to Stage 1	(6,357)	70	6,287	-	-
– Transfer to Stage 2	3,881	(3,981)	100	-	-
– Transfer to Stage 3	206	13	(219)	-	-
Newly acquired/originated assets	(47,167)	(10,305)	(92,092)	-	(149,564)
Decrease due to derecognition	51,091	24,269	34,700	-	110,060
Write-offs	-	-	13,159	-	13,159
Other changes	(2,518)	(11,007)	72,127	(11,043)	47,559
Allowance for impairment as of 31 December 2023	**(13,745)**	**(1,218)**	**(69,561)**	**(11,043)**	**(95,567)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Allowance for Impairment (Continued)

In RSD thousand

Cash and balances with Central Bank	Stage 1	Stage 2	Stage 3	POCI	2024 Total
Allowance for impairment as of 31 December 2023	**(9,790)**	**-**	**-**	**-**	**(9,790)**
Movements in the allowance for impairment					
– Transfer to Stage 1	-	-	-	-	-
Newly acquired/originated assets	(14,393)	-	-	-	(14,393)
Decrease due to derecognition	16,172	-	-	-	16,172
FX differences	6	-	-	-	6
Allowance for impairment as of 31 December 2024	**(8,005)**	**-**	**-**	**-**	**(8,005)**

Cash and balances with Central Bank	Stage 1	Stage 2	Stage 3	POCI	2023 Total
Allowance for impairment as of 31 December 2022	**(28,810)**	**-**	**-**	**-**	**(28,810)**
Movements in the allowance for impairment					
– Transfer to Stage 1	-	-	-	-	-
Newly acquired/originated assets	(38,034)	-	-	-	(38,034)
Decrease due to derecognition	57,045	-	-	-	57,045
FX differences	9	-	-	-	9
Allowance for impairment as of 31 December 2023	**(9,790)**	-	-	-	**(9,790)**

In RSD thousand

Off-balance sheet assets	Stage 1	Stage 2	Stage 3	POCI	2024 Total
Provision as of 31 December 2023	**(91,040)**	**(30,165)**	**(25,143)**	**-**	**(146,348)**
Movements in provisions					
– Transfer to Stage 1	(308)	302	6	-	-
– Transfer to Stage 2	16,643	(16,838)	195	-	-
– Transfer to Stage 3	1,213	492	(1,705)	-	-
Newly acquired/originated assets	(242,822)	(14,993)	(841)	-	(258,656)
Decrease due to derecognition	174,443	23,970	18,402	-	216,815
FX differences	130	2	3	-	135
Provision as of 31 December 2024	**(141,741)**	**(37,230)**	**(9,083)**	**-**	**(188,054)**

Off-balance sheet assets	Stage 1	Stage 2	Stage 3	POCI	2023 Total
Provision as of 31 December 2022	**(137,797)**	**(88,294)**	**(57,983)**	**-**	**(284,074)**
Movements in provisions					
– Transfer to Stage 1	(31,852)	31,797	55	-	-
– Transfer to Stage 2	856	(886)	30	-	-
– Transfer to Stage 3	2	1	(3)	-	-
Newly acquired/originated assets	(323,411)	(63,912)	(62,868)	-	(450,191)
Decrease due to derecognition	400,947	91,107	95,626	-	587,680
FX differences	215	22	-	-	237
Provision as of 31 December 2023	**(91,040)**	**(30,165)**	**(25,143)**	**-**	**(146,348)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and placements to customers, banks and other financial institutions by risk level

In RSD thousand
31 December 2024

	Exposure				Allowance for impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate customers	150,403,342	26,918,007	4,684,252	182,005,601	(1,988,225)	(1,767,641)	(1,971,576)	(5,727,442)
Entrepreneurs	2,708,730	291,056	136,847	3,136,633	(21,907)	(16,723)	(103,724)	(142,354)
Total corporate customers	**153,112,072**	**27,209,063**	**4,821,099**	**185,142,234**	**(2,010,132)**	**(1,784,364)**	**(2,075,300)**	**(5,869,796)**
Cash loans	29,708,514	2,465,887	1,434,433	33,608,834	(274,972)	(583,944)	(1,143,854)	(2,002,770)
Credit cards	1,568,291	93,324	25,797	1,687,412	(20,703)	(19,408)	(20,144)	(60,255)
Current accounts - overdraft	560,934	15,100	11,050	587,084	(4,577)	(3,621)	(8,411)	(16,609)
Housing loans	21,875,973	619,432	437,278	22,932,683	(96,569)	(29,118)	(191,875)	(317,562)
Agricultural loans	52	-	-	52	-	-	-	-
Other	156,150	191,385	52,995	400,530	(2,716)	(12,797)	(7,432)	(22,945)
Total retail customers	**53,869,914**	**3,385,128**	**1,961,553**	**59,216,595**	**(399,537)**	**(648,888)**	**(1,371,716)**	**(2,420,141)**
Total	**206,981,986**	**30,594,191**	**6,782,652**	**244,358,829**	**(2,409,669)**	**(2,433,252)**	**(3,447,016)**	**(8,289,937)**
Loans and placements to banks	**85,830,391**	**-**	**182,112**	**86,012,503**	**(59,392)**	**-**	**(182,088)**	**(241,480)**
Other – not covered by models	**18**	**-**	**857**	**875**	**-**	**-**	**(857)**	**(857)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and placements to customers, banks and other financial institutions by risk level (Continued)

In RSD thousand
31 December 2023

	Exposure				Allowance for impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate customers	146,805,298	28,753,664	5,305,480	180,864,442	(1,514,845)	(1,929,725)	(1,143,191)	(4,587,761)
Entrepreneurs	1,879,697	595,136	190,455	2,665,288	(33,732)	(41,034)	(87,893)	(162,659)
Total corporate customers	**148,684,995**	**29,348,800**	**5,495,935**	**183,529,730**	**(1,548,577)**	**(1,970,759)**	**(1,231,084)**	**(4,750,420)**
Cash loans	25,193,428	2,266,757	2,250,602	29,710,787	(272,125)	(372,054)	(1,835,764)	(2,479,943)
Credit cards	1,685,004	136,984	73,700	1,895,688	(21,168)	(13,128)	(57,492)	(91,788)
Current accounts - overdraft	581,142	27,140	27,784	636,066	(3,700)	(3,006)	(22,185)	(28,891)
Housing loans	17,509,528	543,750	654,683	18,707,961	(78,903)	(29,568)	(223,577)	(332,048)
Agricultural loans	273,795	258,494	62,415	594,704	(2,305)	(8,413)	(10,059)	(20,777)
Other	51	-	33	84	-	-	(33)	(33)
Total retail customers	**45,242,948**	**3,233,125**	**3,069,217**	**51,545,290**	**(378,201)**	**(426,169)**	**(2,149,110)**	**(2,953,480)**
Total	**193,927,943**	**32,581,925**	**8,565,152**	**235,075,020**	**(1,926,778)**	**(2,396,928)**	**(3,380,194)**	**(7,703,900)**
Loans and placements to banks	**67,742,420**	**466,361**	**273,494**	**68,482,275**	**(15,132)**	**(135,656)**	**(190,112)**	**(340,900)**
Other – not covered by models	**13,425**	**-**	**6,927**	**20,352**	**(26)**	**-**	**(3,657)**	**(3,683)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

The Bank classified the risk categories based on the receivables' classification in line with the Decision of the National Bank of Serbia on the Classification of Balance Sheet Assets and Off-balance Sheet Items. The receivables classified in categories A and B are considered as low; the receivables classified in categories V and G are included in medium risk, while high risk covers the receivables classified in category D.

The tables below analyse an overview of exposure trends by the classes of assets and risk levels:

			In RSD thousand 31 December 2024
Cash and balances with Central Bank	**Stage 1**	**Stage 2**	**Stage 3**
Low	66,082,059	-	-
Total gross carrying value	**66,082,059**	**-**	**-**
Allowance for impairment	**(8,005)**	**-**	**-**

			In RSD thousand 31 December 2023
Cash and balances with Central Bank	**Stage 1**	**Stage 2**	**Stage 3**
Low	74,281,428	-	-
Total gross carrying value	**74,281,428**	**-**	**-**
Allowance for impairment	**(9,790)**	**-**	**-**

			In RSD thousand 31 December 2024
Securities	**Stage 1**	**Stage 2**	**Stage 3**
Low	51,982,477	1	-
Medium	77,892	-	-
High	2	-	43,819
Total gross carrying value	**52,060,371**	**1**	**43,819**
Allowance for impairment	**(2,085)**	**-**	**(43,818)**

			In RSD thousand 31 December 2023
Securities	**Stage 1**	**Stage 2**	**Stage 3**
Low	43,966,035	24	-
Medium	840,396	3,194	-
High	15,266	-	43,953
Total gross carrying value	**44,821,697**	**3,218**	**43,953**
Allowance for impairment	**(3,205)**	**(109)**	**(43,952)**

			In RSD thousand 31 December 2024
Loans and placements to banks and other financial institutions	**Stage 1**	**Stage 2**	**Stage 3**
Low	85,825,371	-	181,989
High	5,020	-	123
Total gross carrying value	**85,830,391**	**-**	**182,112**
Allowance for impairment	**(59,392)**	**-**	**(182,088)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and placements to banks and other financial institutions	Stage 1	Stage 2	Stage 3
			In RSD thousand 31 December 2023
Low	67,736,685	29,931	273,453
Medium	-	202	-
High	5,735	436,228	41
Total gross carrying value	**67,742,420**	**466,361**	**273,494**
Allowance for impairment	**(15,132)**	**(135,656)**	**(190,112)**

Loans and placements to customers	Stage 1	Stage 2	Stage 3	POCI
				In RSD thousand 31 December 2024
Low	148,909,213	26,990,757	614,167	31,050
Medium	54,261,084	2,905,117	1,545,328	61,997
High	3,811,707	632,032	4,437,034	160,218
Total gross carrying value	**206,982,004**	**30,527,906**	**6,596,529**	**253,265**
Allowance for impairment	**(2,409,669)**	**(2,430,645)**	**(3,348,430)**	**(102,050)**

Loans and placements to customers	Stage 1	Stage 2	Stage 3	POCI
				In RSD thousand 31 December 2023
Low	143,163,533	21,955,324	2,873,663	39,030
Medium	48,403,408	9,823,672	1,633,272	129,809
High	2,337,962	758,398	3,293,546	683,755
Total gross carrying value	**193,904,903**	**32,537,394**	**7,800,481**	**852,594**
Allowance for impairment	**(1,925,731)**	**(2,392,498)**	**(2,953,258)**	**(436,096)**

Other assets	Stage 1	Stage 2	Stage 3	POCI
				In RSD thousand 31 December 2024
Low	960,945	2,511	11,340	316
Medium	80,951	35,422	2,162	174
High	29,485	1,964	116,054	8,937
Total gross carrying value	**1,071,381**	**39,897**	**29,556**	**9,427**
Allowance for impairment	**(9,747)**	**(2,832)**	**(67,505)**	**(7,590)**

Other assets	Stage 1	Stage 2	Stage 3	POCI
				In RSD thousand 31 December 2023
Low	888,478	29,386	9,639	60
Medium	80,155	1,296	3,586	35
High	69,732	869	80,876	11,666
Total gross carrying value	**1,038,365**	**31,551**	**94,101**	**11,761**
Allowance for impairment	**(13,745)**	**(1,218)**	**(69,561)**	**(11,043)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Off-balance sheet items	Stage 1	Stage 2	Stage 3
			In RSD thousand 31 December 2024
Low	101,704,284	3,979,940	22,428
Medium	11,624,033	227,222	19,759
High	1,329,884	239,354	44,007
Total gross carrying value	**114,658,201**	**4,446,516**	**86,194**
Provisions	**(141,741)**	**(37,230)**	**(9,083)**

Off-balance sheet items	Stage 1	Stage 2	Stage 3
			In RSD thousand 31 December 2023
Low	48,265,394	1,503,932	126,252
Medium	14,929,545	1,333,841	2,263
High	261,181	508,064	93,487
Total gross carrying value	**63,456,120**	**3,345,837**	**222,002**
Provisions	**(91,040)**	**(30,165)**	**(25,143)**

Loans with Renegotiated (Modified) Initially Agreed Terms

Loans with renegotiated initially agreed terms are loans rescheduled and/or restructured (forborne) due to the borrowers' deteriorated financial situation or difficulties in servicing liabilities at their due date. Restructuring loan agreements stipulate terms significantly different from those originally defined and contracted and all the receivables (or their major portion) are replaced by a new loan.

Significantly different terms are deemed in particular to be the following: extension of the repayment date for the principal and interest, reduction of the interest rate or amount receivable (write-off of part of the principal referring to the derecognition of that part in the balance sheet, write-off of part of the calculated interest), change in the due date for principal and/or interest, change in the valuation manner and other changes facilitating the borrower's position.

Loan restructuring (forbearance) is only acceptable to the Bank if it refers to loans that are otherwise not likely collectable and if the loan restructuring according to the financial consolidation program enables, within a period acceptable to the Bank, significant improvement in the financial situation of the borrower, with a high probability of loan collection in the agreed amount and the newly defined maturity, and additional collaterals or security – in the form of co-sureties adhering to debt or in the form of a pledge lien registered over the movable and immovable property of third parties, improving the quality of assets.

Upon loan restructuring, the Bank performs financial analysis of the borrowers, and if it estimates that, after restructuring, the borrower will generate sufficient cash flows for principal and interest repayment, the Bank decides to proceed with the loan restructuring procedure. The following table presents the gross exposure of restructured and rescheduled placements.

	Restructured		Rescheduled	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
				In RSD thousand
Corporate customers	9,608,357	7,296,244	-	244,414
Retail customers	1,772,365	2,738,781	53,237	5,984
Total	**11,380,722**	**10,035,025**	**53,237**	**250,398**

The total level of restructured loans has increases as a result of a growing trend in restructured loans to corporate customers.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Concentration Risk

The Bank manages the concentration risk by establishing a system of limits to the exposures with the same or similar risk factors (industry sectors/activities, geographic regions, single customer or groups of related entities, collaterals, etc.).

Loans and placements to customers, banks and other financial institutions by sectors, net

	In RSD thousand 31 December 2024	 31 December 2023
Finance and insurance	85,771,023	68,141,375
Public enterprises	20,784,987	24,122,080
Corporate clients	139,491,993	136,761,247
Entrepreneurs	2,995,290	2,502,625
Public sector	2,297,531	331,271
Retail clients	55,763,027	47,364,320
Foreign entities	13,939,529	15,248,557
Private households and registered agricultural producers	375,069	572,460
Other clients	421,484	485,229
Balance as of	**321,839,933**	**295,529,164**

Loans and placement to customers, banks and other financial institutions by geographic regions, net

			In RSD thousand 31 December 2024	
	Serbia	Europe	Other	Total
Loans and placements to banks and other financial institutions	60,947,988	24,495,612	327,423	85,771,023
Loans and placements to customers	222,129,382	13,600,809	338,719	236,068,910
Total	**283,077,370**	**38,096,421**	**666,142**	**321,839,933**

			In RSD thousand 31 December 2023	
	Serbia	Europe	Other	Total
Loans and placements to banks and other financial institutions	53,256,703	13,792,937	1,091,735	68,141,375
Loans and placements to customers	212,139,233	14,953,167	295,389	227,387,789
Total	**265,395,936**	**28,746,104**	**1,387,124**	**295,529,164**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Concentration Risk (Continued)

Loans and placements to customers by industries

In RSD thousand

Industry	31 December 2024 Gross exposure	Share in %	Allowance for impairment	31 December 2023 Gross exposure	Share in %	Allowance for impairment
Retail	59,216,594	24%	(2,420,142)	51,545,285	22%	(2,953,480)
Manufacturing industry	33,577,999	14%	(1,677,750)	33,728,569	14%	(1,304,948)
Wholesale and retail trade, repair of motor vehicles and motorcycles	31,129,735	13%	(630,382)	30,801,486	13%	(578,925)
Construction	21,652,717	9%	(597,211)	22,481,366	10%	(674,516)
Real estate	22,856,755	9%	(497,540)	21,880,987	9%	(739,416)
Supply of electricity, gas, steam and air conditioning	18,569,989	8%	(269,023)	18,833,998	8%	(240,971)
Information and communication	9,460,160	4%	(99,063)	15,034,872	6%	(314,317)
Transportation and storage	16,793,603	7%	(720,980)	14,578,192	5%	(315,376)
Mining	7,589,896	3%	(493,411)	6,108,008	3%	(52,372)
Agriculture, forestry and fishing	5,586,242	2%	(199,064)	4,433,964	2%	(134,926)
Accommodation and catering	6,207,322	3%	(307,351)	4,292,031	2%	(102,504)
Administration and ancillary activities	2,353,972	1%	(93,240)	3,834,892	2%	(116,046)
Finance and insurance	2,974,564	1%	(38,274)	2,688,373	1%	(48,593)
Professional, scientific, innovative and technical activities	2,496,223	1%	(51,063)	1,511,677	1%	(33,088)
Water supply, wastewater management, control of waste disposal processes and similar activities	795,514	0%	(14,637)	1,232,003	1%	(23,095)
Arts, entertainment and recreation	2,013,507	1%	(96,449)	1,229,132	1%	(54,147)
Public administration and defence, compulsory social security	384,641	0%	(2,374)	303,921	0%	(2,050)
Education	372,004	0%	(77,121)	269,360	0%	(2,763)
Health and social protection	236,566	0%	(4,261)	159,650	0%	(8,797)
Other service activities	91,701	0%	(1,458)	147,606	0%	(7,253)
Total	**244,359,704**	**100%**	**(8,290,794)**	**235,095,372**	**100%**	**(7,707,583)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Collaterals

For the purpose of protection against credit risk, in addition to the regular monitoring of the customer business operations, the Bank's most common practice is to obtain collaterals to secure the collection of receivables and mitigate credit risk.

As a standard type of loan collateral, the Bank demands and receives from clients contractual authorizations for account withdrawals and bills of exchange, whereas, additional collaterals agreed upon include the following: mortgages assigned over property; pledge liens assigned over movable assets; partial or full loan coverage with deposits; obtaining guarantees from another bank or a legal entity, adequate securities, arranging co-surety or debt adherence whereby another legal entity becomes a co-debtor; and when housing loans are at issue, insurance of the National Mortgage Insurance Corporation.

In the case of contracting mortgages on real estate or pledges over movable property, the Bank always requires an appraisal performed by a certified independent appraiser in order to minimize the potential risks.

In the following breakdown, the value of collaterals is presented as the fair value of collaterals so that it is shown only up to the amount of the gross loan (when the collateral value exceeds the loan amount). In instances where values of collaterals are below the gross loan amounts, the fair value of the collateral is stated.

The values of collaterals and guarantees received in order to mitigate credit risk exposure inherent to the loans approved to customers are provided in the tables below:

					In RSD thousand 31 December 2024
	Mortgages	**Guarantees**	**Deposits**	**Other**	**Total**
Corporate customers	82,243,616	3,166,696	14,479,877	66,905,597	166,795,786
Entrepreneurs	596,876	-	129,151	20,489	746,516
Total corporate customers	**82,840,492**	**3,166,696**	**14,609,028**	**66,926,086**	**167,542,302**
Cash loans	271,997	-	295,056	-	567,053
Credit cards	-	-	278,318	-	278,318
Current account overdrafts	-	-	2	-	2
Housing loans	13,723,737	-	59,431	10,712	13,793,880
Agricultural loans	185,676	-	1,945	773	188,394
Other	5,129,783	-	26,511	115,007	5,271,301
Total retail customers	**19,311,193**	**-**	**661,263**	**126,492**	**20,098,948**
Total	**102,151,685**	**3,166,696**	**15,270,291**	**67,052,578**	**187,641,250**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Collaterals (Continued)

	Mortgages	Guarantees	Deposits	Other	Total
					In RSD thousand 31 December 2023
Corporate customers	79,616,448	3,918,087	15,306,538	42,078,317	140,919,390
Entrepreneurs	585,702	-	128,045	103,854	817,601
Total corporate customers	**80,202,150**	**3,918,087**	**15,434,583**	**42,182,171**	**141,736,991**
Cash loans	344,286	-	475,921	-	820,207
Credit cards	-	-	286,479	-	286,479
Current account overdrafts	-	-	4	-	4
Housing loans	17,701,323	-	96,586	14,370	17,812,279
Agricultural loans	248,470	-	12,555	1,801	262,826
Other	463,225	-	94,297	709	558,231
Total retail customers	**18,757,304**	**-**	**965,842**	**16,880**	**19,740,026**
Total	**98,959,454**	**3,918,087**	**16,400,425**	**42,199,051**	**161,477,017**

Note: A portion of the housing loans covered with properties is insured with the National Mortgage Insurance Corporation (December 2024: RSD 757,781 thousand and December 2023: RSD 861,177 thousand).

Other collaterals include pledges over goods, receivables, equipment, shares and precious metals.

The loan amount relative to the revalued amount of the property held as collateral is monitored as the loan to value ratio (LTV ratio).

Overview of housing loans by LTV ratio range

	31 December 2024	In RSD thousand 31 December 2023
<50%	9,974,787	9,537,181
51% - 70%	6,174,516	5,654,848
71% - 100%	10,856,547	8,845,883
100% - 150%	907,114	374,668
>150%	537,435	293,157
Other	-	-
Total	**28,450,399**	**24,705,737**
Average LTV ratio	*47%*	*50%*

Assets acquired in the process of debt collection (repossessed property following the foreclosure on loans)

Collaterals acquired by the Bank in the process of debt collection are provided in the table below:

	31 December 2024	In RSD thousand 31 December 2023
Commercial buildings (Note 33(b))	430,172	720,132
Equipment (Note 33(b))	7,417	7,417
Non-current assets held for sale	5,537	5,537
Total	**443,126**	**733,086**

4. RISK MANAGEMENT (Continued)

4.2. Liquidity Risk

Liquidity risk is the risk of adverse effects on the Bank's financial result and equity due to its inability to settle its overdue liabilities arising from:

- The withdrawal of the existing sources of financing, i.e. inability to obtain new sources of funding (liquidity risk of sources of funding) or
- Difficulties in converting assets into liquid assets due to market disruptions (market liquidity risk).

Liquidity risk is manifested as a daily mismatch of the inflows and outflows, a maturity mismatch of assets and liabilities, a mismatch of RSD and foreign currency inflows and outflows, i.e., assets and liabilities, a mismatch of cash and non-cash flows or a disproportion in the amounts and structures of balance sheet and off-balance sheet assets and liabilities or components thereof. In that regard, the Bank's liquidity involves consideration of the total liquidity in several ways (long-term and short-term, market liquidity risk, funding concentration risk, financing costs risk, transfer risk, liquidity in cash operations, liquidity in non-cash operations, in RSD and foreign exchange operations, etc.).

In order to minimise liquidity risk, the Bank:

- Diversifies sources of funding by currency and maturity;
- Establishes and maintains sufficient liquidity reserves;
- Manages daily liquidity and funds, monitors RSD and foreign currency account balances;
- Monitors and makes forecasts of future cash flows and liquidity; and
- Periodically tests the Liquidity Contingency Plan.

The liquidity risk management process is implemented through the identification, measurement, mitigation, monitoring and control of, as well as reporting on the liquidity risk.

The basic method of measuring liquidity risk entails the assessment and comparison of all future cash inflows and outflows per balance sheet and off-balance sheet items at different time intervals, in order to determine potential liquid asset shortages, both in the regular course of business and in stress events, i.e. liquidity crises. For the purposes of monitoring and measuring liquidity risk, the Bank has established the processes of:

- Daily planning and monitoring of the realization of all planned inflows and outflows of funds, individually for all significant currencies with which the Bank operates and in aggregate for all foreign currencies;
- Monitoring the balances and changes in balances of assets and liabilities over their outstanding maturities and per significant currencies, individually and in aggregate for all currencies; and
- Measurement and monitoring on a daily basis of the liquidity coverage ratio and the net stable funding ratio for reporting purposes of the Group that the Bank belongs to (AEC Limited, Cyprus).

Liquidity risk measurement is performed through the calculation and monitoring of liquidity ratios and the monitoring of departures of the Bank's actual ratios from the internally defined and regulatory limits. In order to protect itself against liquidity risk and for its measurement, the Bank performs a ratio analysis, a GAP analysis and stress testing. Stress testing examines the effects of three types of scenarios: idiosyncratic, market and combined with two variants of severity (adverse and extreme), whereby the results of the combined adverse scenario and the survival period in the event of its occurrence are presented for the purposes of ILAAP (the internal liquidity adequacy assessment process).

Liquidity risk is mitigated through the diversification, transfer, reduction and/or avoidance of risks that may arise from the Bank's liquidity risk exposure. In order to minimize liquidity risk, the Bank uses long-term and short-term protection measures against liquidity risk. In addition, the Bank analyses the behaviour of the depositors and identifies sources of funds that are stable under various circumstances, as well as those that will be gradually withdrawn with the problems arising and those that will be withdrawn at the first sign of problem. Accordingly, the Bank reduces its reliance on sources of funds that are unstable or volatile.

4. RISK MANAGEMENT (Continued)

4.2. Liquidity Risk (Continued)

The Bank aligns its operations with the regulatory prescribed liquidity ratios, which were well above the prescribed limits in 2024, as presented below:

	Current liquidity ratio		Narrow liquidity ratio	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
As of	3.13	3.13	1.98	2.05
Average for the year	3.11	3.35	2.16	2.01
Maximum	3.71	4.00	3.31	2.89
Minimum	2.39	2.70	1.35	1.43
Regulatory limit	**1.00**		**0.70**	

The Bank also adjusts its operations with the regulatory prescribed liquidity coverage ratio and net stable funding ratio, on which the reporting to the National Bank of Serbia started from 30 June 2024. These ratios were above the prescribed limits in 2024:

	Liquidity coverage ratio (LCR)		Net stable funding ratio (NSFR)	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
As of	187%	165%	163%	/
Average for the year	171%	202%	162%	/
Maximum	197%	236%	164%	/
Minimum	144%	165%	160%	/
Regulatory limit	**100%**		**100%**	

In the process of liquidity risk measurement, the Bank uses GAP analysis by grouping balance sheet and off-balance sheet items per time brackets according to the contractually defined maturity dates, i.e. expected time for generating cash flows that may be manifest as inflows or outflows. When preparing the internal liquidity GAP report, the Bank considers the overall assets, liabilities and off-balance sheet items giving rise to potential outflows of funds and allocates these into several time buckets.

During 2024, the Bank continued to improve the liquidity risk management process, taking into account the continuous harmonisation with its Group's standards.

In 2024, the Bank complied with the Risk Appetite Statement (RAS) and internally defined limits and targets of liquidity risk. Liquidity risk was within restricted ranges and actively managed by undertaking preventive measures in order to minimise the liquidity risk exposure.

At least annually, the Bank tests the Liquidity Contingency Plan in case of unforeseen events and checks the survival period and the way of accessing available or potential liquidity sources, particularly the sources not used in the ordinary course of business.

The Liquidity Contingency Plan contains procedures for the early detection of possible problems regarding the Bank's liquidity, including early warning signs, the names and functions of the persons responsible for problem identification and the persons that need to be informed thereof.

A breakdown of the maturity structure of monetary assets and monetary liabilities as of 31 December 2024 and 31 December 2023 is provided in the following tables. The monetary items are grouped by outstanding maturity. The Bank applied a rather conservative assumption on the transaction deposits and demand deposits, which, accordingly, were allocated to the time bucket of up to one-month maturity.

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4. RISK MANAGEMENT (Continued)

4.2. Liquidity Risk (Continued)

In RSD thousand
31 December 2024

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Cash and balances with Central Bank	66,074,054	-	-	-	-	-	66,074,054
Derivatives	8,241	1,139	-	-	-	-	9,380
Securities	10,390,055	670,014	169,123	9,527,906	24,927,500	6,373,690	52,058,288
Loans and placements to banks and other financial institutions	69,419,704	453,409	5,064,082	1,258,498	3,726,428	5,848,902	85,771,023
Loans and placements to customers	10,522,220	16,667,097	22,610,609	33,206,898	109,650,568	43,411,518	236,068,910
Other assets	862,381	292,294	-	5	7,820	87	1,162,587
TOTAL ASSETS	**157,276,655**	**18,083,953**	**27,843,814**	**43,993,307**	**138,312,316**	**55,634,197**	**441,144,242**
Derivatives	25,855	19,918	-	-	-	-	45,773
Deposits and other liabilities due to banks, other financial institutions and Central Bank	5,602,280	4,159,386	9,591,844	9,401,241	14,575,523	-	43,330,274
Deposits and other liabilities due to customers	179,147,383	30,699,075	23,659,430	72,255,905	33,013,459	600,527	339,375,779
Other liabilities	3,992,078	261,773	324,091	225,385	1,083,107	83,955	5,970,389
TOTAL LIABILITIES	**188,767,596**	**35,140,152**	**33,575,365**	**81,882,531**	**48,672,089**	**684,482**	**388,722,215**
Net maturity mismatch as of 31 December 2024	**(31,490,941)**	**(17,056,199)**	**(5,731,551)**	**(37,889,224)**	**89,640,227**	**54,949,715**	**52,422,027**
Cumulative net maturity mismatch as of 31 December 2024	**(31,490,941)**	**(48,547,140)**	**(54,278,691)**	**(92,167,915)**	**(2,527,688)**	**52,422,027**	**-**

4. RISK MANAGEMENT (Continued)

4.2. Liquidity Risk (Continued)

In RSD thousand
31 December 2023

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Cash and balances with Central Bank	74,271,638	-	-	-	-	-	74,271,638
Derivatives	58,164	56,257	-	-	-	-	114,421
Securities	2,619,401	1,685,987	227,590	1,334,623	33,556,746	5,397,255	44,821,602
Loans and placements to banks and other financial institutions	60,492,697	418,795	442,965	156,281	774,588	5,856,049	68,141,375
Loans and placements to customers	15,660,011	13,073,425	22,845,185	45,092,458	96,634,833	34,081,877	227,387,789
Other assets	78,179	156,745	-	6	780,478	64,803	1,080,211
TOTAL ASSETS	**153,180,090**	**15,391,209**	**23,515,740**	**46,583,368**	**131,746,645**	**45,399,984**	**415,817,036**
Derivatives	21,556	-	-	-	-	-	21,556
Deposits and other liabilities due to banks, other financial institutions and Central Bank	5,491,861	1,789,770	2,429,466	4,186,227	5,008,191	-	18,905,515
Deposits and other liabilities due to customers	174,682,638	37,848,536	25,282,276	67,980,013	32,005,062	833,441	338,631,966
Other liabilities	3,162,684	206,491	118,989	220,785	742,921	19,810	4,471,680
TOTAL LIABILITIES	**183,358,739**	**39,844,797**	**27,830,731**	**72,387,025**	**37,756,174**	**853,251**	**362,030,717**
Net maturity mismatch as of 31 December 2023	**(30,178,649)**	**(24,453,588)**	**(4,314,991)**	**(25,803,657)**	**93,990,471**	**44,546,733**	**53,786,319**
Cumulative net maturity mismatch as of 31 December 2023	**(30,178,649)**	**(54,632,237)**	**(58,947,228)**	**(84,750,885)**	**9,239,586**	**53,786,319**	**-**

Reporting on the liquidity risk includes internal and external reporting, which is performed on a daily basis according to the established schedule and in compliance with the system in place.

4. RISK MANAGEMENT (Continued)

4.3. Market Risks

Market risks are the possibility of negative effects on the Bank's financial result and capital arising from changes in the value of balance sheet and off-balance sheet items of the Bank arising from price movements on the market. Market risks in the narrow sense include foreign exchange risks for all banking operations, equity price risk per items in the trading book and commodity risk. In the wider context, market risk also includes the risk of changes in interest rates within the banking book.

The objective of market risk management entails the maintenance of the level of exposure to the aforesaid risks acceptable to the Bank, by simultaneously maximizing financial performance through establishing market positions in respect of existing and new products. For adequate market risk management, the Bank has established an organizational structure suitable for the scope, type and complexity of its operations, and has ensured the segregation of functions assuming the risk from those in charge of support and control.

In 2024, the Bank complied with the internally and externally defined foreign exchange risk exposure limits. As of 31 December 2024, the Bank had corporate shares with a total market value of RSD 0.73 billion in its trading book. The Bank calculated capital requirements for the equity price risk from the fourth quarter of 2018 until the third quarter of 2023 in line with the National Bank of Serbia's Decision on Capital Adequacy of Banks, after which it fulfilled the conditions for including the aforesaid items in the calculation of credit risks in line with the aforementioned Decision.

In 2024, the Bank was not exposed to the commodity price risk as it did not possess items in kind.

4.3.1. Foreign Exchange Risk

Foreign exchange risk is the possibility of negative effects on the Bank's financial result and equity due to fluctuations in exchange rates. The Bank is exposed to foreign exchange risk through all positions denominated in foreign currency, dinar-denominated positions indexed to a foreign currency clause, and positions in gold.

The process of foreign exchange risk management entails identifying, measuring, mitigating, monitoring, control and foreign exchange risk reporting. The Bank identifies its exposure to the foreign exchange risk by means of open positions in a certain currency and for all currencies it operates with in aggregate. The Bank's open foreign currency position is the difference between foreign currency assets and liabilities in a particular currency, as well as between RSD assets and liabilities indexed to a currency clause (including the absolute value of the net open positions in gold).

The measurement of foreign exchange risk involves an assessment of the Bank's exposure using the regulatory limits (foreign currency risk indicator) and internally defined methods. The basis of the measurement and assessment of the Bank's exposure to the foreign exchange risk is the calculation of the foreign currency position per all individually significant currencies and all other currencies aggregated. Foreign exchange risk monitoring includes projections of foreign exchange risk in order to reduce the Bank's exposure thereto. Such projections allow defining precautionary measures for reducing the Bank's exposure to the foreign exchange risk. Foreign exchange risk measurement and monitoring is performed on a daily basis with mandatory detailed reporting on the foreign exchange risk ratio in accordance with the Bank's internal procedures in the following instances:

- The difference between two consecutive foreign currency risk indicators is 2 percentage points;
- The sum of five consecutive absolute differences between consecutive foreign currency risk indicators exceeds 5 percentage points.

In 2024, the Bank's foreign currency risk indicator was within the internally and legally prescribed limits:

	31 December 2024	31 December 2023
As of	1.94%	0.43%
Maximum	8.22%	8.30%
Minimum	0.02%	0.02%
Regulatory limit	Maximum 20%	Maximum 20%

In order to ensure efficient foreign exchange risk control, the Bank pays close attention to the compliance of the foreign currency risk indicator, monitors the foreign currency position and departures from the internally and regulatory limits.

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.1. Foreign Exchange Risk (Continued)

The tables below present the Bank's exposure to foreign exchange risk, i.e. the net open foreign exchange position per currencies as of 31 December 2024 and 31 December 2023:

In RSD thousand 31 December 2024	EUR	USD	CHF	Other currencies	Foreign currency total
Cash and balances with Central Bank	29,714,664	460,035	463,006	42,247	30,679,952
Securities	7,403,045	-	-	-	7,403,045
Loans and placements to banks and other financial institutions	30,161,602	894,196	150,099	116,808	31,322,705
Loans and placements to customers	161,476,813	458,167	114,547	-	162,049,527
Other assets	2,171,815	2,734	126	-	2,174,675
TOTAL ASSETS	**230,927,939**	**1,815,132**	**727,778**	**159,055**	**233,629,904**
Deposits and other liabilities due to banks, other financial institutions and Central Bank	17,728,343	272,768	532,789	11	18,533,911
Deposits and other liabilities due to customers	199,605,121	5,531,006	6,752,348	378,373	212,266,848
Provisions	115,793	51	-	767	116,611
Other liabilities	1,642,793	89,846	7,386	22,718	1,762,743
TOTAL LIABILITIES	**219,092,050**	**5,893,671**	**7,292,523**	**401,869**	**232,680,113**
Off-balance sheet items - net spot position	(12,982,569)	4,194,310	6,565,336	185,819	(2,037,104)
Long foreign currency position	-	115,771	591	9,875	126,237
Short foreign currency position	1,146,680	-	-	66,872	1,213,552
Net open foreign currency position as of 31 December 2024	**(1,146,680)**	**115,771**	**591**	**(66,872)**	**(1,213,552)**

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For the Year Ended 31 December 2024

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.1. Foreign Exchange Risk (Continued)

In RSD thousand
31 December 2023

	EUR	USD	CHF	Other currencies	Foreign currency total
Cash and balances with Central Bank	27,704,201	497,129	1,176,011	40,207	29,417,548
Securities	6,840,222	-	-	-	6,840,222
Loans and placements to banks and other financial institutions	13,904,357	2,107,431	534,242	453,329	16,999,359
Loans and placements to customers	156,768,607	504,772	137,280	-	157,410,659
Other assets	188,213	8,114	-	3	196,330
TOTAL ASSETS	**205,405,600**	**3,117,446**	**1,847,533**	**493,539**	**210,864,118**
Deposits and other liabilities due to banks, other financial institutions and Central Bank	5,929,614	671,461	173,407	271,765	7,046,247
Deposits and other liabilities due to customers	189,267,887	5,872,636	7,249,802	526,305	202,916,630
Provisions	104,871	209	-	342	105,422
Other liabilities	1,264,306	93,726	7,467	23,073	1,388,572
TOTAL LIABILITIES	**196,566,678**	**6,638,032**	**7,430,676**	**821,485**	**211,456,871**
Off-balance sheet items - net spot position	(8,578,287)	3,516,489	5,585,326	263,624	787,152
Long foreign currency position	260,635	-	2,183	8,024	270,842
Short foreign currency position	-	4,097	-	72,346	76,443
Net open foreign currency position as of 31 December 2023	**260,635**	**(4,097)**	**2,183**	**(72,346)**	**270,842**

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.1. Foreign Exchange Risk (Continued)

The Bank regularly conducts foreign exchange risk stress testing in order to estimate the impact of extraordinary circumstances and stress events on the Bank's financial result, equity and foreign currency risk indicator.

The table below shows the impact of changes in the exchange rates on the foreign currency risk indicator and open foreign currency position:

	Foreign currency risk indicator (%)	31 December 2024 Open foreign currency position (000 RSD)
RSD depreciation (10%)	2.14%	1,334,907

Foreign exchange risk reporting includes internal and external reporting performed on a daily basis.

For the purpose of further monitoring and the assessment of foreign exchange risk, since the beginning of 2020 the Bank has also been applying the VaR (value-at-risk) model of the open foreign currency position monitored on a daily basis. VaR represents the measure of the maximum expected loss that the Bank can incur under normal market conditions, during a certain period for a defined confidence level (probability). The three basic parameters taken into account when assessing VaR are: time period, probability (confidence interval) and currency.

The Bank applies the following parameters in the assessment of VaR:

- Period of time – one day;
- Probability (confidence interval) – 99%; and
- Currency (all currencies in which the Bank has an open foreign currency position).

The Bank calculates the VaR of the open foreign currency position on a daily basis (taking into account the net long or net short position in each currency) on the one hand, and the realized profit/loss compared to the previous day, depending on the rate of exchange fluctuations. On the other hand, the Bank has also established the internal limit system – "VaR limit".

The internal limit for monitoring the VaR of an open foreign currency position is set as an absolute amount, whereby it is monitored that the maximum estimated loss based on the calculated VaR of the open foreign currency position does not exceed the set limit.

4.3.2. Interest Rate Risk

Interest rate risk is the probability of negative effects on the Bank's financial result and equity through items of the banking book due to interest rate fluctuations. Movements in interest rates directly affect the generation of interest income due to mismatch between the aggregate interest-bearing assets and interest-bearing liabilities or fixed prices of interest-bearing instruments.

The types of interest risk are as follows:

- Risk of time mismatch between maturity and repricing (repricing risk);
- Yield curve risk due to changes in the yield curve shape (yield curve risk);
- The basis risk, to which the Bank is exposed due to different reference interest rates for interest rate sensitive items with similar maturity or repricing characteristics (basic risk); and
- Optionality risk, to which the Bank is exposed due to contractually agreed option terms, such as loans with an option of early repayment, deposits with an option of early withdrawal, etc. (optionality risk).

The process of interest rate risk management consists of identification, measurement, mitigation, monitoring, control and interest rate risk reporting.

The Bank identifies, measures and manages interest rate risk on a monthly basis for all significant currencies in the banking book.

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.2. Interest Rate Risk (Continued)

The identification of interest rate risk relates primarily to the identification of the form of the interest rate risk that the Bank is exposed to, extent of exposure to each individual form of interest rate risk and establishing opportunities for the measurement of each individual form of interest rate risk.

Interest rate risk measurement entails measuring the impact of the changes in interest rates on the financial performance and economic value of the equity of the Bank. The Bank uses the following techniques for interest rate risk measurement: GAP analysis, EVE and NII methodologies and stress testing. Stress testing is used to measure the sensitivity of the economic value of equity (standard shock and six scenarios of interest rate changes), as well as changes in net interest income in relation to the Bank's equity.

Interest rate risk monitoring primarily includes analysis of the balances, movements and trends in the Bank's interest rate risk exposure. The Bank manages the interest rate risk using the defined limits and prescribed protection measures against interest rate risk.

Mitigating interest rate risk means maintaining this risk at a level that is acceptable for the Bank's risk profile.

The Bank defines the internal limits to interest rate risk exposure based on the internal interest rate GAP report. These internal limits include the limits of EVE sensitivity to the standard interest rate shock, EVE sensitivity in case of six scenarios, limits of changes in net interest income against interest rate changes, and the disparity coefficient limit.

The table below provides an overview of the aforesaid internal limits and stress testing effects as of 31 December 2024 and 31 December 2023:

	Limits	31 December 2024	31 December 2023
Relative equity impact (EVE)	15%	(1.34%)	(2.58%)
EVE sensitivity (6 scenarios)	14%	(3.47%)	(4.14%)
NII changes	5%	2.10%	1.86%

Interest risk exposure is perceived based on the report on interest GAP, which includes an overview of the monetary assets and liabilities as presented in the tables below:

NOTES ON THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2024

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.2. Interest Rate Risk (Continued)

The Bank's interest rate risk exposure as of 31 December 2024 and 31 December 2023 is provided in the tables below:

In RSD thousand
31 December 2024

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total interest-bearing	Non-interest-bearing	Total
Cash and balances with Central Bank	53,415,153	-	-	-	-	-	53,415,153	12,658,901	66,074,054
Derivatives	-	-	-	-	-	-	-	9,380	9,380
Securities	4,990,217	-	-	9,494,620	24,563,942	10,574,840	49,623,619	2,434,669	52,058,288
Loans and placements to banks and other financial institutions	68,328,742	3,892,557	4,594,154	141,310	-	5,848,902	82,805,665	2,965,358	85,771,023
Loans and placements to customers	68,212,876	96,412,287	11,083,051	11,316,577	35,848,970	10,397,302	233,271,063	2,797,847	236,068,910
Other assets	-	-	-	-	-	-	-	1,162,587	1,162,587
TOTAL ASSETS	**194,946,988**	**100,304,844**	**15,677,205**	**20,952,507**	**60,412,912**	**26,821,044**	**419,115,500**	**22,028,742**	**441,144,242**
Derivatives	-	-	-	-	-	-	-	45,773	45,773
Deposits and other liabilities due to banks, other financial institutions and Central Bank	18,711,750	2,594,018	9,360,683	8,992,780	968,883	-	40,628,114	2,702,160	43,330,274
Deposits and other liabilities due to customers	150,165,896	56,835,984	27,759,382	69,793,856	31,575,992	437,519	336,568,629	2,807,150	339,375,779
Other liabilities	-	-	-	-	-	-	-	5,970,389	5,970,389
TOTAL LIABILITIES	**168,877,646**	**59,430,002**	**37,120,065**	**78,786,636**	**32,544,875**	**437,519**	**377,196,743**	**11,525,472**	**388,722,215**
Net gap as of 31 December 2024	**26,069,342**	**40,874,842**	**(21,442,860)**	**(57,834,129)**	**27,868,037**	**26,383,525**	**41,918,757**	**10,503,270**	**52,422,027**
Cumulative net gap as of 31 December 2024	**26,069,342**	**66,944,184**	**45,501,324**	**(12,332,805)**	**15,535,232**	**41,918,757**	**41,918,757**	**10,503,270**	**52,422,027**

NOTES ON THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2024

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.2. Interest Rate Risk (Continued)

In RSD thousand
31 December 2023

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total interest-bearing	Non-interest-bearing	Total
Cash and balances with Central Bank	61,570,627	-	-	-	-	-	61,570,627	12,701,011	74,271,638
Derivatives	-	-	-	-	-	-	-	114,421	114,421
Securities	2,187,135	485,795	-	1,150,199	33,086,062	5,885,895	42,795,086	2,026,516	44,821,602
Loans and placements to banks and other financial institutions	60,082,424	422,819	450,373	153,444	-	5,985,944	67,095,004	1,046,371	68,141,375
Loans and placements to customers	61,736,902	91,314,219	8,019,434	19,885,391	39,786,233	5,821,227	226,563,406	824,383	227,387,789
Other assets	-	-	-	-	-	-	-	1,080,211	1,080,211
TOTAL ASSETS	**185,577,088**	**92,222,833**	**8,469,807**	**21,189,034**	**72,872,295**	**17,693,066**	**398,024,123**	**17,792,913**	**415,817,036**
Derivatives	-	-	-	-	-	-	-	21,556	21,556
Deposits and other liabilities due to banks, other financial institutions and Central Bank	5,118,422	6,466,613	2,386,035	4,173,839	302,929	-	18,447,838	457,677	18,905,515
Deposits and other liabilities due to customers	159,407,295	55,580,646	24,762,102	64,274,417	31,113,513	656,571	335,794,544	2,837,422	338,631,966
Other liabilities	-	-	-	-	-	-	-	4,471,680	4,471,680
TOTAL LIABILITIES	**164,525,717**	**62,047,259**	**27,148,137**	**68,448,256**	**31,416,442**	**656,571**	**354,242,382**	**7,788,335**	**362,030,717**
Net gap as of 31 December 2023	**21,051,371**	**30,175,574**	**(18,678,330)**	**(47,259,222)**	**41,455,853**	**17,036,495**	**43,781,741**	**10,004,578**	**53,786,319**
Cumulative net gap as of 31 December 2023	**21,051,371**	**51,226,945**	**32,548,615**	**(14,710,607)**	**26,745,246**	**43,781,741**	**43,781,741**	**10,004,578**	**53,786,319**

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.2. Interest Rate Risk (Continued)

In the process of interest rate risk measurement, the Bank uses GAP analysis encompassing all interest-bearing balance sheet and off-balance sheet items in accordance with:

- Re-fixing the interest rate (in instances of variable interest rates) – all assets and liabilities maturing prior to the date of re-fixing the interest rate are grouped in time brackets based on the remaining maturity. In instances of administrative interest rates (e.g. key policy rate, discount rate) for which the re-fixing date is not known, classification into appropriate time brackets is performed based on historical data analysis; and
- Remaining maturities of respective items (in case of fixed interest rates) – classification in the time brackets is performed according to the repayment schedule.

One of the segments of interest rate risk management entails considering interest rate risk exposure under stress circumstances. The Bank performs stress testing on a monthly basis in order to identify and measure interest rate risk under extraordinary circumstances, by analysing the possible impact on the Bank's financial result and equity. The results of the conducted stress testing are considered against the internally set limits for their impact on the economic value of equity (EVE) and NII. There were no limit breaches in 2024.

4.3.3. Price Risk

As of 31 December 2024, the Bank had equity securities - corporate shares with the total market value of RSD 0.73 billion in its Trading Book. Given that the value of the Bank's Trading Book items did not exceed RSD 1.8 billion for more than three consecutive working days in a calendar month and that at no point did the said value exceed RSD 2.4 billion (Article 310, Paragraph 4 of the National Bank of Serbia's Decision on Capital Adequacy of Banks), the Bank did not calculate the capital requirement for general and specific price risks as of 31 December 2024.

The Bank's Trading Book was in compliance with the Bank's internally defined limits during 2024.

As of 31 December 2024, the Bank did not calculate the capital requirement for general and specific price risk based on equity securities.

The Bank did not contract any forward transactions.

4.4. Operational Risk

Operational risk is the possibility of negative effects on the Bank's financial result and equity due to employee oversights, inadequate procedures and processes in the Bank, the inadequate management of information and other systems in the Bank, as well as unforeseen external events. Operational risk also includes legal risk.

The operational risk management process also covers risks connected to the processing of personal data, such as accidental or unlawful destruction, loss, alteration, unauthorized disclosure or access to personally identifiable information that is transferred, stored or otherwise processed.

Operational risks are identified for all significant products, service outsourcing, processes, systems and external factors. Operational risk identification throughout the Bank is performed through a combination of mapping operational risks, the performance of self-assessment and risk control, as well as the collection of information on events deemed to constitute operational risks.

The Bank monitors operational risk events per the following business lines: corporate financing, trading and sales, broker-dealer operations with retail customers, banking operations with corporate customers, banking operations with retail customers, payment transactions, agency services and asset management services.

The Bank classifies identified events into predefined categories of events giving rise to losses: internal and external fraud, omissions in relations with employees and the safety system y at work, omissions and irregularities in relations with customers, in respect of the products and operating procedures, damage to tangible assets, interruptions in operations and errors in the Bank's systems, omissions in the performance of transactions and deliveries and process management in the Bank.

4. RISK MANAGEMENT (Continued)

4.4. Operational Risk (Continued)

The Bank performs both quantitative and qualitative measurements of its operational risk exposure. The measurement includes risk assessment, early warning risk indicators, scenario analysis and the collection of information and data on operational risk events.

The Bank measures/assesses operational risk exposure taking into account the possibility (frequency) of such risk occurrence, as well as its potential effects on the Bank's financial result, with a particular focus on events assessed as unlikely to occur, but assumed or known to potentially be able to cause significant material losses should they do occur. Upon the measurement and assessment of operational risk, the Bank particularly estimates whether it is or may be exposed to this type of risk with regard to the introduction of new products, activities, processes and systems and whether and how its outsourced activities (if any) may affect the operational risk level.

The control, monitoring of and reporting on the identified and assessed sources of risk, as well as undertaking measures to alleviate the possible adverse effect of these risks are an integral part of the operational risk management process.

The Bank's Board of Directors has adopted the Business Continuity Plan, as well as the Disaster Recovery Plan. The Executive Board is responsible for their implementation, the training and testing of employees and introducing the employees to their roles and responsibilities in the event of an emergency.

In order to ensure the continuity of its operations, the Bank has determined the key activities (including third party activities), resources and systems required for conducting business processes, critical times for certain processes, and risks that may disrupt the continuity of operations, while its Recovery Strategy defines the key goals that the Bank needs to achieve in the event of interrupted operations.

The Bank's capital requirement for operational risk as of 31 December 2024 and 31 December 2023 amounted to RSD 2.58 billion and RSD 2.56 billion, respectively.

4.5. Investment Risk

The Bank's investment risks include risks of the Bank's investments in other legal entities and property, plant and equipment and investment property, where:

- The Bank's investment in a single non-financial-sector entity may not exceed 10% of its regulatory capital (the Bank's acquisition of shares or equity interest in a non-financial entity); and
- The total investments of the Bank in non-financial entities and property, plant and equipment and investment property of the Bank may not exceed 60% of the Bank's regulatory capital; this restriction, however, does not apply to the acquisition of shares for further sale within 6 months of the acquisition date.

During 2024, the Bank's exposure to investment risk was within the prescribed limits, and as of 31 December 2024, the Bank's investment indicator was 11.12% of the regulatory capital (31 December 2023: 9.27%).

4.6. Exposure Risk

The risk of the Bank's exposure to the same or similar risk source or the same or similar risk type – concentration risk – refers to the Bank's large exposure to a single party or a group of related parties of over 10% of its equity, which is the sum of the Bank's stake capital and supplementary capital up to one third of its stake capital and in accordance with the National Bank of Serbia's Decision on Risk Management by Banks. The Bank's exposures to a single party or a group of related parties cannot exceed 25% of the Bank's capital, and the aggregate sum of all exposures cannot exceed 400% of the Bank's capital calculated in the above-explained manner.

The Bank controls the exposure risk using pre-defined exposure limits that enable loan portfolio diversification and the use of tangible and intangible collaterals in accordance with the National Bank of Serbia's Decision on the Capital Adequacy of Banks.

The aggregate sum of the Bank's large exposures as of 31 December 2024 was 134.93% of the regulatory capital (31 December 2023: 138.14%).

4. RISK MANAGEMENT (Continued)

4.7. Country Risk

Country risk is the risk that relates to:

- The risk of the country of origin of an entity that the Bank enters into a business transaction; and
- The risk of the occurrence of negative effects on the Bank's financial result and equity due to its inability to collect receivables from the said entity/entities caused by political, economic and social circumstances in the country of origin of the said entity/entities.

Country risk includes:

- Political and economic risk (the Bank's inability to collect receivables due to limitations stipulated by government regulations of the borrower's country of origin or due to other general and systemic circumstance in the given country); and
- Transfer risk (inability to collect receivables denominated in a currency that is not the official currency of the borrower's country of origin due to limitations of liability settlement towards creditors from other countries in a specific currency, which are stipulated by government regulations of the borrower's country of origin).

The Bank manages country risk by defining and monitoring the exposure limits, which are determined individually as per the customer's country of origin. The Bank uses internationally defined and recognized standards for country risk assessment and measurement. In order to secure its operations from country risk, the Bank applies the Risk Management Policy and the Country Risk Management Procedure.

The Bank's exposure to country risk in 2024 was monitored in accordance with the Bank's internal procedures.

4.8. Capital Management

The Bank has established a risk management system in accordance with the scope and structure of its business activities and the capital management is aimed at the achievement of the Bank's business strategy goals.

The Bank defines its business strategy goals and periods for their realization in its Business Policies and Business Strategy with a three-year strategic plan.

The calculation of the amount of capital and the capital adequacy ratio is performed in accordance with Basel III Standard.

The key objectives of capital management are:

- Maintaining the minimum amount of capital of EUR 10 million in RSD equivalent at the official middle exchange rate of the National Bank of Serbia at the date of calculation;
- Maintaining the minimum levels of the Bank's regulatory capital adequacy ratios in accordance with the National Bank of Serbia's Decision on Capital Adequacy of Banks, maintaining trust in the safety and stability of its operations,
- Achieving business and financial plans that can support the expected increase in loans, future sources of funds and their usage, and
- Implementing its dividend policy.

The Bank's strategic objective is to maintain capital adequacy ratios at a level above the prescribed minimum (4.5% for the common equity Tier 1 capital adequacy ratio, 6% for the Tier 1 capital adequacy ratio and 8% for the capital adequacy ratio), and minimum at a level that also allows coverage of the requirement for the combined capital buffer in accordance with the National Bank of Serbia's Decision on Capital Adequacy of Banks.

As of 31 December 2024, the Bank calculated the common equity Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio in accordance with the National Bank of Serbia's Decision on Capital Adequacy of Banks.

4. RISK MANAGEMENT (Continued)

4.9. Capital Adequacy Ratio

	In RSD thousand 31 December 2024
Basic share capital (common equity)	59,880,283
Supplementary capital	2,619,570
Capital	**62,499,853**
Credit risk-weighted assets	270,098,605
Risk-weighted assets based on market risk exposure	-
Risk-weighted assets based on operational risk exposure	32,221,409
Risk-weighted assets based on credit risk adjustment	86,430
Common equity Tier 1 capital adequacy ratio (min. 4.5%)	***19.80%***
Tier 1 capital adequacy ratio (min. 6%)	***19.80%***
Capital adequacy ratio (min. 8%)	***20.67%***

	31 December 2023
Basic share capital (common equity)	60,008,680
Supplementary capital	2,619,570
Equity	**62,628,250**
Credit risk-weighted assets	263,784,736
Risk-weighted assets based on market risk exposure	-
Risk-weighted assets based on operational risk exposure	32,021,050
Risk-weighted assets based on credit risk adjustment	48,905
Common equity Tier 1 capital adequacy ratio (min. 4.5%)	***20.28%***
Tier 1 capital adequacy ratio (min. 6%)	***20.28%***
Capital adequacy ratio (min. 8%)	***21.17%***

In 2024, the capital adequacy ratio was above the prescribed regulatory limit of 8% increased by additional capital buffers, and it was influenced by capital base strengthening through profit distribution to the regulatory capital and capital increase, as well as the acquisition of the subsidiary.

The amount and structure of the Bank's capital always need to provide coverage of the minimum capital requirements and internal capital requirements regarding the risks that the Bank is exposed to in its operations, in compliance with the Risk Management Strategy and Policy.

In line with the Capital Management Strategy and Plan, the Bank performs the process of internal capital adequacy assessment, i.e. determines the amount of internal capital in accordance with its risk-weighted portfolio, thereby computing the capital requirements for risks that it has identified as materially significant.

The Bank's Capital Management Strategy and Plan ensures that at all times the Bank has at its disposal such a level and such a structure of internal capital so as to provide the Bank's compliance with all its legal obligations, maintenance of the trust of its shareholders and depositors in the security and stability of its operations, realisation of the Bank's business and financial plans, which can support the expected growth of the Bank's loans and investments, future sources of funds and their deployment, dividend policy and all changes to the prescribed minimum amount of capital.

4. RISK MANAGEMENT (Continued)

4.9. Capital Adequacy Ratio (Continued)

The Bank's Capital Management Strategy and Plan contains:

- Organization of the internal capital management process, which includes the competencies and responsibilities of the Bank's bodies and boards: the Bank's Assembly, Board of Directors, Executive Board, other Bank's committees and competent divisions and departments: Risk Control Sector, Treasury Sector, Compliance Sector, Planning, Analysing and Controlling Department and Internal Audit Department;
- Procedures for planning adequate internal capital levels;
- Definition of the Bank's capital – stake capital, supplementary capital and deductible items;
- Internal capital adequacy assessment process (described in detail in the Methodology for Internal Capital Requirement Assessment);
- Calculation of the capital requirements for credit risk (determining credit risk-weighted assets, capital requirements for settlement risk and counterparty risk);
- Calculation of the capital requirements for market risks and operational risks;
- Main principles of the internal capital adequacy assessment process;
- Managing available internal capital; and
- Business continuity plan in case of the occurrence of unforeseen events that could affect the amount of the Bank's internal capital.

5. USE OF ESTIMATES AND JUDGMENTS

The preparation and presentation of the financial statements in accordance with IFRS Accounting Standards requires the Bank's management to make judgments, estimates and assumptions that affect the application of the accounting policies and amounts of assets and liabilities and income and expenses reported in the financial statements. Actual results may vary from these estimates. Estimates and assumptions are subject to constant review and are based on previous (historical) experience and other factors, including anticipation of future events deemed reasonable under the current circumstances. Revised accounting estimates are recognized in the period in which the revisions are made, as well as in those future periods affected by the revisions of the estimates.

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

5.1. Key Sources of Estimate Uncertainty

Provisions for Credit Losses

Impairment of assets carried at amortised cost is estimated in the manner described in the accounting policy in Note 3.9. - Impairment of Financial Instruments.

A separate counterparty element in the overall impairment provision is applied to financial assets subject to individual-level impairment assessment, and is based on the management's best estimate of the present value of expected future cash flows. Upon estimating such cash flows, the management makes estimates on the financial standing of the counterparty and on the net realizable value of the existing collateral. Each impaired asset is assessed in terms of quality and output strategy, where the Bank's credit risk function independently approves the estimate of the cash flows considered to be recoverable.

Impairment assessed on a group level cover credit losses inherent in the portfolios of loans and receivables and securities held to maturity sharing similar credit risk characteristics due to the objective evidence of impaired items that are no yet identifiable. Upon estimating the need for forming group-level provisions for losses, the management takes into accounts factors such as loan quality, size of the portfolio, risk concentration and economic factors.

In order to estimate the required provision, the management makes assumptions to define the manner for modelling losses inherent in the portfolio and determine the necessary inputs, based on historical experience and current economic circumstances. The accuracy of provision depends on the estimated cash flows for individual counterparty provisions, as well as on the assumptions and inputs of the model used in determining the amount of group-level provision.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.1. Key Sources of Estimate Uncertainty (Continued)

Fair Value Assessment

Determining the fair value of financial assets and liabilities for which there is no observable market price requires uses estimation techniques described in the accounting policy in Note 3.9. - Fair Value Measurement. Fair values of financial instruments which are rarely traded and the prices of which are not very transparent are less objective and require different degrees of assessment, depending on the liquidity, concentration, uncertainty of the market factors, assumptions on pricing and other risks related to the specific instruments.

Retirement Benefits

The costs of defined employee benefits payable upon the termination of employment, i.e. retirement in accordance with the legal requirements are determined based on an actuarial valuation. The actuarial valuation includes an assessment of the discount rate, future movements in salaries, mortality rates and employee fluctuation rates.

As these plans are long-term ones, significant uncertainties influence the outcome of the assessment. Additional information is disclosed in Note 36(b) to the financial statements.

5.2. Key Accounting Estimates in the Application of the Bank's Accounting Policies

Measurement of Financial Instruments

The Bank's accounting policy on the fair value measurement is disclosed in Note 3.9.

The Bank measures fair value of financial assets using the following fair value hierarchy of the quality of the inputs used in measurement:

- Level 1: Quoted prices (unadjusted) on active markets for identical instruments.
- Level 2: Valuation techniques based on inputs that are not quoted prices for identical instruments but are information available and determinable either directly (e.g. prices) or indirectly (e.g. derived from prices). This level includes instruments measured using the official active market prices of instruments with similar characteristics, official market prices of identical instruments or instruments with similar characteristics in a market deemed less active or using other measurement techniques with all significant inputs directly or indirectly available on the market.
- Level 3: Valuation techniques that use unavailable and undeterminable inputs. This level includes all instruments the fair values of which are assessed based on unavailable or unobservable input data, which therefore have significant effects on the instrument's fair value measurement. Such instruments are measured based on the official market prices for instruments with the similar characteristics, where significant adjustment or assumptions are required to reflect the differences between the instruments.

Fair values of financial assets and financial liabilities traded in an active market are based on the market prices. The Bank determines the fair values of all other financial instruments using valuation techniques.

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

The Bank uses generally accepted models for determining the fair values of regular and common financial instruments such as interest and currency swaps, for which exclusively observable inputs are used, requiring less estimates and assumptions to be made by the management. Observable model inputs are mostly available on the market of the quoted debt and equity instruments, trading derivatives and simple derivatives such as interest rate swaps.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.2. Key Accounting Estimates in the Application of the Bank's Accounting Policies (Continued)

Measurement of Financial Instruments (Continued)

Availability of observable market prices and model inputs reduces the need for estimates and assumptions made by management and reduces uncertainty associated with determining fair value. Availability of observable market prices and inputs varies depending on the products and market, and it is prone to changes caused by various events and general conditions prevailing in the future markets.

Assessment whether the Bank has Control over Legal Entities

In accordance with the requirements of IFRS 10 "Consolidated Financial Statements" and IFRS 12 "Disclosure of Interests in Other Entities", the Bank reassesses whether it truly exercises control over its investee and considers all the facts, events, and circumstances indicating that there may have been a change in one or more of the three elements of control. The Bank also considers changes that affect its exposure to or rights to variable returns from its involvement with the investee.

The Bank's initial assessment of control does not change merely due to the occurrence of different market conditions (e.g., change in the returns from the investee triggered by market conditions), unless such changes in market conditions cause changes in one or more of the three elements of control or the entire relationship with the investee has changed.

Under IFRS 10, control over an investee is achieved when the investor has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of returns. Hence, the investor controls the investee only and only if the all of the following criteria are met:

(a) Power over the investee;
(b) Exposure or rights to variable returns from its involvement with the investee, and
(c) The ability to use its power over the investee to affect the amount of returns.

Taking into consideration the requirements of the aforesaid standards, and based on its internal assessment, the Bank determined that it had acquired control over investees in 2024 and 2023, but it is not required to prepare annual consolidated financial statements, since it fulfils the requirements of IFRS 10.4 and Article 32 of the Law on Accounting, since the ultimate domestic parent company – M&V Investments a.d. Belgrade is recognised as a reporting entity required to compile consolidated financial statements.

Useful Life of Intangible Assets, Property, Plant and Equipment

The determination of the useful lives of intangible assets, property, plant and equipment is based on historical experience with similar assets, as well as the anticipated technical development and changes affected by numerous economic and industrial factors.

The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions.

Right-of-use Assets and Lease Liabilities

IFRS 16 "Leases" requires certain estimates, primarily related to lease term and the determination of the incremental borrowing rate used for the measurement of lease liabilities.

It is necessary to remeasure lease liability upon certain events occurred (changes in lease term, future payments due to change in index or rate applied to calculate those payments). The lessee recognises the amount of remeasured lease liability as adjustment of value of a right-of-use asset.

6. FINANCIAL ASSETS AND LIABILITIES – CLASSIFICATION AND FAIR VALUE

The following tables provide a breakdown of financial instruments measured at fair value at the end of the reporting period per fair value hierarchy levels based on which fair value measurement is categorized:

	Level 1	Level 2	Level 3	In RSD thousand 31 December 2024 Total assets/liabilities at fair value
Assets				
Derivatives	-	-	9,380	9,380
Securities measured at fair value through profit or loss	4,098,470	-	-	4,098,470
Securities measured at fair value through other comprehensive income	-	47,626,724	-	47,626,724
Total assets	**4,098,470**	**47,626,724**	**9,380**	**51,734,574**
Liabilities				
Derivatives	-	-	45,773	45,773
Total liabilities	**-**	**-**	**45,773**	**45,773**

	Level 1	Level 2	Level 3	In RSD thousand 31 December 2023 Total assets/liabilities at fair value
Assets				
Derivatives	-	-	114,421	114,421
Securities measured at fair value through profit or loss	1,925,651	-	-	1,925,651
Securities measured at fair value through other comprehensive income	-	42,441,681	-	42,441,681
Total assets	**1,925,651**	**42,441,681**	**114,421**	**44,481,753**
Liabilities				
Derivatives	-	-	21,556	21,556
Total liabilities	**-**	**-**	**21,556**	**21,556**

Level 1 includes financial instruments traded on the stock exchange, while Level 2 includes securities the fair values of which are assessed based on the internally developed models that are based on the information from auctions on the secondary securities market. Fair values of assets determined based on the prices from the stock market for instruments with similar characteristics are classified into Level 3.

6. FINANCIAL ASSETS AND LIABILITIES –CLASSIFICATION AND FAIR VALUE (Continued)

The carrying values and fair values of financial assets and liabilities not measured at fair value are presented in the tables below:

In RSD thousand
31 December 2024

	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Loans and placements to customers	236,068,910	238,643,368	-	-	238,643,368
Securities measured at amortised cost	333,094	334,253	-	-	334,253
Financial liabilities					
Deposits and other liabilities due to customers	339,375,779	341,583,352	-	-	341,583,352

In RSD thousand
31 December 2023

	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Loans and placements to customers	227,387,789	232,699,694	-	-	232,699,694
Securities measured at amortised cost	454,270	452,132	-	-	452,132
Financial liabilities					
Deposits and other liabilities due to customers	338,631,966	341,839,388	-	-	341,839,388

The methodology and assumptions used for calculating fair values of the aforesaid financial assets and liabilities not stated at fair value in the financial statements are as follows:

Assets whose fair values approximate their carrying values

For highly liquid financial assets and liabilities with short-term maturities (up to a year) it is assumed that their carrying values approximate their fair values. This assumption is also used for demand deposits, savings deposits without a defined maturity and all financial instruments at variable interest rates.

Fixed rate financial instruments

The fair value of financial assets and liabilities at fixed interest rates carried at amortized cost is assessed by comparing the market interest rates upon initial recognition to the current interest rates prevailing on the market for financial instruments with similar characteristics.

The estimated fair values of financial instruments at fixed interest rates are based on the cash flows discounted using the interest rate prevailing on the money market for financial instruments with similar credit risk characteristics and maturities.

Financial assets held to maturity, loans and deposits include a portion of the fixed interest rate portfolio, which gives rise to the differences between their carrying values and fair values.

7. INTEREST INCOME AND EXPENSES

Interest income and expenses according to financial instrument classes are presented below:

	In RSD thousand Year Ended 31 December 2024	2023
Interest income		
Loans and placements to customers	18,882,266	17,653,745
Loans and placements to banks	1,158,707	799,505
Deposits held with the National Bank of Serbia	347,355	524,396
Securities:		
- Repo transactions	1,735,941	3,258,413
- Republic of Serbia's RSD bonds	1,662,556	1,658,286
- Corporate RSD bonds	-	75,615
- Republic of Serbia's foreign currency bonds	220,914	203,600
Promissory notes	36,700	41,723
Total	**24,044,439**	**24,215,283**
Interest expenses		
Borrowings from banks	(404,275)	(364,541)
Borrowings from customers	(111,933)	(123,390)
Deposits from customers	(7,584,381)	(8,233,276)
Deposits from banks	(731,227)	(470,414)
Securities	(459,640)	(432,807)
Lease liabilities (Note 37.1)	(22,666)	(14,650)
Other interest expenses	(162)	(558)
Total	**(9,314,284)**	**(9,639,636)**
Net interest income	**14,730,155**	**14,575,647**

8. FEE AND COMMISSION INCOME AND EXPENSES

	In RSD thousand Year Ended 31 December 2024	2023
Fee and commission income		
Payment card transactions	1,597,604	1,492,557
Payment transaction services	1,588,092	1,644,682
Fees on issued guarantees	824,847	663,943
Realised foreign exchange gains	863,364	593,508
Other fees and commissions	335,970	314,640
Total	**5,209,877**	**4,709,330**
Fee and commission expenses		
Payment card transactions	(1,312,459)	(987,690)
Payment transaction services	(194,123)	(213,208)
Realised foreign exchange losses	(191,903)	(71,362)
Other fees and commissions	(42,835)	(27,035)
Total	**(1,741,320)**	**(1,299,295)**
Net fee and commission income	**3,468,557**	**3,410,035**

9. NET GAINS FROM CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	In RSD thousand Year Ended 31 December 2024	2023
Changes in fair value of held-for-trading securities	16,596	292,971
Changes in fair value of investment units	110,595	54,968
Changes in fair value of derivatives	131,571	105,066
Net gains	**258,762**	**453,005**

10. NET GAINS FROM DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	In RSD thousand Year Ended 31 December 2024	2023
Losses on sale of securities measured at fair value through profit or loss	(222)	(2,791)
Gains on sale of securities measured at fair value through other comprehensive income	38,401	10,484
Net gains	**38,179**	**7,693**

11. NET FOREIGN EXCHANGE LOSSES AND EFFECTS OF CONTRACTED FOREIGN CURRENCY CLAUSE

	In RSD thousand Year Ended 31 December 2024	2023
Foreign exchange gains		
Foreign exchange gains	1,945,633	3,706,098
Positive effects of contracted foreign currency clause	283,602	237,129
Total foreign exchange gains	**2,229,235**	**3,943,227**
Foreign exchange losses		
Foreign exchange losses	(2,031,108)	(3,654,152)
Negative effects of contracted foreign currency clause	(443,290)	(430,602)
Total foreign exchange losses	**(2,474,398)**	**(4,084,754)**
Net foreign exchange losses	**(245,163)**	**(141,527)**

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

(a) (Charged)/Credited to the Income Statement

	In RSD thousand Year Ended 31 December 2024	2023
Impairment losses - financial assets measured at amortised cost		
Cash and balances with Central Bank (Note 20)	(14,393)	(38,034)
Securities measured at amortised cost (Note 23)	(3,844)	(6,186)
Loans and placements to banks (Note 24)	(173,944)	(515,409)
Loans and placements to customers (Note 25)	(13,555,124)	(13,822,818)
Other assets (Note 33)	(92,504)	(149,565)
	(13,839,809)	**(14,532,012)**
Provisions for off-balance sheet items (Note 36(c))	**(258,656)**	**(450,191)**
Losses from impairment of financial assets measured at FVOCI (Note 38(ii))	**(13,894)**	**(38,163)**
Write-off of irrecoverable receivables		
Loans and placements to customers	(3,725)	(1,354)
Other assets	(10,916)	(26,878)
	(14,641)	**(28,232)**
Losses from modification of financial instruments	**(334,199)**	**(667,966)**
Total losses	**(14,461,199)**	**(15,716,564)**
Reversal of impairment losses		
Cash and balances with Central Bank (Note 20)	16,172	57,045
Securities measured at amortised cost (Note 23)	5,207	14,271
Loans and placements to banks (Note 24)	264,459	376,063
Loans and placements to customers (Note 25)	11,144,712	10,646,891
Other assets (Note 33)	105,336	110,060
	11,535,886	**11,204,330**
Release of provision for off-balance sheet items (Note 36(c))	**216,815**	**587,680**
Reversal of impairment losses on financial assets measured at FVOCI (Note 38(ii))	**10,536**	**145,388**
Recovery of receivables previously written-off		
Loans and placements to customers	2,135,220	1,452,135
Other assets	11,893	16,945
	2,147,113	**1,469,080**
Gains from modification of financial instruments	**-**	**31,047**
Total gains	**13,910,350**	**13,437,525**
Net losses from impairment of financial assets and credit risk-weighted off-balance sheet items	**(550,849)**	**(2,279,039)**

As of 31 December 2024, the Bank recorded the effect of an insignificant modification in the total amount of RSD 334,199 thousand as a result of the implementation of the National Bank of Serbia's Decision on Temporary Interest Rate Cap on Loan Agreements Concluded with Natural Person Consumers ("RS Official Gazette", no. 102/2024).

12. NET LOSSES FROM IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(b) Movements in the Allowance for Impairment and Provisions for Credit Risk-weighted Off-balance Sheet Items during the Year

In RSD thousand

	Cash and balances with Central Bank (Note 20)	Securities at amortized cost (Note 23.3.)	Loans and placements to banks (Note 24)	Loans and placements to customers (Note 25)	Other assets (Note 33)	Off-balance sheet assets (Note 36(c))	Total
Balance as of 1 January 2023	**28,810**	**121,625**	**216,177**	**5,082,690**	**141,056**	**284,074**	**5,874,432**
Impairment losses	38,034	6,186	515,409	13,822,818	149,565	450,191	14,982,203
Reversal of impairment losses and release of provision	(57,045)	(14,271)	(376,063)	(10,646,891)	(110,060)	(587,680)	(11,792,010)
Impairment of interest on impaired loans	-	-	-	106,613	-	-	106,613
Write-offs and derecognition of financial instruments	-	(66,447)	-	(36,103)	(12,773)	-	(115,323)
Transfer to off-balance sheet items	-	-	(6,818)	(666,026)	-	-	(672,844)
FX differences	(9)	-	(7,805)	(2,421)	(387)	(237)	(10,859)
Other	-	173	-	46,903	(46,998)	-	78
Balance as of 31 December 2023	**9,790**	**47,266**	**340,900**	**7,707,583**	**120,403**	**146,348**	**8,372,290**
Balance as of 1 January 2024	**9,790**	**47,266**	**340,900**	**7,707,583**	**120,403**	**146,348**	**8,372,290**
Impairment losses	14,393	3,844	173,944	13,555,124	92,504	258,656	14,098,465
Reversal of impairment losses and release of provision	(16,172)	(5,207)	(264,459)	(11,144,712)	(105,336)	(216,815)	(11,752,701)
Impairment of interest on impaired loans	-	-	-	444,174	-	-	444,174
Write-offs and derecognition of financial instruments	-	-	-	(114,828)	(5,196)	-	(120,024)
Transfer to off-balance sheet items	-	-	-	(2,157,229)	-	-	(2,157,229)
FX differences	(6)	-	(8,905)	685	(234)	(135)	(8,595)
Other	-	-	-	(3)	(14,417)	-	(14,420)
Balance as of 31 December 2024	**8,005**	**45,903**	**241,480**	**8,290,794**	**87,724**	**188,054**	**8,861,960**

13. NET GAINS FROM DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

	In RSD thousand Year Ended 31 December 2024	2023
Net gains from derecognition of financial instruments - sales of loans	112,168	121,124
Net gains from derecognition of financial instruments - other effects	-	2,107
Net gains	**112,168**	**123,231**

14. OTHER OPERATING INCOME

	In RSD thousand Year Ended 31 December 2024	2023
Rental income	63,383	47,988
Reimbursed cost	539,834	393,946
Dividend income	1,738,976	74,800
Other operating income	55,014	7,617
Total	**2,397,207**	**524,351**

Rental income in 2024 in the amount of RSD 63,383 thousand (2023: RSD 47,988 thousand) completely relates to the income from the lease of investment property to third parties (Note 30).

Income from reimbursed cost in 2024 in the amount of RSD 539,834 thousand (2023: RSD 393,946 thousand) mostly relates to the operating costs reimbursement in the amount of RSD 404,597 thousand (2023: RSD 297,779 thousand).

In 2024, dividend income amounting to RSD 1,738,976 thousand related to dividends received from Eurobank Direktna a.d. Belgrade in the amount of RSD 1,726,790 thousand and funds paid out from the bankruptcy estate of Agrobanka a.d. Belgrade, under bankruptcy, in the amount of RSD 12,186 thousand. In 2023, dividend income was related to dividends received from Nova Ljubljanska Banka d.d. Ljubljana, Slovenia, in the amount of RSD 73,537 thousand and Intesa Sanpaolo SPA in the amount of RSD 1,263 thousand.

15. SALARIES, COMPENSATIONS AND OTHER PERSONAL EXPENSES

	In RSD thousand Year Ended 31 December 2024	2023
Salaries	2,087,643	1,462,265
Compensations	285,968	222,421
Payroll taxes and contributions	1,337,100	974,559
Other personal expenses for temporary jobs	59,853	38,842
Provisions for employee benefits (Note 36(b))	583,415	3,708
Total	**4,353,979**	**2,701,795**

An increase in the provisions for employee benefits in 2024 is related to provisions for bonuses to employees involved in the integration project - merger of Eurobank Direktna a.d. Belgrade by the Bank and performance bonuses for 2024.

16. DEPRECIATION AND AMORTISATION EXPENSE

	In RSD thousand Year Ended 31 December 2024	2023
Amortisation of intangible assets (Note 27)	268,751	333,662
Depreciation of buildings (Note 28)	6,927	532
Depreciation of equipment and other assets (Note 28)	283,614	224,769
Depreciation of right-of-use assets (Note 29)	363,064	421,887
Total	**922,356**	**980,850**

17. OTHER INCOME

	In RSD thousand Year Ended 31 December 2024	2023
Release of provision for litigations (Note 36(a))	41,231	216,556
Gains on sale of property, plant and equipment and small inventory	132,625	54,490
Liabilities waived	131,387	124,419
Income from collected purchased receivables	347,377	610,502
Other income	90,273	91,915
Valuation gains on property	794	131,033
Total	**743,687**	**1,228,915**

Gains on sale of property, plant and equipment and small inventory generated in 2024 in the total amount of RSD 132,625 thousand relate to the gains on sale of investment property in the amount of RSD 23,232 thousand (Note 30), sale of equipment in the amount of RSD 90,664 thousand and sale of foreclosed assets in the amount of RSD 18,729 thousand (Note 33(b)).

Gains on sale of property, plant and equipment and small inventory realised in 2023 in the total amount of RSD 54,490 thousand were mostly related to the gains on sale of investment property in the amount of RSD 34,297 thousand, sale of equipment in the amount of RSD 13,363 thousand, sale of buildings in the amount of RSD 3,377 thousand and sale of foreclosed assets in the amount of RSD 3,453 thousand.

18. OTHER EXPENSES

	In RSD thousand Year Ended 31 December 2024	2023
Cost of material	232,032	152,607
Rental costs and other costs related to leased business premises	184,474	191,258
Telecommunications and postage services	713,129	825,458
Other services	54,778	45,796
Property maintenance	584,351	673,453
Marketing and advertising fees	208,428	102,827
Donations and sponsorships	135,349	76,696
Entertainment	42,391	52,048
Audit and expertise costs	671,144	400,295
Insurance premiums	982,468	943,374
Membership fees	5,763	6,114
Lawyer, appraiser and expert fees	281,278	236,334
Court and other fees	47,775	52,906
Broker and Central Registry fees	12,714	44,364
Security costs	135,658	91,885
Other non-material costs	525,343	329,074
Taxes and contributions	85,037	105,909
Re-invoiced costs	21,358	29,684
Provisions for litigations (Note 36(a))	162,295	275,795
Provisions for restructuring (Note 36(d))	278,825	-
Losses on sale of property	33,893	333
Other expenses	319,217	321,695
Valuation losses on property	44,916	256,077
Total	**5,762,616**	**5,213,982**

18. OTHER EXPENSES (Continued)

Provisions for restructuring in the amount of RSD 278,825 thousand relate to provisions established in accordance with IAS 37 and the Headcount Optimisation Plan implemented as part of the integration with Eurobank Direktna a.d. Belgrade (Note 36(d)).

Valuation losses on property in 2024 in the amount of RSD 44,916 thousand (2023: RSD 256,077 thousand) include negative effects of investment property valuation in the amount of RSD 21,767 thousand (2023: RSD 193,209 thousand) (Note 30) and impairment of repossessed property following the foreclosure in the amount of RSD 23,149 thousand (2023: negative effects amounted to RSD 62,868 thousand, positive effects amounted to RSD 5,902 thousand, i.e. net impairment of RSD 56,966 thousand) (Note 33(b)).

19. INCOME TAXES

19.1. Components of Income Taxes

	In RSD thousand	
	2024	**2023**
Current income tax expense	711,934	639,439
Deferred tax income/(expense) (Note 32.2)	(30,571)	194,614
Total income tax expense	**681,363**	**834,053**

19.2. Numerical Reconciliation of Income Tax Recognised in the Income Statement and Profit for the Year before Tax

	In RSD thousand	
	2024	**2023**
Profit before tax	**9,913,752**	**9,005,684**
Income tax at the statutory tax rate (15%)	**1,487,063**	**1,350,853**
Tax effects of non-deductible expenses/income	(304,826)	(12,901)
Tax effects of the net capital gains/losses	(1,828)	(2,160)
Tax effects of interest income on debt securities issued by the Republic of Serbia	(468,475)	(696,353)
Effects of other temporary differences	(30,571)	194,614
Total tax expense reported in the income statement	**681,363**	**834,053**
Effective tax rate	***6.87%***	***9.26%***

Corporate income tax payable determined in the 2024 tax return amounts to RSD 711,934 thousand and it was fully offset against monthly advance tax payments. Since the amount of the calculated corporate income tax payable is lower than the amount of advance tax payments, the Bank reported current tax assets in the amount of RSD 3,023,477 thousand as of 31 December 2024 (Note 31).

20. CASH AND BALANCES WITH CENTRAL BANK

	In RSD thousand	
	31 December 2024	31 December 2023
In RSD:		
Current account	26,401,631	37,348,299
Cash in hand	8,987,430	7,502,646
Other funds	40	40
Accruals per funds held with the Central Bank	9,030	9,044
	35,398,131	**44,860,029**
In foreign currency:		
Cash in hand	4,634,302	5,199,111
Required foreign currency reserve held with the National Bank of Serbia	26,049,626	24,222,288
	30,683,928	**29,421,399**
Total	**66,082,059**	**74,281,428**
Less: Allowance for impairment	(8,005)	(9,790)
Balance as of	**66,074,054**	**74,271,638**
Adjustments to cash and cash equivalents for the purpose of the Statement of Cash Flows		
Foreign currency accounts with foreign banks (Note 24)	5,513,110	5,854,935
Accruals per funds held with the Central Bank	(9,030)	(9,044)
Required foreign currency reserve held with the National Bank of Serbia	(26,049,626)	(24,222,288)
	(20,545,546)	**(18,376,397)**
Cash and cash equivalents reported in the Statement of Cash Flows	**45,536,513**	**55,905,031**

Movements in the allowance for impairment during the year were as follows:

	In RSD thousand	
	2024	2023
Balance as of 1 January	**(9,790)**	**(28,810)**
Charge for the year (Note 12)	(14,393)	(38,034)
Reversal of impairment losses (Note 12)	16,172	57,045
FX differences	6	9
Balance as of 31 December	**(8,005)**	**(9,790)**

For the purpose of the Statement of Cash Flows, cash and cash equivalents include: cash at the current account held with the National Bank of Serbia, cash in hand in RSD and foreign currencies, cash at accounts held with foreign banks and cash at the account held with the Central Securities Depository and Clearing House.

Banks allocate the required dinar reserve on their current accounts held with the National Bank of Serbia. The required dinar reserve is the minimum RSD reserve set aside in accordance with the Decision on Banks' Required Reserves with the National Bank of Serbia ("RS Official Gazette", no. 76/2018 and 77/2023).

The Bank is obliged to calculate and set aside the required dinar reserve against the average daily balance of the liabilities in RSD during the preceding calendar month applying the rate of 7% to liabilities with maturity of up to 2 years, i.e. within 730 days, and 2% to liabilities with maturity of over 2 years, i.e. over 730 days (2023: 7% and 2%).

In addition, the required dinar reserve includes 46% and 38% of the RSD equivalent of the calculated required foreign currency reserve (2023: 46% and 38%).

The Bank is obliged to maintain the average daily balance of the required dinar reserve during the accounting period in the amount of the calculated required dinar reserve.

20. CASH AND BALANCES WITH CENTRAL BANK (Continued)

The calculated required dinar reserve that was to be maintained on the current account from 18 December 2024 to 17 January 2025 amounted to RSD 30,865,240 thousand (from 18 December 2023 to 17 January 2024: RSD 29,895,756 thousand) and was in compliance with the Decision of the National Bank of Serbia.

Pursuant to the Decision on Banks' Required Reserves with the National Bank of Serbia, the Bank calculates and allocates the obligatory foreign currency reserve against the average daily balance of foreign currency liabilities from the preceding month at a rate of 23% applied to liabilities with contracted maturity of up to 2 years, i.e. within 730 days, at a rate of 16% applied to liabilities with contracted maturity of over 2 years, i.e. over 730 days (2023: 23% and 16%) and at a rate of 100% applied to the average daily balance of RSD liabilities indexed with a foreign currency clause (2023: 100%).

The Bank allocates the required foreign currency reserve to foreign currency accounts with the National Bank of Serbia. Out of the total calculated required foreign currency reserve, 54% (for liabilities with maturity of up 2 years, i.e. within 730 days), i.e. 62% (for liabilities with maturity of over 2 years, i.e. over 730 days) is allocated in foreign currencies, while the remaining 46%, i.e. 38% is allocated in RSD to the current account.

The Bank is obliged to maintain the average daily balance of the required foreign currency reserve during the accounting period in the amount of the calculated required foreign currency reserve. The calculated required foreign currency reserve for the period from 18 December 2024 to 17 January 2025 amounted to EUR 226,232 thousand (from 18 December 2023 to 17 January 2024: EUR 206,712 thousand), and was in compliance with the Decision of the National Bank of Serbia.

21. PLEDGED FINANCIAL ASSETS

	In RSD thousand	
	31 December 2024	31 December 2023
Equity instruments – shares of Eurobank Direktna a.d. Belgrade	6,806,777	20,420,056
Balance as of	**6,806,777**	**20,420,056**

A pledge on shares of Eurobank Direktna a.d. Belgrade was made in line with a Share Pledge Agreement signed between the Bank and Eurobank S.A. Athens, Greece on 2 November 2023. The pledge was established as a collateral for the liabilities of Eurobank Direktna a.d. Belgrade under the Liquidity Loan Agreement towards Eurobank S.A. Athens, Greece. The loan repayment proportionally reduces the number of pledged shares. The amount of pledged shares was reduced by RSD 13,613,279 thousand based on the loan repayment in 2024.

22. DERIVATIVES

22.1. DERIVATIVES RECEIVABLE

	In RSD thousand	
	31 December 2024	31 December 2023
Derivatives receivable - currency swap	9,380	114,421
Balance as of	**9,380**	**114,421**

22. DERIVATIVES (Continued)

22.2. DERIVATIVES PAYABLE

	In RSD thousand	
	31 December 2024	31 December 2023
Derivatives payable - currency swap	45,773	21,556
Balance as of	**45,773**	**21,556**

Financial receivables and payables arising from held-for-trading derivatives are related to the effects resulting from the fair value of instruments whose nominal value is stated within off-balance sheet items (Note 39.2).

23. SECURITIES

	In RSD thousand	
	31 December 2024	31 December 2023
Securities measured at fair value through profit or loss	4,098,470	1,925,651
Securities measured at fair value through other comprehensive income	47,626,724	42,441,681
Securities measured at amortised cost	333,094	454,270
Balance as of	**52,058,288**	**44,821,602**

23.1. Securities Measured at Fair Value through Profit or Loss

	In RSD thousand	
	31 December 2024	31 December 2023
In RSD:		
Securities held for trading – shares	733,725	724,636
Securities initially recognized at fair value	2,281,619	1,201,015
	3,015,344	**1,925,651**
In foreign currency:		
Securities initially recognized at fair value	1,083,126	-
	1,083,126	**-**
Balance as of	**4,098,470**	**1,925,651**

The Bank's investments in RSD securities held for trading totalling RSD 733,725 thousand as of 31 December 2024 completely relate to shares of the company Fintel energija a.d. Belgrade. The Bank's investments in RSD securities held for trading totalling RSD 724,636 thousand as of 31 December 2023 related to shares of the company Fintel energija a.d. Belgrade.

The Bank's investments in securities initially recognized at fair value - investment units in RSD in the amount of RSD 2,281,619 thousand as of 31 December 2024 (31 December 2023: RSD 1,201,015 thousand) relate to investment units of Raiffeisen Cash in the amount of RSD 460,715 thousand (31 December 2023: RSD 442,425 thousand), Kombank Cash Fund in the amount of RSD 457,118 thousand (31 December 2023: RSD 435,976 thousand) and Intesa Invest Cash in the amount of RSD 1,363,786 thousand (31 December 2023: RSD 322,614 thousand).

Bank investments in securities initially recognized at fair value – investment units in foreign currency as of 31 December 2024 total RSD 1,083,126 thousand and completely relate to investment units of Intesa Invest EUR Cash.

23. SECURITIES (Continued)

23.2. Securities Measured at Fair Value through Other Comprehensive Income

	In RSD thousand	
	31 December 2024	31 December 2023
In RSD:		
Republic of Serbia's bonds	41,309,956	35,604,617
	41,309,956	**35,604,617**
In foreign currency:		
Republic of Serbia's bonds	6,316,768	6,837,064
	6,316,768	**6,837,064**
Balance as of	**47,626,724**	**42,441,681**

As of 31 December 2024, the Bank has investments in RSD bonds of the Republic of Serbia with fixed interest rates. State bonds with fixed interest rates have maturities from 24 to 144 months and a yield as of the acquisition date ranging from 2.07% to 5.85% per annum (31 December 2023: maturities from 24 to 144 months and a yield ranging from 2.07% to 6.30% per annum).

The Bank's investments in the Republic of Serbia's foreign currency bonds as of 31 December 2024 and 2023 have maturities from 60 to 180 months and a yield ranging from 1.6% to 5.44% per annum as of 31 December 2024 (31 December 2023: yield ranged from 1.6% to 5.44% per annum).

23.3. Securities Measured at Amortised Cost

	In RSD thousand	
	31 December 2024	31 December 2023
Corporate bills of exchange		
- in RSD	378,997	501,536
	378,997	**501,536**
Less: Allowance for impairment	(45,903)	(47,266)
Balance as of	**333,094**	**454,270**

Movements in the allowance for impairment during the year were as follows:

	In RSD thousand	
	2024	2023
Balance as of 1 January	**(47,266)**	**(121,625)**
Charge for the year (Note 12)	(3,844)	(6,186)
Reversal of impairment losses (Note 12)	5,207	14,271
Sales, FX differences, other	-	66,274
Balance as of 31 December	**(45,903)**	**(47,266)**

24. LOANS AND PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2024	In RSD thousand 31 December 2023
RSD loans:		
Loans per REPO transactions	49,000,000	50,729,410
Transaction account loans	19,490	29,792
Liquidity and working capital loans	9,480,956	645,873
Investment loans	596	2,245
Other loans	-	347,948
Other placements	693,669	4,801
Interest and fees receivable	7,282	44,998
Deferred loan origination fee as part of the effective interest rate	(3,510)	(5,366)
	59,198,483	**51,799,701**
Foreign currency loans:		
Foreign currency accounts with foreign banks - nostro	5,513,110	5,854,935
Loans per REPO transactions	1,296,584	1,451,871
Loans for payment of goods and services' import	-	-
Overnight deposits	12,871,639	2,226,300
Other foreign currency loans	5,850,745	5,858,685
Other earmarked deposits	296,161	254,692
Other placements	973,632	1,017,372
Interest and fees receivable	12,149	18,719
	26,814,020	**16,682,574**
Gross loans and placements	**86,012,503**	**68,482,275**
Less: Allowance for impairment	(241,480)	(340,900)
Balance as of	**85,771,023**	**68,141,375**

Movements in the allowance for impairment during the year were as follows:

	2024	In RSD thousand 2023
Balance as of 1 January	**(340,900)**	**(216,177)**
Charge for the year (Note 12)	(173,944)	(515,409)
Reversal of impairment losses (Note 12)	264,459	376,063
Write-off, FX differences and other changes	8,905	7,805
Transfer to off-balance sheet items	-	6,818
Balance as of 31 December	**(241,480)**	**(340,900)**

In 2024, the Bank invested funds in RSD repo transactions with the National Bank of Serbia at interest rates ranging from 4.50% to 5.59% per annum. The Bank invested funds at an interest rate of 4.49% to 5.56% per annum in repo transactions with other banks in 2024.

In 2024, funds in repo transactions with other customers and in foreign currencies were placed at interest rates of 3.5% and 4.5% per annum.

In 2024, the Bank placed RSD funds at interest rates ranging from 4.25% to 5.26% per annum, and EUR funds at interest rates ranging from 2.59% to 3.86% per annum (2023: RSD funds from 4.25% to 5.26% per annum and EUR funds from 1.50% to 3.95% per annum).

Other placements in foreign currency totalling RSD 973,632 thousand as of 31 December 2024 (31 December 2023: RSD 1,017,372 thousand) are mainly, in the amount of RSD 973,632 thousand (31 December 2023: RSD 983,495 thousand), related to the settlement account balance for Mastercard and Visa International.

25. LOANS AND PLACEMENTS TO CUSTOMERS

	In RSD thousand	
	31 December 2024	31 December 2023
Corporate customers:		
Transaction account loans	1,485,550	1,350,511
Working capital loans	49,182,451	45,023,390
Investment loans	113,153,664	106,306,750
Deposits placed	162	162
Foreign currency loans	13,570,374	19,351,045
Advances per guarantees and acceptances	8,327	45,467
Factoring receivables	7,713,428	6,822,123
Other loans and advances	291,318	4,798,808
Interest and fees receivable	631,567	1,188,769
Deferred loan origination fee as part of the effective interest rate	(495,067)	(744,458)
	185,541,774	**184,142,567**
Retail customers:		
Transaction account loans	440,148	515,674
Consumer loans	4,071	6,576
Housing loans	22,555,534	18,398,296
Cash loans	33,110,001	28,924,943
Other loans and advances	2,224,286	2,427,644
Interest and fees receivable	580,105	755,222
Deferred loan origination fee as part of the effective interest rate	(96,215)	(75,550)
	58,817,930	**50,952,805**
Gross loans and advances	**244,359,704**	**235,095,372**
Less: Allowance for impairment	(8,290,794)	(7,707,583)
Balance as of	**236,068,910**	**227,387,789**

Movements in the allowance for impairment during the year were as follows:

	In RSD thousand	
	2024	2023
Balance as of 1 January	**(7,707,583)**	**(5,082,690)**
Charge for the year (Note 12)	(13,555,124)	(13,822,818)
Reversal of impairment losses (Note 12)	11,144,712	10,646,891
Impairment of interest on impaired loans	(444,174)	(106,613)
Write-off, FX differences	114,143	38,524
Transfer to off-balance sheet items	2,157,229	666,026
Other	3	(46,903)
Balance as of 31 December	**(8,290,794)**	**(7,707,583)**

Short-term RSD loans were granted to corporate customers and entrepreneurs for a period of up to 12 months, predominantly at nominal interest rates ranging from 4% to 25% per annum. Short-term foreign-currency indexed loans were granted to corporate customers at interest rates ranging from 4% to 6M Euribor + 8.25% per annum.

Long-term RSD loans were granted to corporate customers at interest rates ranging from 4% to 25% per annum. Long-term RSD loans (with a foreign currency clause) were granted to corporate customers and entrepreneurs at interest rates ranging from 4 % to 11.5% per annum.

Loans and placements to entrepreneurs are granted under the same terms and conditions applicable to legal entities from the SME segment.

25. LOANS AND PLACEMENTS TO CUSTOMERS (Continued)

Short-term RSD loans were granted to retail customers at a fixed nominal interest rate of 6.1% per annum. Short-term RSD loans were granted to registered agricultural households at nominal interest rates ranging from 4.10% to 30% per annum.

Long-term RSD loans were extended to retail customers at a fixed nominal interest rate of 6.1% per annum, i.e. at a variable interest rate of 3M Belibor + 5.28% per annum. Long-term RSD loans indexed to EUR were extended at a variable nominal interest rate of 6M Euribor + 2.75% per annum, i.e. at a fixed annual nominal rate of 4.10% per annum.

Short-term foreign currency loans were granted to registered agricultural households that are retail customers at nominal interest rates ranging from 4.10% to 30% per annum.

Long-term RSD loans were extended to registered agricultural households that are retail customers at a nominal interest rate of 4.1% per annum.

Long-term RSD loans with a foreign currency clause were extended to registered agricultural households at nominal fixed interest rates ranging from 4.1% to 6M Euribor + 6.45% per annum.

Interest rates on loans based on earmarked term deposits are formed using appropriate interest margins on interest rates applied to earmarked term deposits.

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND INVESTMENTS IN SUBSIDIARIES

26.1. Investments in Associates and Joint Ventures

	In RSD thousand	
	31 December 2024	31 December 2023
Investments in joint ventures	-	150,064
Balance as of	**-**	**150,064**

As of 31 December 2023, the Bank's joint ventures included an investment in the company „Super Kartica" d.o.o. Belgrade. At the end of 2024, the Bank sold its equity interest in „Super Kartica" d.o.o. Belgrade.

26.2. Investments in Subsidiaries

	In RSD thousand	
	31 December 2024	31 December 2023
Equity investments in:		
- Eurobank Direktna a.d. Belgrade	33,053,174	33,053,174
- AIK Leasing d.o.o. Belgrade	536,120	-
Less: Pledged shares	(6,806,777)	(20,420,056)
Balance as of	**26,782,517**	**12,633,118**

On 2 March 2023, the Bank signed a Shares Purchase Agreement for the acquisition of 100% shares of Eurobank Direktna a.d. Belgrade. On 2 November 2023, after obtaining the approval from the National Bank of Serbia and other competent regulatory institutions, the Bank officially became the sole owner of Eurobank Direktna a.d. Belgrade in Serbia. The Bank established a pledge over a portion of shares in favour of Eurobank S.A. Athens, Greece (Note 21).

In accordance with its further growth and development strategy and after successfully completing a purchase transaction on 29 February 2024, the Bank became the sole owner of NDM Leasing d.o.o. Belgrade, which subsequently changed its name to AIK Leasing d.o.o. Belgrade.

27. INTANGIBLE ASSETS

	31 December 2024	31 December 2023
		In RSD thousand
Cost		
Patents, licenses and software	3,521,137	3,011,782
Intangible assets under construction	1,526	150
Other intangible assets	163,898	163,898
	3,686,561	**3,175,830**
Less: Accumulated amortisation	(3,026,991)	(2,758,240)
Carrying value as of	**659,570**	**417,590**

Movements in intangible assets during 2023 and 2024 were as follows:

	Patents, licenses and software	Intangible assets under construction	Other intangible assets	Total
				In RSD thousand
COST				
As of 1 January 2023	**2,854,204**	**-**	**163,898**	**3,018,102**
Additions	157,578	150	-	157,728
Balance as of 31 December 2023	**3,011,782**	**150**	**163,898**	**3,175,830**
Additions	494,644	16,237	-	510,881
Write-off and disposals	-	(150)	-	(150)
Transfer (from)/to	14,711	(14,711)	-	-
Balance as of 31 December 2024	**3,521,137**	**1,526**	**163,898**	**3,686,561**
ACCUMULATED AMORTISATION				
As of 1 January 2023	**2,286,945**	**-**	**163,898**	**2,450,843**
Amortisation expense (Note 16)	333,662	-	-	333,662
Other	(26,265)	-	-	(26,265)
Balance as of 31 December 2023	**2,594,342**	**-**	**163,898**	**2,758,240**
Amortisation expense (Note 16)	268,751	-	-	268,751
Balance as of 31 December 2024	**2,863,093**	**-**	**163,898**	**3,026,991**
Carrying value as of:				
- 31 December 2024	**658,044**	**1,526**	**-**	**659,570**
- 31 December 2023	**417,440**	**150**	**-**	**417,590**

28. PROPERTY, PLANT AND EQUIPMENT

	In RSD thousand 31 December 2024	 31 December 2023
Cost		
Buildings	3,306,794	121,150
Equipment	3,162,724	2,797,813
Construction in progress	110,600	2,300,164
Leasehold improvements	904,164	632,831
Right-of-use assets (Note 29)	1,824,661	1,582,333
	9,308,943	**7,434,291**
Less: Accumulated depreciation	(3,458,036)	(3,522,549)
Carrying value as of	**5,850,907**	**3,911,742**

Movements in property and equipment during 2023 and 2024 were as follows:

In RSD thousand

	Buildings	Equipment	Construction in progress	Leasehold improvements	Right-of-use assets	Total
COST						
As of 1 January 2023	**126,028**	**2,795,926**	**1,115,675**	**601,074**	**1,667,382**	**6,306,085**
Additions	8,735	249,311	1,184,489	34,342	598,011	2,074,888
Write-off and disposals	(13,613)	(247,424)	-	(2,585)	(683,060)	(946,682)
Balance as of 31 December 2023	**121,150**	**2,797,813**	**2,300,164**	**632,831**	**1,582,333**	**7,434,291**
Additions	532,428	608,182	481,298	331,769	764,816	2,718,493
Write-off and disposals	(14,970)	(243,271)	(2,676)	(60,436)	(522,488)	(843,841)
Transfer (from)/to	2,668,186	-	(2,668,186)	-	-	-
Balance as of 31 December 2024	**3,306,794**	**3,162,724**	**110,600**	**904,164**	**1,824,661**	**9,308,943**
ACCUMULATED DEPRECIATION						
As of 1 January 2023	**13,006**	**2,161,645**	-	**505,438**	**801,685**	**3,481,774**
Depreciation expenses(Note 16)	532	176,392	-	48,377	421,887	647,188
Write-off and disposals	(2,923)	(244,482)	-	(1,575)	(356,827)	(605,807)
Other	-	(143)	-	-	(463)	(606)
Balance as of 31 December 2023	**10,615**	**2,093,412**	**-**	**552,240**	**866,282**	**3,522,549**
Depreciation expense (Note 16)	6,927	235,440		48,174	363,064	653,605
Write-off and disposals	-	(199,741)	-	(57,691)	(460,686)	(718,118)
Balance as of 31 December 2024	**17,542**	**2,129,111**	**-**	**542,723**	**768,660**	**3,458,036**
Carrying value as of:						
- 31 December 2024	**3,289,252**	**1,033,613**	**110,600**	**361,441**	**1,056,001**	**5,850,907**
- 31 December 2023	**110,535**	**704,401**	**2,300,164**	**80,591**	**716,051**	**3,911,742**

The Bank does not have mortgages over its buildings as collateral for loans' repayment.

In line with the requirements of IAS 36 "Impairment of Assets", an independent certified appraiser assessed the value of the Bank's buildings as of 31 December 2024 and no impairment was identified.

As of 31 December 2024, the Bank does not have title deeds for three buildings with the carrying value of RSD 101,239 thousand. The Bank's management is undertaking all necessary actions to obtain the title deeds.

29. RIGHT-OF-USE ASSETS

29.1. Structure of Right-of-use Assets

In RSD thousand

	31 December 2024	31 December 2023
Business premises	982,328	612,028
Parking places and cars	26,354	-
ATM business premises	47,319	104,023
Carrying value as of	**1,056,001**	**716,051**

29.2. Movements in right-of-use assets during 2023 and 2024

In RSD thousand

	Business premises	Parking places and cars	ATM business premises	Total
GROSS CARRYING VALUE				
As of 1 January 2023	**1,436,885**	**38,464**	**192,033**	**1,667,382**
Additions	511,121	-	86,890	598,011
Inactive contracts	(550,935)	(38,464)	(93,661)	(683,060)
Balance as of 31 December 2023	**1,397,071**	**-**	**185,262**	**1,582,333**
Additions	731,110	27,445	6,261	764,816
Inactive contracts	(486,657)	-	(35,831)	(522,488)
Balance as of 31 December 2024	**1,641,524**	**27,445**	**155,692**	**1,824,661**
ACCUMULATED DEPRECIATION				
As of 1 January 2023	**730,654**	**32,875**	**38,156**	**801,685**
Depreciation expense (Note 16)	326,066	-	95,821	421,887
Inactive contracts	(271,214)	(32,875)	(52,738)	(356,827)
Other	(463)	-	-	(463)
Balance as of 31 December 2023	**785,043**	**-**	**81,239**	**866,282**
Depreciation expense (Note 16)	323,692	1,091	38,281	363,064
Inactive contracts	(449,539)	-	(11,147)	(460,686)
Balance as of 31 December 2024	**659,196**	**1,091**	**108,373**	**768,660**
Carrying value as of:				
- 31 December 2024	**982,328**	**26,354**	**47,319**	**1,056,001**
- 31 December 2023	**612,028**	**-**	**104,023**	**716,051**

30. INVESTMENT PROPERTY

	In RSD thousand	
	31 December 2024	31 December 2023
Investment property	1,093,373	1,733,280
Balance as of	**1,093,373**	**1,733,280**

Movements in investment property during 2023 and 2024 were as follows:

	In RSD thousand
Balance as of 1 January 2023	**2,179,371**
Sales	(378,013)
Change in fair value	(68,078)
Carrying value as of 31 December 2023	**1,733,280**
Sales	(618,934)
Change in fair value	(20,973)
Carrying value as of 31 December 2024	**1,093,373**

In 2024, the Bank sold seven buildings classified as investment property, with the total carrying value in the amount of RSD 618,934 thousand and realised gains on sales in the amount of RSD 23,232 thousand (Note 17), while losses on sale totalled RSD 13,018 thousand.

The total carrying value of the sold investment property in the amount of RSD 618,934 thousand mostly relates to the following investment property:

- Business complex in Nis, Boulevard 12 February 161 (Impex-promet), with a carrying value of RSD 410,108 thousand;
- Construction land in Pecinci (Simanovci), area: 48,413m2, with a carrying value of RSD 147,491 thousand; and
- Business complex in Cuprija, Cara Lazara 91, with a carrying value of RSD 48,041 thousand.

The Bank's income from leased investment property in 2024 amounts to RSD 63,383 thousand (Note 14).

In accordance with IFRS 13, the Bank determines the fair value of investment property by engaging independent certified appraisers. Fair value assessments by independent certified appraisers are done once a year for each investment property individually. To determine the fair value, independent appraisers consider all three methods allowed by the standard: comparable market transactions, yield capitalization and replacement cost method, while the final one used depends on what best suits the assessment of each individual property in given circumstances. In addition, the estimated fair value would increase /(decrease) if real estate prices in the local market increased/(decrease). Taking into consideration that the established fair values of investment property for 2024 represent a combination of the above methods from the hierarchy standpoint, they are classified in Level 2.

According to a certified appraiser's valuation, the value of the Bank's investment property in 2024 was decreased by the net amount of RSD 20,973 thousand. The valuation gains amounted to RSD 794 thousand (Note 17), whereas the valuation losses amounted to RSD 21,767 thousand (Note 18).

As of 31 December 2024, the Bank does not have title deeds for four buildings classified as investment property with the total carrying value of RSD 19,190 thousand. The Bank's management is undertaking all necessary actions to obtain the title deeds.

31. CURRENT TAX ASSETS

	In RSD thousand 31 December 2024	 31 December 2023
Current tax assets	3,023,477	2,220,054
Balance as of	**3,023,477**	**2,220,054**

Corporate income tax payable determined in the 2024 tax return amounts to RSD 711,934 thousand and it was fully offset against monthly advance tax payments (Note 19.2).

32. DEFERRED TAX ASSETS, NET

32.1. Deferred Tax Assets and Liabilities

	Tax assets	Tax liabilities	In RSD thousand 2024 Net deferred tax assets
Buildings and equipment	-	(69,812)	(69,812)
Impairment of assets	389,702	-	389,702
Provisions for litigations	71,263	-	71,263
Provisions for restructuring	41,824	-	41,824
Securities measured at fair value through other comprehensive income (FVOCI)	-	(55,073)	(55,073)
Actuarial losses	1,974	-	1,974
Balance as of 31 December 2024	**504,763**	**(124,885)**	**379,878**

	Tax assets	Tax liabilities	In RSD thousand 2023 Net deferred tax assets
Buildings and equipment	-	(69,848)	(69,848)
Impairment of assets	472,254	-	472,254
Securities measured at fair value through other comprehensive income (FVOCI)	156,287	-	156,287
Actuarial losses	811	-	811
Balance as of 31 December 2023	**629,352**	**(69,848)**	**559,504**

32. DEFERRED TAX ASSETS, NET (Continued)

32.2. Movements in Deferred Tax Assets, net during 2024 and 2023

In RSD thousand

	Balance as of 1 January	Recognized in income statement	Recognized in equity	Total
2024				
Buildings and equipment	(69,848)	36	-	(69,812)
Impairment of assets	472,254	(82,552)	-	389,702
Provisions for litigations	-	71,263	-	71,263
Provisions for restructuring	-	41,824	-	41,824
Unrealized gains/(losses) on FVOCI securities (Note 38(ii))	156,287	-	(211,360)	(55,073)
Actuarial losses (Note 38(iii))	811	-	1,163	1,974
Balance as of 31 December 2024	**559,504**	**30,571**	**(210,197)**	**379,878**
2023				
Buildings and equipment	126,333	(196,181)	-	(69,848)
Impairment of assets	470,687	1,567	-	472,254
Unrealized gains/(losses) on FVOCI securities (Note 38(ii))	438,588	-	(282,301)	156,287
Actuarial losses (Note 38(iii))	(46)	-	857	811
Balance as of 31 December 2023	**1,035,562**	**(194,614)**	**(281,444)**	**559,504**

33. OTHER ASSETS

	31 December 2024	In RSD thousand 31 December 2023
Other RSD receivables:		
Fees receivable per other assets	68,930	73,294
Advances paid for working capital	147,220	124,037
Advances paid for capital expenditures	82,920	533,734
Other receivables	292,235	201,777
Receivables in settlement	526,881	151,901
	1,118,186	**1,084,743**
Other foreign currency receivables:		
Fees receivable per other assets	360	7,188
Advances paid for working capital	27,061	26,922
Other receivables in foreign currency	104,654	56,925
	132,075	**91,035**
Other investments:		
Equity investments (a)	2,030,764	35,399
	2,030,764	**35,399**
Prepayments and accruals:		
Deferred interest expense	5,551	12,880
Deferred other expenses	51,124	77,279
	56,675	**90,159**
Inventories:		
Other inventories	981	980
Repossessed property following the foreclosure (b)	437,589	727,549
	438,570	**728,529**
Other receivables, gross	**3,776,270**	**2,029,865**
***Less:* Allowance for impairment**		
Other receivables in RSD	(77,700)	(83,524)
Other receivables in foreign currency	(9,974)	(12,043)
Equity investments	-	(24,243)
Prepayments and accruals	(50)	(593)
	(87,724)	**(120,403)**
Balance as of	**3,688,546**	**1,909,462**

Movements in the allowance for impairment during the year were as follows:

	2024	In RSD thousand 2023
Balance as of 1 January	**(120,403)**	**(141,056)**
Charge for the year (Note 12)	(92,504)	(149,565)
Reversal of impairment losses (Note 12)	105,336	110,060
Write-off, FX differences	5,430	13,160
Other	14,417*	46,998
Balance as of 31 December	**(87,724)**	**(120,403)**

** Reversal of impairment losses and recording under basic account group*

33. OTHER ASSETS (Continued)

(a) As of 31 December 2024 and 2023, the Bank had equity investments in the following legal entities:

	31 December 2024	In RSD thousand 31 December 2023
Equity investments up to 10%:		
Addiko Bank AG, Vienna	2,022,240	-
Univerzal banka a.d. Belgrade – in bankruptcy	14,381	14,381
PB Agrobanka a.d. Belgrade – in bankruptcy	-	9,825
Ikarbus a.d. Belgrade	3,819	3,819
Yu trade Zeleznik d.o.o. Belgrade – in bankruptcy	3,171	3,171
AMS osiguranje a.d.o. Belgrade	2,030	1,610
Politika a.d. Belgrade	1,085	965
Other equity investments	1,626	1,628
Impairment	(17,588)	-
	2,030,764	**35,399**
Less: Allowance for impairment	-	(24,243)
Balance as of	**2,030,764**	**11,156**

On 8 November 2024, the Bank acquired shares of Addiko Bank AG, Vienna in the total amount of EUR 17,545 thousand, i.e. 4.5% of equity interest in this bank.

At the beginning of 2024, equity interest in Agrobanka a.d. Belgrade – in bankruptcy was fully collected by transferring funds from surplus bankruptcy estate, whereas the difference above the equity interest was recognised as dividend income (Note 14).

The impairment in the amount of RSD 17,588 thousand as of 31 December 2024 mostly relates to the impairment of equity interest in Univerzal banka a.d. Belgrade – in bankruptcy, amounting to RSD 14,381 thousand, and Yu trade Zeleznik d.o.o. Belgrade – in bankruptcy, amounting to RSD 3,171 thousand.

(b) Repossessed property following the foreclosure include:

	31 December 2024	In RSD thousand 31 December 2023
Buildings	430,172	720,132
Equipment	7,417	7,417
Balance as of	**437,589**	**727,549**

Movements in repossessed property during the year were as follows:

	2024	In RSD thousand 2023
Balance as of 1 January	**727,549**	**780,780**
Assets acquired during the year	5,191	12,414
Sales	(272,002)	(8,679)
Impairment (Note 18)	(23,149)	(56,966)
Balance as of 31 December	**437,589**	**727,549**

According to the independent appraiser's assessment, repossessed property following the foreclosure in 2024 was impaired by RSD 23,149 thousand.

33. OTHER ASSETS (Continued)

(b) Repossessed property following the foreclosure (Continued)

In 2024, the Bank sold fifteen repossessed property items following the foreclosure with the total carrying value of RSD 272,002 thousand, out of which, the largest portion related to:

- Business complex in Indjija, Cara Dusana, with the carrying value of RSD 95,848 thousand;
- 6th category field in Simanovci, Municipality Pecinci, area: 3ha10a10m, with the carrying value of RSD 56,241 thousand; and
- Textile industry facility in Apatin, Juke Kolaka 30, with the carrying value of RSD 50,853 thousand.

The Bank realized gains on sale of the aforesaid repossessed property in 2024 in the amount of RSD 18,729 thousand (Note 17), while losses on sale amounted to RSD 18,201 thousand.

In 2024, the Bank repossessed four items of property, the largest of them being a family residential building in Loznica, at Vojvode Stepe 50, area: 54m2, with the carrying value of RSD 4,473 thousand. The Bank's management is undertaking all necessary measures to sell the remaining acquired assets.

As of 31 December 2024, the Bank does not have title deeds for two buildings classified as repossessed property following the foreclosure, whose carrying value amounted to RSD 18,702 thousand. The Bank's management is undertaking all necessary actions to obtain the title deeds.

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

	In RSD thousand 31 December 2024	 31 December 2023
Transaction deposits	2,676,608	3,023,127
Demand deposits	426,159	247,315
Earmarked deposits	981,147	76,270
Other deposits	21,319,541	9,226,881
Deposits and loans maturing within one day	2,340,298	-
Borrowings	15,211,937	5,858,685
Other financial liabilities	19,109	308,156
Interest, accrued interest and fees payable	355,475	165,081
Balance as of	**43,330,274**	**18,905,515**

In 2024, the Bank paid interest at rates ranging from 4.5% to 5.25% per annum on funds borrowed from banks in RSD with maturity of one day (2023: 3.90% to 5.25% per annum). In 2024, the Bank paid interest at rate of 4.50% per annum on borrowed funds in RSD with maturities of over one day (2023: 5.50% per annum). Interest rates on EUR borrowed funds ranged from 2.15% to 3.60% per annum.

As of 31 December 2024, the Bank has borrowings from the following financial institutions:

- International Finance Corporation (IFC), in the total amount of RSD 4,680,596 thousand, with the maturity until 2028,
- European Bank for Reconstruction and Development (EBRD), in the total amount of RSD 5,850,745 thousand, with the maturity until 2029,
- European Fund for Southeast Europe (EFSE), in the total amount of RSD 3,510,447 thousand, with the maturity until 2028,
- Green for Growth Fund (GGF), in the total amount of RSD 1,170,149 thousand, with the maturity until 2029.

In 2024, the Bank paid interest at rates ranging from 3.70% to 6.55% per annum on RSD funds received from financial institutions with maturity up to one year (2023: from 5.95% to 7.30% per annum). In 2024, interest rates on EUR funds from financial institutions with maturity up to one year ranged from 2.60% to 4.75% per annum (2023: from 2.50% to 4.75% per annum).

As of 31 December 2024, the Bank was compliant with agreed covenants for borrowings received from the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD).

35. DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS

	31 December 2024	In RSD thousand 31 December 2023
Corporate customers		
Transaction deposits	64,522,022	69,077,111
Demand deposits	3,118,311	3,507,285
Deposits for granted loans	12,290,315	15,160,905
Earmarked deposits	4,699,533	1,663,851
Other deposits	74,552,791	73,100,986
Overnight deposits and loans	2,023,825	3,526,594
Borrowings	1,123,308	1,438,275
Other financial liabilities	339,714	172,945
Interest, accrued interest and fees payable	480,653	963,898
	163,150,472	**168,611,850**
Retail customers		
Transaction deposits	45,849,449	40,553,999
Savings deposits	125,762,304	124,783,541
Deposits for issued loans	1,746,795	2,132,902
Earmarked deposits	125,955	145,146
Other deposits	815,402	719,509
Other financial liabilities	100,440	86,393
Interest, accrued interest and fees payable	1,824,962	1,598,626
	176,225,307	**170,020,116**
Balance as of	**339,375,779**	**338,631,966**

The Bank paid interest at rates ranging from REF - 3.25% and REF - 4.30% per annum on RSD transaction deposits of corporate and public sector customers. The Bank paid interest at rates ranging from 0% to 1% per annum and from 0% to 0.7% per annum on foreign currency transaction deposits of corporate and public sector customers in EUR and USD, respectively.

Interest rates on RSD term deposits of corporate and public sector customers ranged from REF - 2.60% to REF + 0.35% per annum. The term deposits were placed between one day and over one year. Interest rates on EUR term deposits of corporate and public sector customers ranged from 2.10% to 4.30% per annum. The term deposits were placed between one day and over one year.

As of 31 December 2024, the Bank has borrowings from the European Investment Bank (EIB) and the Revolving Credit Fund in the amount of RSD 1,123 million. The loans received from the EIB through the Republic of Serbia Government are related to APEX loan agreements concluded with the National Bank of Serbia, which will mature by 2031, while loans from the Revolving Credit Fund will mature by 2026.

Transaction deposits from retail customers in RSD and foreign currencies are non-interest bearing. A nominal interest rate on sight savings of retail customers was 0.01% per annum.

Nominal interest rates on standard savings deposits in EUR up to one year ranged from 0.50% to 3.50% per annum, i.e. from 0.05% to 0.10% per annum on CHF deposits and from 0.55% to 1.20% per annum on USD deposits. Nominal interest rates on standard savings deposits in EUR with maturity of over one year (over 12 months and up to 36 months) ranged from 2.75% to 3.25% per annum, whereas nominal interest rates on savings deposits in USD with maturity of over one year (over 12 months up to 36 months) ranged from 1.05% to 1.30% per annum.

Nominal interest rates on standard term savings deposits in RSD up to one year ranged from 2.25% to 5.00% per annum. Nominal interest rates on term savings deposits in RSD over one year (over 12 months and up to 36 months) ranged from 4.50% to 4.70% per annum.

35. DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS (Continued)

Movements in liabilities arising from *financing activities*, i.e. borrowings from banks and other financial institutions (Note 34) and other customers, in the Statement of Cash Flows are provided below:

	In RSD thousand	
	2024	2023
Balance as of 1 January	**7,296,960**	**6,491,942**
Receipts from borrowings n	30,181,444	5,868,880
Repayment of borrowings	(21,135,175)	(5,051,017)
Net FX differences	(7,984)	(12,845)
Balance as of 31 December	**16,335,245**	**7,296,960**

36. PROVISIONS

	In RSD thousand	
	31 December 2024	31 December 2023
Provisions for litigations (a)	475,085	604,246
Provisions for employee benefits (b)	523,220	82,959
Provisions for off-balance sheet items (c)	188,054	146,348
Other provisions (d)	278,825	-
Balance as of	**1,465,184**	**833,553**

(a) Movements in provisions for litigations during the year were as follows:

	In RSD thousand	
	2024	2023
Balance as of 1 January	**604,246**	**852,303**
Charge for the year (Note 18)	162,295	275,795
Release of provision (Note 17)	(41,231)	(216,556)
Used provisions	(250,225)	(307,296)
Balance as of 31 December	**475,085**	**604,246**

(b) Movements in provisions for employee benefits (retirement benefits, jubilee awards and other benefits) during the year were as follows:

	In RSD thousand	
	2024	2023
Balance as of 1 January	**82,959**	**173,826**
Charge for the year (Note 15)	583,415	3,708
Actuarial losses (Note 38(iii))	7,754	5,718
Used provisions	(150,908)	(100,293)
Balance as of 31 December	**523,220**	**82,959**

Main actuarial assumptions used in the calculation of provisions for retirement benefits were as follows:

	31 December 2024	31 December 2023
Discount rate	7.0%	7.0%
Salary growth rate	6.0%	7.5%
Employee turnover rate	10%	11%

36. PROVISIONS (Continued)

(c) Movements in provisions for off-balance sheet items during the year were as follows:

	In RSD thousand 2024	2023
Balance as of 1 January	**146,348**	**284,074**
Charge for the year (Note 12)	258,656	450,191
Release of provision (Note 12)	(216,815)	(587,680)
FX differences	(135)	(237)
Balance as of 31 December	**188,054**	**146,348**

(d) Movements in other provisions during the year were as follows:

	In RSD thousand 2024	2023
Balance as of 1 January	**-**	**-**
Charge for the year (Note 18)	278,825	-
Balance as of 31 December	**278,825**	**-**

Other provisions for restructuring in the amount of RSD 278,825 thousand were established in accordance with IAS 37 and the Headcount Optimisation Plan implemented as part of the integration with Eurobank Direktna a.d. Belgrade.

37. OTHER LIABILITIES

	In RSD thousand 31 December 2024	31 December 2023
Other liabilities:		
Trade payables	325,412	176,829
Advances received	19,522	21,411
Lease liabilities (Note 37.1)	1,075,648	725,182
Liabilities arising from activated guarantees and acceptances	258	244
Liabilities from profit	58,771	122,237
Liabilities for managed funds	14,182	13,938
Other liabilities from operating activities	1,225,013	1,218,734
Liabilities in settlement	1,553,123	835,378
Suspense and temporary accounts	7,062	7,224
Liabilities to employees	2,201	62
Other liabilities in foreign currency	712,774	567,533
	4,993,966	**3,688,772**
Taxes payable:		
Value added tax	115,991	51,138
Other taxes and contributions	11,711	12,443
	127,702	**63,581**
Accruals and deferred income:		
Accrued other expenses	472,300	383,828
Deferred income	56,987	178,308
Other deferrals	319,434	157,191
	848,721	**719,327**
Balance as of	**5,970,389**	**4,471,680**

37. OTHER LIABILITIES (Continued)

37.1. Lease Liabilities

The maturity structure of lease liabilities is provided in the following table:

	In RSD thousand 31 December 2024	 31 December 2023
Maturity:		
- Up to 1 year	321,950	255,062
- Up to 2 years	251,605	169,981
- Up to 3 years	198,872	118,616
- Up to 4 years	179,042	73,549
- Up to 5 years	116,794	56,014
- Over 5 years	7,385	51,960
Total	**1,075,648**	**725,182**

The maturity structure of *undiscounted expected cash outflows* arising from lease liabilities (including interest outflows) is provided in the following table:

	In RSD thousand 31 December 2024	 31 December 2023
Maturity:		
- Up to 1 year	339,675	344,739
- Up to 2 years	306,509	195,039
- Up to 3 years	245,489	141,090
- Up to 4 years	214,356	68,344
- Up to 5 years	126,600	39,198
- Over 5 years	12,089	19,558
Total	**1,244,718**	**807,968**

The structure of total lease payments reported in the Statement of Cash Flows in 2024 and 2023 is provided in the following table:

	In RSD thousand 2024	 2023
Fixed payments	217,492	388,191
Variable payments	152,348	21,886
Total	**369,840**	**410,077**

Variable payments that are included in a lease liability are index dependent payments. Out of the total cash outflows of RSD 369,840 thousand in 2024 (2023: RSD 410,077 thousand), an amount of RSD 347,174 thousand is related to the principal (2023: RSD 395,427 thousand), which is reported within cash outflows from financing activities, whereas an amount of RSD 22,666 thousand is related to the interest (2023: RSD 14,650 thousand), which is reported within cash outflows from operating activities.

The structure of rental expenses in 2024 and 2023 was as follows:

	In RSD thousand 2024	 2023
Interest expense on lease liabilities (Note 7)	(22,666)	(14,650)
Depreciation of right-of-use assets (Note 16)	(363,064)	(421,887)
Rental costs (Note 18)	(184,474)	(191,258)
Total	**(570,204)**	**(627,795)**

38. EQUITY

Equity Structure

	In RSD thousand 31 December 2024	 31 December 2023
Share capital:		
Ordinary shares	19,349,169	19,349,169
Preference shares	2,442,512	2,442,512
	21,791,681	**21,791,681**
Share premium	14,196,293	14,196,293
	35,987,974	**35,987,974**
Reserves:		
Reserves from profit and other reserves	13,953,877	13,953,877
Losses from changes in fair value of equity instruments	(32,842)	(4,797)
Gains/(losses) from changes in fair value of debt instruments	344,925	(880,829)
Actuarial losses based on defined employee benefit plans	(11,189)	(4,598)
	14,254,771	**13,063,653**
Retained earnings	**47,842,093**	**46,781,335**
Balance as of	**98,084,838**	**95,832,962**

(i) Share Capital

Shareholder Structure

The Bank's shareholder structure with a share above 1% as of 31 December 2024 and 2023 is as follows:

	Total share capital	Share in %	In RSD thousand 31 December 2024 Controlling capital	 Share %
M&V Investments a.d. Belgrade	21,538,713	98.84	19,349,169	100.00
BDD M&V Investments - 80200ZMVI0008	252,968	1.16	-	-
Total	**21,791,681**	**100.00**	**19,349,169**	**100.00**

	Total share capital	Share in %	31 December 2023 Controlling capital	 Share %
M&V Investments a.d. Belgrade	21,313,092	97.80	19,349,169	100.00
BDD M&V Investments - 80200ZMVI0008	252,968	1.16	-	-
BDD M&V Investments - 80200ZMVI0011	225,621	1.04	-	-
Total	**21,791,681**	**100.00**	**19,349,169**	**100.00**

The total number of the Bank's subscribed and paid in shares as of 31 December 2024 amount to 10,424,447, out of which 9,256,027 ordinary shares and 1,168,420 preference shares, with a nominal value per share of RSD 2,090.44 (31 December 2023: 9,256,027 ordinary shares and 1,168,420 preference shares, with a nominal value per share of RSD 2,090.44).

38. EQUITY (Continued)

(i) Share Capital (Continued)

On 17 October 2024, the capital structure of the Bank was changed. M&V Investments a.d. Belgrade became the owner of the shares from the pool account (80200ZMVI0011), increasing its stake in the total Bank's share capital from 97.80% to 98.84%.

Pursuant to the Decision no. 05-LXXIII/2024 on the Distribution of the Bank's Profit generated according to the Financial Statements for the Year Ended 31 December 2023, which was passed by the Shareholders Assembly on 15 March 2024, the profit totalling RSD 8,171,631,320.14 was allocated for dividend payments to the Bank's shareholders. The dividend payments were made in accordance with the provisions of the Decision no. 06- LXXII/2024 passed by the Shareholders Assembly on 15 March 2024, following a preliminary approval from the National Bank of Serbia.

(ii) Revaluation Reserves - Unrealized Gains/(Losses) on Securities

Revaluation reserves based on equity and debt instruments, i.e. securities measured at fair value through other comprehensive income, as of 31 December 2024 and 2023, comprise the following items:

	In RSD thousand	
	2024	2023
Balance as of 1 January	**(885,626)**	**(2,485,327)**
Net gains from changes in fair value:		
- based on valuation	1,405,711	1,989,227
- based on reversal of impairment/(impairment) (Note 12(a))	3,358	(107,225)
Deferred taxes related to items of other comprehensive income (Note 32.2)	(211,360)	(282,301)
Balance as of 31 December	**312,083**	**(885,626)**

(iii) Actuarial Losses

Actuarial losses as of 31 December 2024 and 2023 completely relate to actuarial losses on provisions for retirement benefits.

	In RSD thousand	
	2024	2023
Balance as of 1 January	**(4,598)**	**263**
Actuarial losses (Note 36(b))	(7,754)	(5,718)
Deferred taxes related to items of other comprehensive income (Note 32.2)	1,163	857
Balance as of 31 December	**(11,189)**	**(4,598)**

39. CONTINGENT LIABILITIES AND OFF-BALANCE SHEET ITEMS

39.1. Litigations

The Bank acts as a defendant in 5,321 disputes as of 31 December 2024 (31 December 2023: 8,016 disputes) in which plaintiffs seek monetary claims from the Bank. The total value of these claims, which may result in cash outflows (for damage compensation, debts, etc.) in case of negative outcome for the Bank, amounts to RSD 9,685,270 thousand (31 December 2023: RSD 9,758,568 thousand).

According to the Bank's lawyers, as of 31 December 2024, lawsuits with estimated positive outcome account for 95.50% out of the total lawsuits with monetary claim against the Bank.

Pursuant to the requirements of IAS 37 and its internal methodology, as of 31 December 2024 the Bank made a provision in the amount of RSD 475,085 thousand (31 December 2023: RSD 604,246 thousand) (Note 36(a)) for claims with the negative outcome estimated by lawyers.

The current level of provisions has been assessed as adequate by the Bank's management, but the Bank will closely monitor the market situation and outcomes of such litigations, and will make adequate provisions in the future reporting periods, according to the best estimates, in order to avoid any unexpected effects on the Bank's performance.

The Bank is also involved as the plaintiff in a number of lawsuits filed against third parties, mostly for the purpose of debt collection.

39.2. Off-Balance Sheet Items

	In RSD thousand 31 December 2024	 31 December 2023
Managed funds on behalf of third parties (a)	1,722,250	1,653,306
Guarantees and other sureties issued (b)	64,401,920	77,418,387
Assets to secure obligations (c)	6,806,777	20,420,056
Derivatives held for trading at contracted value (d)	22,068,227	18,995,809
Securities received as pledges (e)	164,689,271	164,621,848
Other off-balance sheet assets (f)	1,322,988,080	1,157,097,952
Balance as of	**1,582,676,525**	**1,440,207,358**

39. CONTINGENT LIABILITIES AND OFF-BALANCE SHEET ITEMS (Continued)

39.2. Off-Balance Sheet Items (Continued)

	In RSD thousand	
	31 December 2024	31 December 2023
a) Managed funds on behalf of third parties		
Loans in RSD:		
- short-term	5,235	5,524
- long-term	1,717,015	1,647,782
	1,722,250	**1,653,306**
b) Commitments		
Payment guarantees:		
- in RSD	7,774,774	8,434,386
- in foreign currency	983,622	1,088,620
Performance guarantees:		
- in RSD	43,463,007	49,570,111
- in foreign currency	2,782,568	3,497,822
	55,003,971	**62,590,939**
Undrawn letters of credit	27,147	124,230
Undrawn loan facilities	3,182,588	4,308,790
	3,209,735	**4,433,020**
Irrevocable commitments per own guarantees and spot:		
- in RSD	2,713,666	4,805,366
- in foreign currency	3,474,548	5,589,062
	6,188,214	**10,394,428**
Total guarantees and other sureties issued	**64,401,920**	**77,418,387**
(c) Assets to secure obligations		
Financial assets for securing obligations	6,806,777	20,420,056
	6,806,777	**20,420,056**
(d) Derivatives		
Currency swap and forward	22,068,227	18,995,809
	22,068,227	**18,995,809**
(e) Sureties received as pledges		
Securities received as collaterals	164,689,271	164,621,848
	164,689,271	**164,621,848**
((f) Other off-balance sheet items		
Tangible assets, guarantees and other sureties received as collaterals	1,221,065,942	1,051,380,506
Unused revocable loan facilities	60,977,205	54,481,300
Depositary operations	566	373
Loro guarantees	7,605,457	11,930,736
Suspended interest	2,678	3,340
Receivables transferred to off-balance sheet items	25,835,567	25,692,683
Other	7,500,665	13,609,014
	1,322,988,080	**1,157,097,952**
Balance as of	**1,582,676,525**	**1,440,207,358**

39. CONTINGENT LIABILITIES AND OFF-BALANCE SHEET ITEMS (Continued)

39.2. Off-Balance Sheet Items (Continued)

A breakdown of the Bank's credit risk-weighted off-balance sheet items that are classified, as of 31 December 2024 and 2023, is provided below:

		In RSD thousand
	31 December 2024	31 December 2023
Guarantees	55,003,971	62,590,939
Irrevocable commitments – undrawn letters of credit and loan facilities	3,209,735	4,433,020
Irrevocable commitments per own guarantees and spot	468,193	3,163,715
Revocable commitments	60,977,205	54,481,300
Balance as of	**119,659,104**	**124,668,974**

40. RELATED PARTY DISCLOSURES

(a) Transactions with Management

Transactions with the members of the Bank's management are based on the standard market conditions.

		In RSD thousand
Remunerations to management	**2024**	**2023**
Members of the Executive Board	(227,343)	(90,798)
Members of the Board of Directors	(48,228)	(33,412)
Total	**(275,571)**	**(124,210)**

				In RSD thousand
Other transactions with management	**Balance as of 31 December 2024**	**Balance as of 31 December 2023**	**Income/ (expenses) 2024**	**Income/ (expenses) 2023**
Payment cards, cash and consumer loans	95,518	113,082	6,571	7,794
Deposits	(262,895)	(136,454)	(2,224)	(1,792)
Other receivables	171	118	(1,374)	(1,058)
Total	**(167,206)**	**(23,254)**	**2,973**	**4,944**

40. RELATED PARTY DISCLOSURES (Continued)

(b) Transactions with the Bank's Related Parties

In the regular course of business, the Bank enters into business transactions with its shareholders and other related parties under the standard market conditions.

The following table summarises related party transactions (balances of receivables, payables and off-balance sheet items) at the reporting date:

In RSD thousand

	Balance sheet gross exposure	Off-balance sheet exposure	Total	Liabilities
Employees	98,700	14,644	113,344	1,164,588
Other individuals	28,832	29,419	58,251	638,807
Legal entities *	47,816,422	2,452,155	50,268,577	13,099,929
Balance as of 31 December 2024	**47,943,954**	**2,496,218**	**50,440,172**	**14,903,324**
Employees	125,327	14,734	140,061	262,061
Other individuals	48,067	21,998	70,065	380,879
Legal entities *	41,260,326	314,096	41,574,422	7,964,162
Balance as of 31 December 2023	**41,433,720**	**350,828**	**41,784,548**	**8,607,102**

* Transactions with related legal entities are presented in the tables below.

In RSD thousand

	31 December 2024				2024	
Legal entity	Balance sheet exposure	Off-balance sheet exposure	Total	Liabilities	Income	Expenses
Eurobank Direktna a.d. Belgrade	33,053,174	-	33,053,174	(2,340,868)	1,738,973	(58,706)
Gorenjska banka d.d. Kranj	6,456,450	56	6,456,506	-	501,769	(32,786)
AIK Leasing d.o.o. Belgrade	4,275,917	940,800	5,216,717	(501,102)	57,233	(30,888)
Victory Gardens d.o.o. Belgrade	2,383,020	1,227,593	3,610,613	(824,640)	87,290	(5,015)
Preston holding d.o.o. Novi Sad	1,561,686	93,612	1,655,298	(771)	36,985	(12,772)
Agri Europe Cyprus Limited, Cyprus	83,301	-	83,301	(127,915)	431,962	(214,625)
MK Group d.o.o. Belgrade	975	5,048	6,023	(1,846,869)	1,038	(14,307)
M&V Investments a.d. Belgrade	953	-	953	(400,210)	9,791	(19,448)
Miodrag Kostic Endowment	509	33,629	34,138	(49,710)	5,198	(2,951)
MK Holding d.o.o. Belgrade	270	730	1,000	(7,850)	1,484	(54,757)
PKF d.o.o. Belgrade	94	706	800	(97,559)	316	(1,336)
Other	73	149,981	150,054	(6,902,435)	223,353	(176,024)
Total	**47,816,422**	**2,452,155**	**50,268,577**	**(13,099,929)**	**3,095,392**	**(623,615)**

40. RELATED PARTY DISCLOSURES (Continued)

(b) Transactions with the Bank's Related Parties (Continued)

In RSD thousand

	31 December 2023				2023	
Legal entity	Balance sheet exposure	Off-balance sheet exposure	Total	Liabilities	Income	Expenses
Eurobank Direktna a.d. Belgrade	33,053,174	-	33,053,174	-	6,705	(18,807)
Gorenjska banka d.d. Kranj	6,390,679	57	6,390,736	-	448,223	(100,418)
Cista voda projekt d.o.o. za usluge, Savudrija	1,318,035	-	1,318,035	(5,721)	241,839	(37,208)
Preston holding d.o.o. Novi Sad	464,129	116,588	580,717	(14,563)	25,230	(3,532)
Agri Europe Cyprus Limited, Cyprus	25,775	-	25,775	(511,946)	313,416	(158,042)
MK Group d.o.o. Belgrade	-	50,000	50,000	(130,453)	1,664	(1,548)
Sunoko d.o.o. Novi Sad	-	-	-	(205,713)	10,051	(133,160)
M&V Investments a.d. Belgrade				(680,643)	589	(53,880)
Pik-Becej a.d. Becej	35	416	451	(500,711)	1,132	(19,073)
MK Holding d.o.o. Belgrade	166	834	1,000	(4,179,258)	308	(38,673)
Carnex d.o.o. Vrbas	-	-	-	(559,012)	2,816	(19,265)
MK Mountain Resort d.o.o. Kopaonik	-	-	-	(231,170)	2,353	(18,803)
Agrounija Indjija d.o.o.	-	60,593	60,593	(176,559)	14,509	(16,391)
Other	8,333	85,608	93,941	(768,413)	25,716	(206,937)
Total	**41,260,326**	**314,096**	**41,574,422**	**(7,964,162)**	**1,094,551**	**(825,737)**

41. RECONCILIATION OF OUTSTANDING BALANCES WITH COUNTERPARTIES

According to Article 22 of the Law on Accounting, the Bank is obliged to reconcile outstanding balances of receivables and payables with its counterparties. The reconciliation is performed at least once a year, before the preparation of the financial statements.

In accordance with the Bank's internal procedures, 1 December of the current year is set as the date for the reconciliation of receivables and payables with customers.

Out of the total amount of receivables requested to be reconciled, the amount of RSD 520,320 thousand, i.e. 0.14%, remained unreconciled.

Out of the total amount of payables requested to be reconciled, the amount of RSD 101,164 thousand, i.e. 0.26%, remained unreconciled.

42. IMPACT OF THE GLOBAL MACROECONOMIC INSTABILITY ON THE BANK'S OPERATIONS

Since early March 2022, there has been increased instability in global financial and commodity markets due to the escalation of the conflict in Ukraine, which is still ongoing and has been accompanied by imposing sanctions on certain Russian companies and individuals. In addition, a Middle Eastern conflict between Israel and Palestine began in 2023.

These events have resulted in multiple issues affecting the stability of the global economy - rising rates of inflation, energy instability, and uncertainty in the global banking sector noted among other matters. These factors may have significant financial effects on many entities. These include entities with physical operations in those affected areas and sectors as well as indirect interests (e.g. suppliers and customers, investors and lenders).

42. IMPACT OF THE GLOBAL MACROECONOMIC INSTABILITY ON THE BANK'S OPERATIONS (Continued)

The Bank has immaterial direct exposure to both Russia and Ukraine, as well as the Middle East countries, and accordingly, did not have any adverse effects on its operation in 2024 or 2023. In the coming period, the Bank does not expect a significant impact based on direct exposure to these countries.

Despite the limited direct exposure, as the conflicts between countries and further macroeconomic instability continues, an additional adverse impact on the global economy can be expected, especially on energy prices, fluctuations in exchange rates, interest rates, stock market activities, supply chain disruptions and increased inflationary pressures, which may indirectly affect the Bank's operations.

The management carefully monitors and assesses the potential impact of the global macroeconomic instability, and undertakes all necessary measures to ensure the stability of Bank's operations, even though future effects cannot be predicted with reasonable certainty.

43. EVENTS AFTER THE REPORTING PERIOD

There were no significant events subsequent to the reporting date which would require disclosure in the Bank's financial statements as of and for the year ended 31 December 2024.

44. EXCHANGE RATES

The official middle exchange rates of the National Bank of Serbia for the major currencies, used in the translation of balance sheet items denominated in foreign currencies as of 31 December 2024 and 2023 into the functional currency (RSD), were as follows:

	In RSD	
	31 December 2024	31 December 2023
EUR	117.0149	117.1737
USD	112.4386	105.8671
CHF	124.5237	125.5343

Petar Jovanovic
Executive Board Chairman

Andrija Vukovic
Executive Board Member

Annual Business Report

2024

AIK Banka

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1.1

Introductory Message of the Chairman of the Executive Board



Deal all,

„Banks do not create money, but future opportunities“, said British economist Mervyn King. In 2024, AIK Banka proved the accuracy of this statement - we achieved significant business results, while remaining a strong pillar for our clients, partners and the community.

In addition to excellent financial performance indicators, the past year tested the resilience of the banking sector due to global economic uncertainty and geopolitical challenges. AIK Banka has shown that not only can it predict market trends, but it can also respond to them in a timely and efficient manner. This year has been a year of significant investments in growth, innovations and improvement of customer experience. We made important steps along the way and become recognized as a market player that makes a difference. Such a transformation, along with the trust and business continuity that AIK Banka has been building for years, give us strength to keep fulfilling our mission - to be different and to be the first choice of all customers, anytime and anywhere.

In 2024, we continued to implement our strategy, focusing on the needs of our clients. We provided them with continuous financial and advisory support, thus strengthening our position as a reliable partner for both retail and corporate customers. In particular, we would like to emphasize the expansion of our cooperation with international financial institutions on projects of providing credit facilities for the SME segment - a key pillar of the domestic economy. Not only do these initiatives allow small and medium-sized enterprises easier access to financing, but they also encourage investments in sustainable development.

One of the most important tasks in the past year was the thorough preparation for the integration of Eurobank Direktna into AIK Banka. This process is not just an operating merger – it is an opportunity to further strengthen our market position, improve our services and lay the foundations for future growth. Our aim is to create an institution that sets new standards in the industry and provides clients with a superior banking customer experience.

AIK Banka continues with its digital agenda, investing in modernisation and innovation. We have implemented a number of upgrades in order to provide our customers with simpler, faster and more comfortable access to banking services – either via digital channels or our branch network. These investments reflect our commitment to technological advancement and maintaining a competitive edge.

Taking into account such dynamic circumstances, keeping the same client base as in 2023 is a great achievement. An even greater success is the fact that we achieved 19% growth in credit activity among the retail customers, which is significantly above the market average of 11%. Additionally, the consolidated results of AIK Banka and Eurobank Direktna put us in the third place on the Serbian market in terms of assets and net customer placements. These indicators confirm our strong market position and potential for further growth.

In addition to business success, we remain committed to socially responsible business. We invested in education, supported student dormitories, kindergartens, as well as SOS Children's Villages. AIK Banka continues to contribute to society development and to build a sustainable future through these initiatives.

Internally, we focused on strengthening the organizational structure and efficiency of our operations. We simplified processes, improved the infrastructure and continued building a culture of excellence and accountability. Having strengthened the management team and attracted top experts, we have obtained an organisational model that can provide support to an ambitious growth strategy.

In 2024, we laid a strong foundation for the future. In 2025, we will take advantage of the opportunities we have created and continue our transformation towards a bank that will set new standards in the Serbian banking sector.

Sincerely,
Petar Jovanovic
Chairman of the Executive Board

1.2
About AIK Banka

We have been building a modern, responsible and innovative bank for almost 50 years. Through our universal business solutions, we provide an overall service to both retail and corporate customers, successfully building partnerships and supporting our clients in creating their future. Over 1,300 employees in our system have put a tremendous effort to implement our business strategy with the aim of being a first choice bank for our clients, anytime and anywhere.

AIK Banka a.d. Belgrade (hereinafter "AIK Banka" or the "Bank"), as one of its strategic goals, has the strengthening of its position both on the domestic and regional markets. In addition to acquiring a 100% stake in Jubanka (previously Alpha banka) in 2017, by acquiring 100% ownership of Gorenjska banka, AIK Banka became the first bank from Serbia to enter the European Union market. In December 2022, the acquisition of Sberbank Srbija a.d. Belgrade took place, and in November 2023 AIK Banka became the sole owner of Eurobank Direktna a.d. Belgrade, Serbia.

In accordance with its strategy for further growth and development, the Bank successfully concluded a purchase transaction on 29 February 2024 and became the sole owner of NDM Leasing d.o.o. Belgrade, which changed its name to AIK Leasing d.o.o. Belgrade. This acquisition will ensure the expansion of the product and service offering for the existing customers of AIK Banka and Eurobank Direktna and strengthen the position on the financial services market. AIK Leasing d.o.o. Belgrade is an important channel for attracting new clients – both corporate and retail customers.

The Bank is extremely active in the field of developing digital services, especially in terms of providing services to both the retail clients and SMEs. Electronic and mobile banking enable our clients to have access to services 24/7. At the same time, the Bank retained direct work with clients in branches, as well as traditional banking products and services. In addition, the Bank continues to focus on the economy that requires financial support for further growth and development. Due to its excellent understanding of all the events and trends occurring on domestic and international markets, as well as a personalised approach it nurtures with its clients, AIK Banka is here to ensure faster and more efficient executions of all transactions, simpler market access and performance, trading certainty and, at the same time, more efficient operations.



Confirmation of the successful business is reflected in the fact that AIK Banka was declared the "Best Bank“ at trade financing in Serbia in 2024 due to the long-term quality of its services and support to domestic companies in their trade activities. It is a first place award in the "Best Domestic Bank" category as part of the "Euromoney's 2024 Trade Finance Survey“.

The importance and specificity of the aforesaid award is reflected in the fact that clients and users of its services alone propose and vote for the companies and banks whose services they use.

This recognition proves AIK Banka's long-term commitment to providing overall support to small, medium and large-sized enterprises in Serbia, as well as its constant aspiration to introduce innovative banking solutions. Moreover, it is an additional confirmation of the Bank's successful business strategy, as the largest domestically owned bank, and its firm determination to provide its customers and partners with constant support, improve placement and enable their further development and strengthening of competitive advantages.

AIK Banka represents a strong support for the development of the local community, which is reflected in continuous investments and innovations, respect for the highest levels of professionalism and business ethics, showing awareness and engagement in various socially responsible activities in the field of sports, culture and education.

1.3

Macroeconomic Environment and Banking Sector

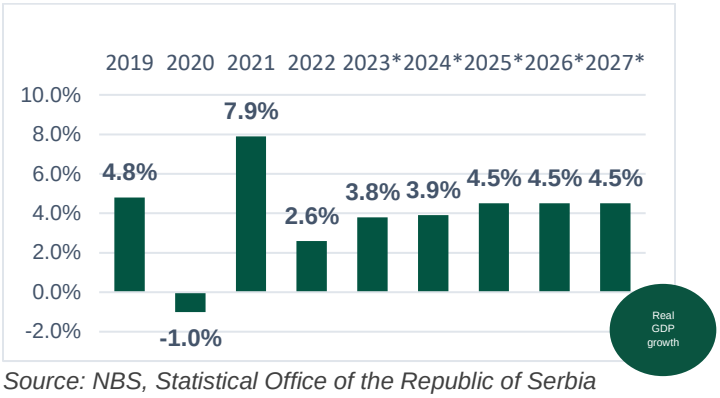
The economic activity in Serbia showed sufficient resilience despite the challenging global and regional environment. Domestic demand, stabilisation of inflation, investments in key infrastructure sectors made it possible to achieve cumulative GDP growth of 18.3% for the period between 2020 and 2024, which was the target range of the National Bank of Serbia. The labour market is stable, and the inflation is on a downward trajectory.

According to medium-term macroeconomic forecasts of the Republic of Serbia, a cumulative growth rate for the period from 2025 to 2027 should amount to 13.7%. The growth will be supported by domestic demand, employment rate growth and a salary rise, whereas investment growth will be stimulated by the implementation of energy, transport and utility infrastructure projects.

The real GDP growth rate in the first quarter of 2024 was 4.7%, while in the second and third quarter of 2024 it was 4.2% and 3.1%, respectively. Primarily, it is estimated that the GDP growth rate in 2024 was driven by the growth in the activities in the service sectors, processing industry, construction and mining, while due to the drought, a negative contribution came from the agriculture and energy sectors. The 2024 GDP was higher by 0.1 p.p. compared to the same period last year.

According to a preliminary estimate of the Statistical Office of the Republic of Serbia, the real GDP growth rate in 2024 was 3.9%, which is higher by 0.1 p.p. compared to the projection of the National Bank of Serbia. In 2025 and 2026, the GDP growth rate is expected to accelerate ranging from 4.0 to 5.0% in accordance with the new investment cycle related to the "Leap into the Future - Serbia Expo 2027" project.

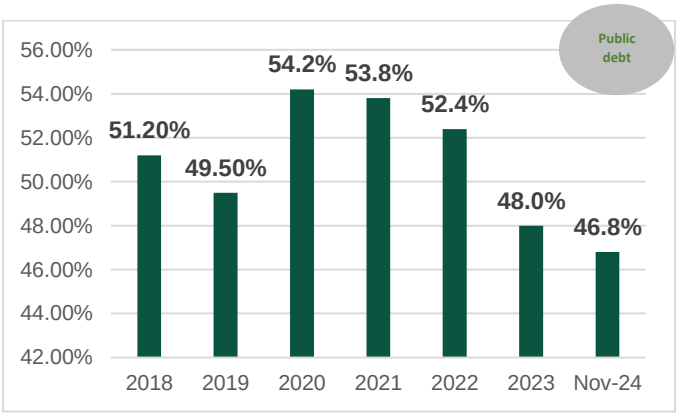
In the medium term, strong, sustainable and diversified growth will be maintained.



Source: NBS, Statistical Office of the Republic of Serbia

In 2024, the state budget deficit of RSD 212 billion was realized. The public sector debt-to-GDP ratio at the end of 2024 was 47.4%. The public debt remains on a downward trajectory and within the Maastricht criteria, which is also a forecast for the coming years.

It has been predicted that the public debt level will gradually decrease to 46.5% in the coming years, more precisely by the end of 2027 (according to estimates of the Revised Fiscal Strategy for 2025 along with projections for 2026 and 2027).



Source: NBS, Statistical Office of the Republic of Serbia

During the first eleven months of 2024, exports demonstrated resilience, higher imports were driven by the import of equipment and higher disposable income. It is expected that new investments and the recovery of external demand will ensure exports growth in the medium term, so that the investment cycle will have a positive effect on the import of raw material and equipment.

Observed in the same period, commodity exports increased by 1.8% and were driven by similar export growth in the processing industry (2.9%) and agriculture (32.1%), while a decrease in electricity export (decline of 50.4%), partly due to the high base and partially because of reduced hydro potential, had the opposite effect.

Geographically, the dominant share of exports comes from Germany and amounts to approximately 15%. The largest portion of exports in this period was placed on the EU market, the CEFTA market and the markets of Eurasian Economic Union countries, whereby Germany had the largest share of 14.8%, then Bosnia and Herzegovina with 6.6%, China – 6.2% and Italy – 5.9%.

The import of goods during eleventh months of 2024 saw a 5.7% increase, which was driven by growth in the import of equipment, intermediate and consumer good, whereas the import of energy products recorded a decline. Tourism services stood out the most regarding the imports by achieving growth of as much as17.9%.

The following countries had the largest imports share in the period between January and September: Germany (13.3%), China (13.2%) and Italy (7.1%).

During eleven months of 2024, the inflow of FDI amounted to EUR 4.6 billion, which represents growth of 7.9% compared to the same period last year, while the net inflow was EUR 4.1 billion (the same period last year: EUR 3.9 billion). FDI is geographically diversified, with the largest share of inflows from the EU, which is the main foreign trade and financial partner.

It is important to emphasise that the inflow of FDI in 2024 saw a new record amount of over EUR 5 billion according to preliminary estimates of the National Bank of Serbia.

The Labour Force Survey data for the Q3 2024 show positive trends in the labour market, i.e. the unemployment rate in the 3rd quarter of 2024 declined to 8.1%. In addition, the employment rate increased by 1.4 p.p. reaching a record level of 51.9% due to the growth in formal employment, which also reached its highest level. Such employment rate growth was supported by a record participation rate (15-64) of 73.1% and an activity rate of 56.4. It is predicted that the employment rate growth in the coming years will contribute to the production potential based on a participation rate increase and an unemployment rate reduction, as was the case in 2024.

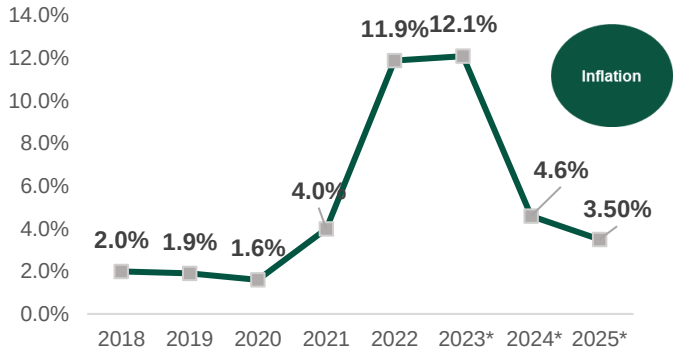
Total formal employment in the period January - November 2024 amounted to 2.368 million individuals and is higher by 0.3% (about 8 thousand individuals).
The slower formal employment growth than the growth in economic activity resulted in a productivity increase.

The private sector employment increased by 0.3% and comprises around 1.754 million people.

The nominal net salary growth for the first ten months of 2024 was 14.4% and the real growth was 9.3%

The nominal net average salary during ten months of 2024 amounted to RSD 96,862, while the average salary in the private sector was RSD 95,497 and the salary in the public sector amounted to RSD 100,247.

The nominal growth in average salaries was felt the most in the following business activities: education, food and accommodation and processing industry.



Source: NBS, Statistical Office of the Republic of Serbia

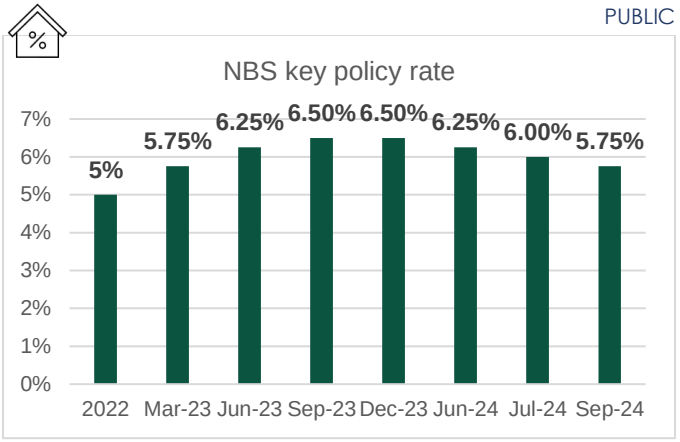
The average inflation in 2024 was 4.6%.

The inflation has been moving around the upper deviation threshold since July 2024. The absence of a significant slowdown in the overall inflation rate in Q2 2024 resulted from the adverse effects of the drought, which mostly reflected onto an increase in vegetable prices and the persistence of the base inflation. Before the crisis occurred, the inflation hovered around 2% on average. The biggest inflation decline was felt in the second half of 2023 and in the first half of 2024, whereby the inflation has been on the constant decline since April 2023. The downward trajectory of inflation is the result of a reduction in the contributions of all consumer price index components.

The forecasts suggest that the inflation will gradually slow down and will approach the central inflation targeting at the end of 2025. The slowdown in the inflation and its approach to the central target at the end of 2025 will also result from the still restrictive monetary policy, which is affected by reduced inflationary expectations and a lower import inflation rate. In addition, the projected slowdown in the growth of real salaries will reflect on a downward inflation trajectory. The projection risks primarily stem from international environment factors, but predominantly from geopolitical tensions, protectionist measures and global economic growth prospects, as well as their impact on global prices of energy and primary products. The National Bank of Serbia assesses inflation projection risks as symmetrical.

In 2024, the National Bank of Serbia changed the key policy rate three times, starting in June 2024, in line with inflation trends. The National Bank of Serbia's key policy rate ranged from 6.25% to 5.75% in 2024.

The key policy rate has not been changed since September bearing in mind that, despite the fact that the inflation has returned to the target thresholds and continued to hover within them, it is necessary to continue with the implementation of a prudent monetary policy due to the uncertainty in the international environment, primarily as result of strong geopolitical tensions and a fragmentation of the global market, which may also affect the global prices of energy and other primary products.



Source: NBS, Statistical Office of the Republic of Serbia

The National Bank of Serbia intervened in 2024 in the interest rates segment by deciding to temporarily limit interest rates on loan agreements with retail customers. As a result, the National Bank of Serbia has ensured the application of interest rate limits that are envisaged under a draft Law on the protection of financial service consumers. It is a temporary decision, which will be valid until the adoption of the proposed Law on consumer protection, i.e. by the end of 2025 at the latest. The decision also envisages that an interest rate higher than 5% cannot be applied to existing and new loans with variable interest rates, as well as to new loans with a fixed interest rate. In addition to the limitation of interest rates on housing loans, there is also a limitation of interest rates on cash and consumer loans, so that the nominal interest rate for those loans approved in RSD cannot be higher than 14.75%, and the effective interest rate that includes all costs cannot be higher than 15.75%. This corroborates the fact that the National Bank of Serbia is and will remain committed to protecting the interests of financial services' consumers.

In October 2024, the Standard & Poor's rating agency increased Serbia's credit rating to the BBB- investment grade. Moreover, in August 2024 rating agencies Fitch and Moody's confirmed Serbia's credit rating of BB+ and Ba2, respectively, raising the prospect of a positive grade.

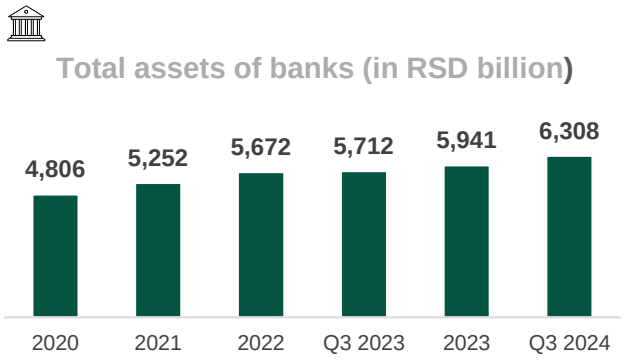
The key factors for obtaining an investment rating include high real GDP growth in comparison to the pre-pandemic level, doubled foreign exchange reserves, a significant reduction in the public debt-to-GDP ratio, as well as accountable management of monetary and fiscal policies.

In spite of the multidimensional crisis, Serbia showed resilience, as evidenced by GDP growth, which was higher by over 18% by 2024 inclusive in comparison to the pre-pandemic level, record FDI inflows, continued growth in the employment rate and private sector salaries and the highest level of foreign exchange reserves to date.

Banking sector

In November 2024, 20 banks were operating in the banking sector of Serbia, among which foreign-owned banks accounted for 77.6 of the market share. The ten largest banks account for more than 90% of the balance sheet assets of the banking sector, indicating a high level of saturation of this industry. In the future, this percentage can be expected to be even higher, given that the consolidation process in the banking sector is still ongoing.

The total balance sheet assets of the banking sector increased by 10.4% compared to the same period of prior year and amounted to RSD 6,308 billion in the third quarter of 2024.

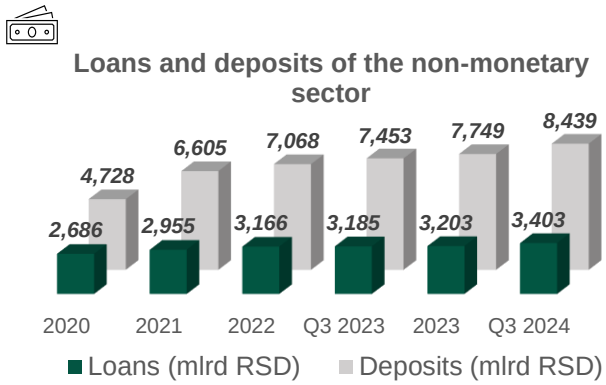


Source: NBS

The operation of the banking sector during 2024 was marked by a high level of profitability. Compared to the first nine months of 2023, in the same period of 2024, a higher profit before tax was achieved by 31.7%, amounting to RSD 143.0 billion. The average ROE in September 2024 was 22.3%, achieving significant growth compared to the previous year when ROE was 18.0%.

Net interest income, which increased by 15.8% (September 2024/September 2023), had the most significant contribution to the increase in net results. Net fee income in the same period increased by 14.7%, while operating expenses on the other hand increased by 9.8%.

In the banking sector of Serbia, the stability of retail and corporate deposits is present in the financing structure, with share of 44% and 33% in total liabilities at the end of November 2024, respectively.



Source: NBS

In November, total domestic loans recorded a year-on-year increase of 8.0% due to relaxing credit standards and lower financing costs.

The year-on-year growth of household loans in November amounted to 10.1%. Loans to the corporate segment also saw an increase of 5.3% in the same observed period, which was driven by an increase in RSD loans. The most significant shares in total customer loans were as follows: consumer loans 20.6%, cash loans 13.6%, loans for liquidity and working capital 7.9%, housing loans 7.6% and investment loans 5.4%.

The ratio of loans and deposits of clients, which at the end of November 2024 was 74.8%, indicates a stable financing structure and the liquidity of the banking sector in general. Liquid assets accounted for 44.6% of the total assets of the banking sector at the end of November 2024.

Despite the high Euroization of the loan portfolio, the currency matching of assets and liabilities is present taking into account that a net open position accounts for only 1.9% of regulatory capital at the end of November 2024.

Banks have significant capital reserves, which allows them to successfully manage credit risk, even in the event of the assumed most pessimistic scenario in stress tests. In November, the average capital adequacy ratio of the banking sector amounted to 21.9%, while the NPL amounted to 2.7%.

1.4

Financial Performance Indicators of AIK Banka

As of 31 December 2024, AIK Banka ranks seventh in terms of net assets. With balance sheet assets of RSD 488.3 billion, the Bank has a market share of over 7%.

When considered together with Eurobank Direktna a.d., Belgrade (ERBD), AIK Banka holds the third place in terms of balance sheet assets, i.e. more than 11% of market share.

The total balance sheet asset amount to RSD 488 billion as of 31 December 2024, which represents an increase of RSD 30 billion (6.4%) compared to the end of 2023.

The most significant increase was noted in the line item Loans and receivables to banks and other financial institutions.

In RSD million

Assets	31 December 2024	31 December 2023	Absolute / in %	
Cash and balances with Central Bank	66,074	74,272	-8,198	-11.0%
Financial assets	52,068	44,936	7,132	15.87%
Loans and placements to banks and other financial institutions	85,771	68,141	17,630	25.9%
Loans and placements to customers	236,069	227,388	8,681	3.8%
Equity investments in subsidiaries	33,589	33,203	386	1.16%
Intangible assets	660	418	242	57.9%
Property, plant and equipment	5,851	3,912	1,939	49.6%
Investment property	1,093	1,733	-640	-36.9%
Other assets	7,097	4,694	2,403	51.2%
Total assets	**488,272**	**458,697**	**29,575**	**6.4%**

Decrease in investment property by 36.9% resulted from the successful sale of seven properties owned by the Bank, with the total carrying value of RSD 619 million. The remaining amount of the decrease in investment property relates to the change in the value of the property.

As of 31 December 2024, securities recorded an increase in the amount of RSD 7.2 billion. Bank's investments in securities that are initially recognized at fair value - investment RSD units are related to Intesa Invest Cash of RSD 1.0 billion and investment foreign currency units refer to Intesa Invest EUR Cash of RSD 1.1 billion.

As of 31 December 2024, AIK Banka saw growth in the portfolio of RSD bonds issued by the Ministry of Finance of the Republic of Serbia in the amount of RSD 5.7 billion.

An increase of RSD 17.6 billion in absolute terms, or 25.9%, was recorded in the loans and advances to banks and financial institutions. The most significant contribution to this increase came from overnight foreign currency deposits, which increased by RSD 10.7 billion compared to the end of last year, as well as RSD loans for liquidity and working capital that recorded a year-on-year increase of RSD 8.8 billion.

Equity investments in subsidiaries recorded an increase in the amount of RSD 386 million (1.16%), which is mainly the result of the purchase transaction for AIK Leasing d.o.o. Belgrade in the amount of RSD 536 million.

The pledged financial assets are related to the pledge on the shares of Eurobank Direktna a.d. Belgrade, which was established as a security for the liabilities that Eurobank Direktna has towards Eurobank S.A. Athens, Greece. The amount of pledged shares based on loan repayment in 2024 decreased by RSD 13.6 billion.

Property, plant and equipment increased by RSD 1.9 billion or 49.6%. This increase mostly relates to investments in the building B23, where a larger number of AIK Banka employees work, as well as investments in the modernization of branches (redesign of the existing business network).

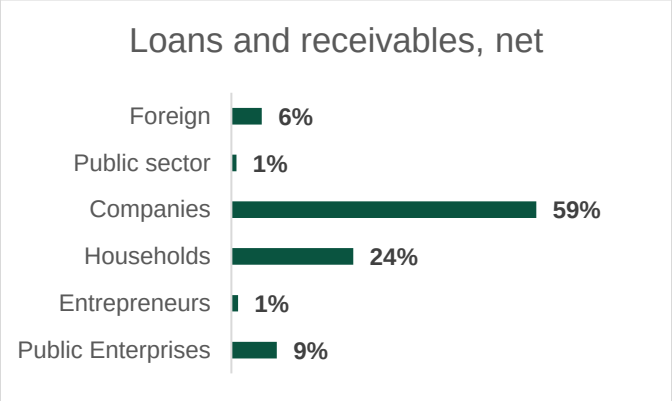
As of 31 December 2024, the level of gross loans and placements to customers reached the amount of RSD 244 billion, i.e. RSD 236 billion, net, including RSD 8.3 billion of allowance for impairment. As a result, the net loan portfolio increased by 3.8% compared to the end of 2023.

Based on the net loan portfolio at the end of the third quarter of 2024, the Bank has a market share of 7.0%.

In terms of the segment structure, during 2024, the largest net loan growth was recorded in the retail segment in the amount of RSD 8.4 billion, then corporate segment in the amount of RSD 2.7 billion and the public sector in the amount of RSD 1.9 billion. Public enterprises and public entities recorded a decline compared to the end of the previous year.

Out of the total gross loans to customers, Stage 1 loans account for 84%, Stage 2 accounts for 13% and Stage 3 accounts for 3%.

The NPL ratio as of 31 December 2024 is 2.5%.



Liabilities and Equity

In the structure of liabilities and equity, the most significant increase of RSD 24 billion in absolute amount (or 129.2%), was recorded in deposits and liabilities due to customers.

Customer deposits as of 30 September 2024 amounted to RSD 317.2 billion, based on which the Bank holds the 7th market position with a share of 6.9% in the Serbian banking market.

In RSD million

Liabilities and equity	31 December 2024	31 December 2023	Absolute / in %	
Deposits and liabilities due to banks and other financial organizations	43,376	18,927	24,449	129.2%
Deposits and liabilities due to customers	339,376	338,632	744	0.2%
Provisions	1,465	833	632	75.8%
Other liabilities	5,970	4,472	1,498	33.5%
Equity	98,085	95,833	2,252	2.3%
Total liabilities and equity	**488,272**	**458,697**	**29,575**	**6.4%**

Regarding the segment structure of deposits, the most significant increase, compared to the prior year end, is observed in deposits from public enterprises amounting to RSD 7.6 billion. An increase in deposits was achieved in the retail segment by 2%, whereas the corporate sector recorded a decline of 6%.

In 2024, the capital was significantly influenced by the profit from the previous period, as well as value changes in debt instruments.

The share of the Bank based on the volume of its capital in the Serbian banking market at the end of the third quarter of 2024 remained high. According to the total level of capital, at the end of the third quarter of 2024, the Bank reached a market share of 10.9% and holds the fifth position.

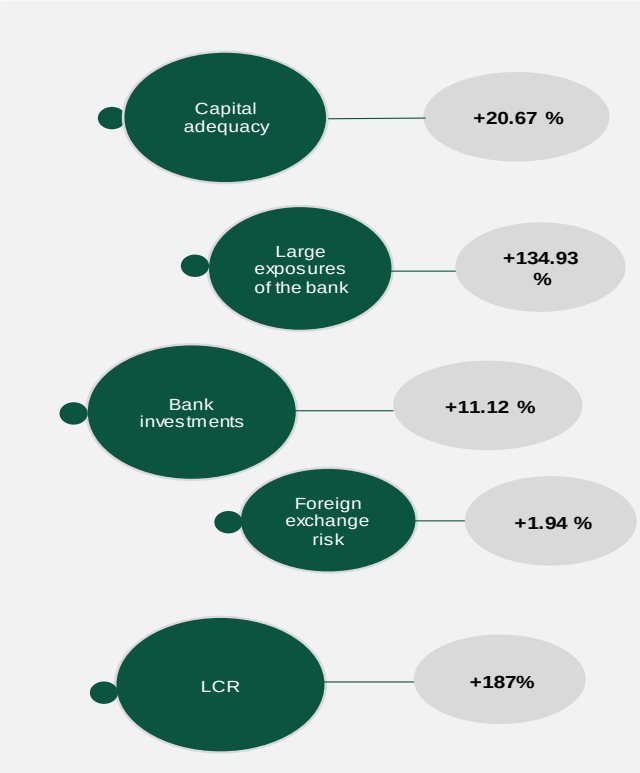
In RSD thousand

Item description	31 December 2024	31 December 2023
TIER 1	59,880,283	60,008,680
Common equity Tier 1 capital – CET 1	59,880,283	60,008,680
Additional Tier 1 capital (AT1)	-	-
TIER 2	2,619,570	2,619,570
CAPITAL (000 RSD)	**62,499,853**	**62,628,250**

The National Bank of Serbia's Decision on Capital Adequacy of Banks stipulates the Bank's obligation to perform its operations so as to ensure the coverage of its risk-weighted assets by capital in the amount of at least 8%, i.e. level increased by the National Bank of Serbia based on the supervisory evaluation.

The objective of the Bank's capital management is to ensure that at all times, the Bank has at its disposal a level and structure of internal capital that ensures the Bank's compliance with all legal obligations, maintenance of the trust of its shareholders and depositors in the security and stability of its operations, achievement of the Bank's business and financial plans, which can support the expected growth of the Bank's loans and investments, future sources of funds and their utilization, as well as the implementation of the dividend policy.

Regulatory performance indicators in 2024



In RSD thousand

Item description	31 December 2024	31 December 2023
Nominal value of shares	21,791,681	21,791,681
Share premium	14,196,293	14,196,293
Reserves	14,254,771	13,063,653
Profit for the year	9,232,389	8,171,631
Retained earnings	38,609,704	38,609,704
TOTAL EQUITY	**98,084,838**	**95,832,962**

The Bank's strategic goal is to maintain its capital adequacy ratio at its targeted level, representing an overall capital requirement according to the National Bank of Serbia's Decision on the conducted supervisory evaluation process increased by 1 p.p.

During 2024, the capital adequacy ratio was significantly above the prescribed regulatory limit of 8%, increased by additional capital buffers, and it was influenced by the strengthening of the capital base through the distribution of profit to regulatory capital and recapitalization, but also through the acquisition of the subsidiary.

The minimum capital adequacy ratio level is 16.33%, or 10.43% increased by the combined capital buffer according to the National Bank of Serbia's Decision on the conducted supervisory evaluation process. As of 31 December 2024, the Bank calculated capital adequacy ratio in accordance with the Decision on Capital Adequacy of Banks.

According to this Decision, the Bank calculates the capital requirements for the following risks:

- Credit risk – using the standardized approach;
- Credit valuation adjustment risk (CVA risk) – using the standardized approach; and
- Operational risk – using the basic indicator approach (BIA).

As of 31 December 2024, the Bank had no obligation to set aside the capital requirement for market risks, taking into account the amount of the open foreign exchange position and the value of the trading book.

In 2024, there was no purchase of treasury shares.

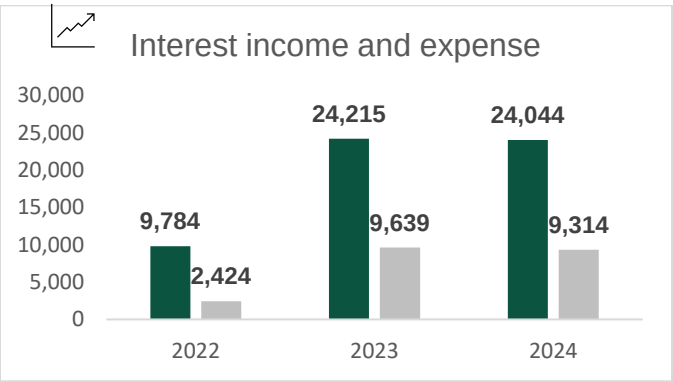
Income Statement

In 2024, the Bank achieved a high level of profitability with RSD 9.9 billion of profit before tax.

In RSD million

Item	2024	2023	Absolute	/ in %
Interest income	24,044	24,215	-171	-0.7%
Interest expense	-9,314	-9,639	325	-3.4%
Net interest income	**14,730**	**14,576**	**154**	**1.1%**
Fee and commission income	5,210	4,709	501	10.6%
Fee and commission expense	-1,741	-1,299	-442	34.0%
Net fee and commission income	**3,469**	**3,410**	**59**	**1.7%**
Net operating income	2,561	967	1,594	164.9%
Total operating income	20,760	18,953	1,807	9.5%
Operating expenses	-11,039	-8,897	-2,142	24.1%
Other expenses	744	1,229	-485	-39.5%
Operating result	**10,465**	**11,285**	**-820**	**-7.3%**
Net impairment losses on financial assets and provisions	-551	-2,279	1,728	-75.8%
Profit before tax	**9,914**	**9,006**	**908**	**10.1%**

Net interest income recorded a slight increase in 2024 compared to the previous year and reached a total amount of RSD 14.7 billion.



In the structure of interest income, the most significant share relates to interest income from loans and advances to customers, accounting for 78.5%. This is followed by interest income from repo transactions at 7.2% and interest income from RSD bonds of the Republic of Serbia at 6.9%.

In the structure of interest expenses, interest expenses on customer deposits have the most significant share of 81.4%, while interest expenses on bank deposits and interest expenses on securities account for 7.9% and 4.9%, respectively.

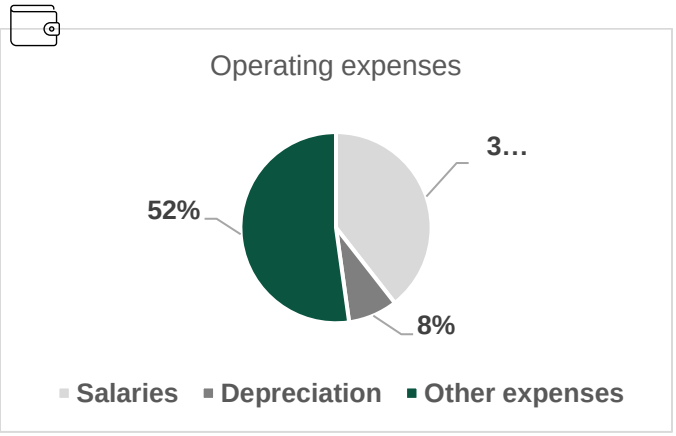
Net fee and commission income in 2024 amounts to RSD 3.5 billion and is at approximately the same level as it was last year.

The fees from payment cards have a predominant share in the total fee and commission income of 30.7%, followed by payment transaction fees with a share of 30.5%.

The highest absolute growth in fee and commission income was achieved from FX gains and losses - RSD 270 million, while fees from guarantees had an increase of RSD 161 million (with a 15.8% share).

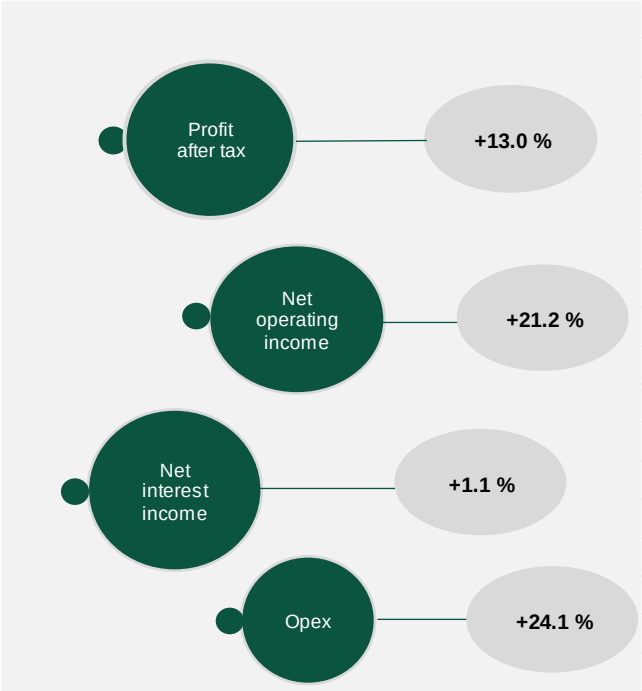
Total operating expenses in 2024 amount to RSD 11.0 billion, which represents an increase of RSD 2.1 billion compared to the previous year.

Expenses increased as compared to the previous year due to the continuation of the integration process with Eurobank Direktna a.d. Belgrade and the adjustment of supplier prices to the inflation rate.



The net effect of impairment and provisioning at a level of RSD 0.5 billion had a negative effect on the income statement in 2024, encompassing both the effects of additional impairment losses and the positive effects of receivables collection.

Performance indicators in 2024



1.5

Retail Banking, Operations with Micro Legal Entities and the Branch Network

AIK Banka started 2024 with clear development plans putting the main focus on the upcoming integration with Eurobank Direktna and ensuring that our offer and service level after the operating merger are at an even higher level. In parallel with the primary focus on the integration activities, a significant turnaround was made in the strategic and sales positioning of AIK Banka, which resulted in the following indicators:

- growth in the market share of new non-housing loans by 1%;
- growth in the market share of new housing loans by 3%;
- growth in the PI loan portfolio by 19%, which is considerably above the market share of 11%;
- the loan volume in the SBB segment increased by 19%, which established a growing trend in this segment; and
- an increase in the number of active users of the mobile application by 13%.

The following improvements were made in 2024:

As far as the credit process is concerned, a set of the required documentation and the number of process steps required for the realization of cash loans for retail customers have been optimised. Process improvement, followed by the planned marketing campaigns and dedicated work of the business network, along with targeted CRM campaigns, led to the above-mentioned results.

The SBB segment can boast the evident improvement of its product offer contributing to the customer experience growth. Process optimization and supporting tools were the basis for generating sales results. This segment also saw a considerable upgrade of the acquiring process – the payment acceptance at POS terminals, which has contributed to the Bank’s positioning as a partner that meets the needs of its customers and has raised the possibility for cross-selling additional products, simultaneously generating income from acquiring.

Additional security improvements were made to digital channels, as an important part of the Bank’s development strategy, in order to achieve a higher level of customer protection: session duration, the implementation of the "brand shield" solution to prevent the misuse of the Bank's domain and name on the Internet, the introduction of biometrics as an additional authentication factor, the implementation of the advanced security tool Ipification, etc. In 2024, AIK Banka enabled its customers to use digital wallets through the launch of the Google Wallet and Google Pay options (March 2024), i.e. the Apple Pay wallet (May 2024), which made it possible to reach the market standard in this segment. Finally, the digital lending process was optimised by enabling existing customers who receive their salaries through AIK Banka to obtain a cash loan through the mBanking application in less than 5 minutes.

The cooperation with web portals and real estate agencies was established as a new sales channel, which significantly contributed to the actual sales results. The aforesaid sales channel will be the backbone of the further development of alternative sales channels, which, in addition to increasing the loan portfolio, should ensure the growth of the client base.

The SFE concept was implemented for the purpose of introducing a concerted approach to sales by raising the level of competence and sales performance of branch employees. The concept is aimed at improving the quality of services, increasing efficiency and creating a better user experience for the Bank's clients.



The process of transforming and optimising treasury operations has begun by reducing working hours for performing cash treasury operations against the working hours of the branch offices. In addition, the concept of cashless branches was introduced, which entails that all cash transactions are performed on "smart" devices.

The concept is in line with the Bank's orientation towards digitization, as one of the primary goals, and an increase in sales performance.

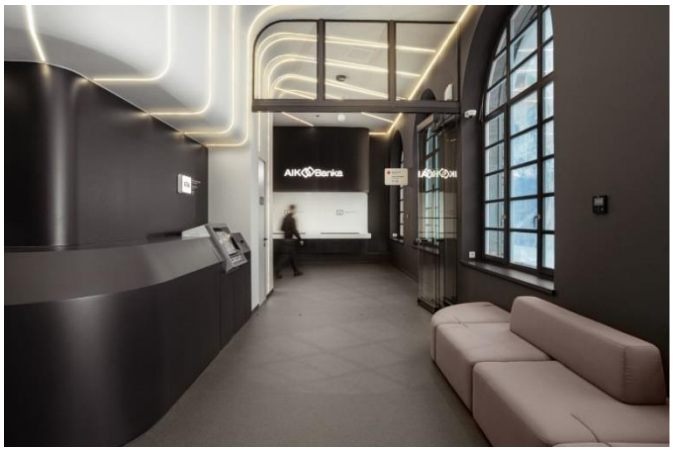
Additional steps were taken regarding the digitization of branch operations through the purchase of 20 additional smart safes in order to further optimise cash operations.

Branch modernisation activities have continued. In addition to a new and modern approach in space design, even more efficient organisation of the work process along with the aforesaid technological advancements clearly bring into focus fast service and the advisory and sales role for customers.

A clear strategy for further development and focus on providing high-quality services to the clients it cooperates with has been confirmed through a base of more than 260,000 active customers.

In 2024, a total of 15 branch offices of the business network were redesigned. In the process of branch transformation, the Bank strives to respond to the needs and expectations of its clients by improving efficiency, maintaining a personalized customer service model and optimizing operating costs.

Three new organisational units were opened at premium locations (Dedinje Branch, Kalemegdan Branch and Palace of Science Digital Spot), thereby enhancing the customer experience by bringing it to a higher level that will be aspired to be attained across the business network.



The Bank has a wide branch network consisting of over 60 branches (located in 5 regions: Belgrade 1, Belgrade 2, Vojvodina, East and West) in more than 35 cities.

In order to achieve optimal geographical positioning and increase the profitability of the network, the Bank divided the Belgrade region into two separate regions. The division of the Belgrade Region, as a region with the largest number of branch offices and the greatest potential for development, aims to provide greater space for maximizing the market's potential. Additionally, affiliating Obrenovac, Lazarevac, Pancevo and Vrsac Branch Offices under the jurisdiction of the Belgrade Region makes them a location entity that gravitates towards Belgrade and provides greater opportunities for acquisition activities.

The Bank also provides its services through three Digital Spots, which are outer part of the branch, equipped with self-service machines for cash transactions, and with the presence of an Advisor for non-cash products and customer service. Sales outlets are located in the Shopping Mall Galerija, West Mall and the Palace of Science.

1.6
Corporate Banking

In 2024, the Corporate and Public Sector Division was oriented towards further strengthening of its market position by providing support and the best service to all customers in both public and private sectors.

The market share of corporate loans as of 31 December 2024 was 9.26%, while the market share of deposits was 7.54%. Public sector deposits achieved a somewhat higher deposit market share of 13.6%, while this segment's share in the total banking sector loans amounted to 9%.

AIK Banka loans are designed to support all the specifics of the operations of corporate clients. The loan range includes standard loan products, as well as loans that customers can adapt to their business operations together with a bank advisor.

Investment loans, which we offer as support to business development of our customers, achieved a market share of 15.2% at the end of FY 2024, while the market share of working capital loans was 6.1%.

We have a particularly significant business partnership with our customers through the placement of project finance loans. Each project is approached individually and the best solutions are proposed. Loans are approved for financing construction projects for residential and office buildings or buildings for commercial or other purposes, as well as projects related to renewable energy sources.

Small and medium-sized enterprises are the backbone of the Serbian economy, since they provide more than two-thirds of the jobs in the country and participate with almost 56% in the gross domestic product. Taking into account the importance of this sector, AIK Banka has been traditionally providing great support to its development and contributing to the creation of better conditions for its further development and growth.

In addition to its own funding sources, the Bank has made available to its customers credit lines supported by international financial institutions, such as IFC, EBRD, EFSE and GGF.



Small and medium-sized enterprises in Serbia, particularly those investing in green projects, have been granted increased access to financial resources due to a EUR 50 million credit line approved by the International Finance Corporation (IFC) to AIK Banka. The purpose of the co-operation is to increase lending accessibility to small and medium-sized enterprises and to develop new options for financing climate change projects in Serbia.

AIK Banka has also established a partnership with the European Fund for Southeast Europe (EFSE) in order to provide support for funding micro, small and medium-sized enterprises in Serbia, placing special focus on rural areas. The provision of a credit line in the amount of EUR 30 million makes it possible for funding micro, small and medium-sized enterprises to invest in development, create new jobs and contribute to local economic growth.

The partnership between AIK Banka and the Green for Growth Fund has been formed in order to expand the green financing portfolio by providing funds in the amount of EUR 40 million to finance businesses that wish to invest in the field of renewable energy projects in order to meet the increasing energy demands with the aim of decarbonizing the economy.

We are proud of the fact that AIK Banka is encouraging local businesses through these strategic partnerships to take an active role in building a green economy.



The corporate lending process has been improved in the segment of identifying and managing the so-called ESG risks, where the main focus is placed on risks associated with climate change and other aspects that can negatively affect the environment.

The Bank accepts the approval of invoice payments before the due date issued by companies with an appropriate level of creditworthiness, as well as discounted bills issued in favour of customers with a future due date. It is a form of short-term lending that allows customers to provide the necessary liquid funds for their day-to-day operations in a quick and efficient manner, before the due date indicated on the invoice.

AIK Bank has one of the largest POS terminal acceptance network in Serbia, which accepts MasterCard, Dina Card, VISA payment cards, and also offers the option of the NBS IPS Instant payments on POS terminals. The funds are guaranteed to be transferred within one business day to the merchant's account after a transaction has been completed.



As part of its services, AIK Bank also offers an eCommerce service, a solution for our clients who wish to easily make payments for goods and services using MasterCard and Visa payment cards in a simple way.

For all customers that are engaged in imports, exports, design, construction or sales, and in need of support to guarantee the fulfilment of their obligations, the Bank issues all types of domestic and foreign payment and performance guarantees, opens nostro letters of credit and accepts loro letters of credit, and performs incasso operations.

1.7
Risk Management

Risk Management System

The risk management process involves continuous risk identification, measurement, i.e. assessment, undertaking risk mitigation measures, risk monitoring and control, as well as establishing the risk exposure limit system and reporting on risks in line with the Bank's internal acts and the decisions of the regulators. An adequate risk management system is one of the key elements in ensuring the stability of the Bank's operations.

Risk monitoring and control are primarily based on establishing the procedures and limit system. The established limits reflect the Bank's business strategy and market environment, as well as the risk level that the Bank is willing to accept. The Bank permanently monitors and measures the capacity of the acceptable risk exposure level, taking into account the total exposure to all types of risks.

The Bank continuously monitors all changes in the law and bylaw regulations and international standards, and undertakes measures for the timely harmonization of its operations with the current regulations.

The Risk Management System is defined in the following Bank's acts:

- Risk Management Strategy;
- Capital Management Strategy and Plan;
- Risk appetite;
- Risk Management Policy;
- Individual risk management procedures;
- Methodologies by which the Bank defines in detail the methods and approaches used in the individual risk management system; and
- Other acts of the Bank.

The Risk Management Strategy defines the risk management principles for the purpose of ensuring an adequate assessment of all the risks the Bank is exposed or may be exposed to in its operations, and the adequate capital necessary for supporting the realization of the Bank's strategic goals, in line with the Bank's Business Policy and Strategy.

The Risk Management Strategy defines:

- All the risks the Bank is exposed or may be exposed to in its operations;
- Long-term goals in risk management, as established by the Bank's Business Policy and Strategy, as well as risk inclination and tolerance determined in line with those goals;
- Basic principles of risk assessment and management;
- Basic principles of the process of internal capital adequacy assessment;
- Obligatory regular reporting to the Bank's bodies and the National Bank of Serbia about risk management; and
- The criteria for establishing the Bank's non-performing assets, the basic principles of managing such assets, as well as the highest acceptable level of the Bank's non-performing assets.

Risk appetite defines a comprehensive risk management framework and the maximum risk exposure level acceptable for the Bank. Risk appetite also defines a set of internally defined limits and targets for all material risks.

In the Risk Management Policy, the Bank determines: the basic principles of risk management, and in particular defines the organization of the risk management process, the basis for the Bank's risk profile assessment, i.e. individual risk identification, measurement, mitigation and monitoring, the internal risk management control system, the establishment of the individual risk limit system, as well as acting in the event of exceeding the defined limits, the manner and methodology for implementing the internal capital adequacy assessment process, the framework and frequency of the stress testing of individual types of risks, acting in case of unfavourable stress test results, as well as the obligation of regular internal and external reporting on risk management.

In the risk management procedures, the Bank further defines the process or risk identification, measurement, i.e. assessment, as well as the procedure of risk mitigation, monitoring and control, reporting about the risks the Bank is exposed to, as well as the competencies and responsibilities of the Bank's organizational parts in the risk management system.

In addition, in a separate procedure, the Bank defines activities, rules for the employees' actions, authorities and responsibilities in relation to:

- Management of placements in arrears from the corporate, public and financial sectors, retail

segment and the small client segment; and

- Non-performing loans of the Bank to corporate customers related to restructuring of their placements, i.e. towards all non-performing customers (corporate and retail) related to enforced collection.

Through individual methodologies, the Bank prescribes in detail the methods and approaches applied for measuring individual risk exposure.

For the purpose of adequate risk management, the Bank has formed an adequate organizational structure that suits the scope, type and complexity of the operations it performs and with the aim of preventing conflicts of interest, it has separated the risk-taking function (front office) from the risk management function (middle office) and supporting activities (back office). Such organizational structure enables the achievement of the established goals and principles of risk management in practice.

The Bank has established a comprehensive and reliable risk management system that is fully integrated into all the Bank's business activities and ensures that the Bank's risk profile is in line with the Bank's defined risk appetite.

The risk management process includes the following participants:

The Bank's Shareholders Assembly - adopts the Bank's Business Policy and Strategy that define the Bank's business goals for the period three years, adopts the Bank's financial statements and decides on the use and distribution of the realized profit i.e. covering losses.

In addition, the Assembly decides on increasing capital investments in other entities in the financial sector or other corporate customers, and the amount of investments in fixed assets and investment property.

Board of Directors is competent and responsible for establishing a unique risk management system and control over that system, adopting the Risk Management Strategy and Policy, the Capital Management Strategy and Plan, and the Methodology for Internal Capital Requirements Assessment, establishing the internal control system, adopting the Liquidity Contingency Plan and the Bank Recovery Plan. Furthermore, the Board of Directors controls the work of the Executive Board.

The Audit Committee is competent and responsible for adopting the proposed Bank's Strategy and Policy in relation to risk management and implementing the internal control system submitted to the Board of Directors for consideration and adoption. In addition, this Committee is in charge of analysing and controlling the application and adequate implementation of the adopted Risk Management Strategy and Policies and Internal Control System Policy. At least once a month, the Board of Directors reports on its activities and established irregularities, and proposes ways to eliminate them.

Executive Board is competent and responsible for implementing the Bank's Business Policy and Strategy according to the three-year strategic plan, the Risk Management Strategy and Policy, the Capital Management Strategy and Plan, the Internal Control System Policy, the adoption and analysis of the efficiency of individual risk management procedures that further define the process of risk identification, measurement (assessment), mitigation, monitoring and control, as well as reporting on the risks the Bank is exposed to. The Bank's Executive Board regularly reports to the Board of Directors about the efficiency of the adopted Policy and risk management procedures.

The Asset and Liability Committee monitors the Bank's risk exposure arising from the structure of its balance sheet liabilities, receivables and off-balance sheet items and proposes measures for managing market risks, interest risk and liquidity risk.

The Risk Committee is responsible for monitoring the Bank's exposure to credit risk, liquidity risk, interest risk, market risks, operational risk, country risk, investment risk and other risks, and it proposes measures for managing those risks to the Bank's Executive Board.

The Client Monitoring Committee is responsible for monitoring the placement quality at the level of individual clients and observing the increased credit risk, i.e. for monitoring the receivables from clients in arrears and clients with a probability of increased credit risk. The Client Monitoring Committee meets at least once a month and more frequently if necessary.

The Bank's Credit Committees decide on loan requirements/placements within the frameworks determined in the Bank's acts and analyses the Bank's exposure to credit risk (including foreign exchange risk, concentration risk and country risk), interest rate and market risks. The Bank's Board of Directors makes the Decision on forming credit committees and appointing the members of the following credit committees:

- Corporate and Public Sector Credit Committee; and
- Retail and SME Credit Committee.

The Credit Risk Management Departments (the Corporate, Public and Finance Sector Credit Risk Management Department and the Retail and SME Sector Credit Risk Management Department) identify and measure, i.e. assess and manage the credit risk of performing clients in the corporate segment, public and financial sector, i.e. the retail segment and small and medium enterprises. The task of these divisions is to prepare proposals and give their expert opinions and "votes" to the specific loan proposals.

The Monitoring Department performs the ongoing control and monitoring of performing loans and receivables from clients within the corporate, public and finance sectors, retail and small clients, as well as the control and monitoring of collaterals and circumstances following loan disbursement, the validity of insurance policies, the validity of property appraisals assigned under mortgage liens, authenticity of information related to the collaterals securitizing the Bank's receivables that are entered into the Bank's information system, etc.

The Risk Control Sector proposes the Risk Management Strategy, Policy, procedures and methodologies for adoption. This Sector is responsible for implementing and maintaining risk-related methodologies and procedures from the aspect of ensuring the independent risk control process.

This Sector also ensures the complete inclusion of risks in the measurement and reporting system of the risks that the Bank is exposed to in its operations. The Risk Control Sector comprises two departments: Credit Risk Controlling and Market, Liquidity and Operational Risk Controlling.

The Workout (NPL) Sector - in order to implement the strategy for addressing NPLs, which is an integral part of the Bank's risk management strategy, the Bank set up this Sector within its organization as a separate organizational unit for NPL management so that it is functionally and organizationally separated from the organizational units whose scope of activity includes risk-taking.

The primary function of this Sector is to manage the collection of non-performing customers – corporate and retail, entrepreneurs and registered agricultural estates, and to manage the early collection of retail loans arrears.

The Finance Sector is in charge of maintaining books of accounts, the preparation and disclosure of the financial statements and reporting to the National Bank of Serbia and other external users. It also provides appropriate support for all participants in the planning process, as well as in preparing the Bank's Financial Plan, which is taken as the basis for planning available internal capital.

The Treasury Sector is responsible for managing assets and liquidity, as well as the Bank's assets and liabilities. Moreover, it participates in the liquidity risk management, interest position and foreign currency position of the Bank. The operations of this Sector are organized through the work of two departments: Trading, Sales and Financial Institutions Relations and Asset/Liability and Liquidity Management.

The Operations Sector which provides a support function through its operational activities, through the management of the Bank's operations in the areas of business support, payment operations, credit and deposit administration.

The Internal Audit Department is responsible for the continued monitoring of the implementation of risk management policies and procedures, as well as for the regular assessment of the adequacy, reliability and effectiveness of the internal control system and the compliance function of the Bank. The Internal Audit Sector reports to the Board of Directors and the Audit Committee about its findings and proposals.

The Compliance Sector is obligated to identify and monitor compliance risks in the Bank's operations, as well as to manage those risks that particularly relate to the risk of money laundering and terrorism financing, the risk of sanctions by the regulator, the risk of financial losses and reputation risk.

The basic function of the Compliance Sector is the implementation of the ongoing, adequate and efficient control of the Bank's compliance in a manner that enables indicating existing and potential compliance risks and the management of such risks in order to achieve the highest standards in the Bank's operations.

Liquidity Risk

In its operations, the Bank pays particular attention to liquidity maintenance as it believes that appropriate liquidity is one of the prerequisites of financial stability and development. The experiences of the banking sector in the Republic of Serbia and the region demonstrate that under circumstances of compromised liquidity, client trust deteriorates and reputation risk increases, which compromises profitability.

Liquidity risk is the possibility of adverse effects on the financial result and equity of the Bank, due to the inability of the Bank to settle due liabilities, as a result of insufficient liquidity reserves and inability to cover unexpected outflows and other liabilities.

In its operations, the Bank respects the basic principles of liquidity management, achieving a sufficient level of funds to cover short-term liabilities, i.e. respects the principle of solvency, forming an optimal structure of own and borrowed funds and forming a sufficient level of liquidity reserves.

The Bank maintains a stable liquidity position and a sufficient and adequate level of liquidity reserves. Liquidity reserves are mostly in the form of cash and highly liquid debt government securities, which can be redeemed in a relatively short period of time.

The Bank manages its assets and liabilities to ensure that at all times it can settle all its liabilities and that the Bank's clients have their assets at their disposal in accordance with the contractual terms.

The Bank adequately manages the liquidity risk of funding sources, considering the diversification of the deposit base. At the same time, the Bank has a sufficient level of liquid assets, where the market liquidity risk is within the expected limits.

The Bank regularly monitors the liquidity risk level on a daily basis based on a daily liquidity ratio, narrow liquidity ratio, liquid coverage ratio and internal liquidity ratios. Moreover, in the process of liquidity risk measurement, the Bank uses GAP analysis by grouping balance-sheet and off-balance sheet items per time buckets according to the contractually defined maturity dates, i.e. the expected time for generating cash flows.

The Bank also defines internal limits relating to cumulative GAP values per time buckets under regular conditions and stress conditions. Stress tests are conducted on a monthly basis and compliance with the defined internal limits for liquidity GAP in stress conditions is monitored.

The Bank aligns its operations with the prescribed regulatory liquidity ratio, narrow liquidity ratio, as well as the liquid asset coverage ratio.

Range	Liquidity ratio	Narrow liquidity ratio	Liquidity coverage ratio
As of 31 December 2024	3.13	1.98	187%
Average for the year	3.11	2.16	171%
Maximum	3.71	3.31	197%
Minimum	2.39	1.35	144%

Table 25 - Movements in the liquidity ratios in 2024

In 2024, the Bank maintained regulatory liquidity ratios at a higher level than the regulatory and internally defined minimums. The Bank maintains significant liquidity levels in view of the existing integration with Eurobank Direktna a.d. Belgrade at the beginning of 2025.

Market Risks

The Bank identifies its exposure to the foreign exchange risk through open positions in a certain currency and in total for all currencies it uses in its business operations. The Bank assesses foreign exchange risk exposure using the regulatory limits (foreign exchange risk ratio) and internally defined methods.

The Bank's foreign exchange risk ratio remained significantly below the regulatory maximum of 20% of capital throughout the year and as of 31 December 2024 it amounted to 1.94%.

The Bank is exposed to the price risk per items in the Trading Book comprised of equity securities. As of 31 December 2024, in the Trading Book the Bank had shares of companies in the total market value of RSD 0.73 billion. The basic principles of price risk management entail the maintenance of this risk level according to the internally defined limits for the Bank's Trading Book level, daily monitoring of the changes in the market conditions that may give rise to the increased exposure of the Bank to the trading book risks, and definition of measures to mitigate this risk.

The objective of active risk management is to decrease the price risks to an acceptable level, which can be controlled and which enables the Bank to maximize its profit while minimizing the risks.

Interest rate Risk

Interest rate risk is the probability of negative effects on the Bank's financial result and equity through items of the Banking Book due to interest rate fluctuations. Movements in interest rates directly affect the generation of interest income due to mismatching between the aggregate interest-bearing assets and interest-bearing liabilities or fixed prices of interest-bearing instruments.

The types of interest risk are as follows:

- Risk of time mismatch between maturity and repricing (repricing risk);
- Yield curve risk due to changes in the yield curve shape (yield curve risk);
- The basis risk, to which the Bank is exposed due to different reference interest rates for interest rate sensitive items with similar maturity or repricing characteristics (basic risk); and
- Optionality risk, to which the Bank is exposed due to contractually agreed option terms, such as early loan repayment, deposits with an option of early withdrawal, etc.

During 2024, the Bank maintained the interest rate risk exposure level within the defined limits. After interest rate growth in the previous period, in 2024 there was a general downward trend in market interest rates, which is expected to continue during the next year as well.

The aforesaid and the introduction of a new regulatory framework, which limits the maximum interest rates for certain segments, will result in a decline in interest income and the exposure level to interest rate risk.

Operational Risks

Operational risk is the possibility of negative effects on the Bank's financial result and equity due to employee oversights, inadequate procedures and processes in the Bank, inadequate management of information and other systems in the Bank, as well as unforeseen external events, including legal risk.

The Bank's exposure to operational risk in 2024 was at an acceptable level. The risk mainly resulted from the losses arising from court expenses, although they are on a downward path.

Non-performing Loans

For the purpose of the timely identification of possible problems, during 2024 the Bank continued with its intensive activities on preventing an influx of non-performing loans (NPLs), and with the implementation of strategies for collection and resolution of non-performing loans in order to reduce them.

In 2024, the Bank improved the processes and systems for early detection of increased customers' credit risk, as well as the processes and systems for the collection of receivables from retail customers.

Adequate management of placements with increased credit risk (Stage 2) and NPLs is of great importance for maintaining an acceptable credit risk level, since the share of these placements in the total portfolio is one of the main indicators of the quality deterioration of the Bank's loan portfolio.

The improvement of monitoring receivables and the collection process from both individual customers and the entire portfolio resulted in an NPL reduction to the levels defined by the risk appetite.

The non-performing loan indicator (NPL indicator) at the end of 2024 was significantly below the internally defined limit of 5%.

The comparison between the total amount of allowance for impairment and the amount of the provisions for non-performing loans and receivables (according to the methodology of the National Bank of Serbia) indicates that the Bank's rate of coverage of gross NPL with allowances for impairment (in accordance with IFRSs) was above 100%.

The most significant share in the total amount of NPLs refers to the large corporate customer segment (38%), while the retail segment accounts for 28%, which corresponds to the Bank's loan portfolio structure.

1.8

Bank Management and Organisational Structure

In terms of corporate governance, the Bank observes and complies with the relevant applicable laws and by-laws, as well as the AEC Group's internal governance policy. The Bank adopts the Corporate Governance Policy in order to establish and recognise high standards in all fields of work, improvement instruments and efficiency of the corporate governance system, which provides for the Bank's sustainable development based on socially responsible business and a value increase for shareholders, employees, clients and the environment in accordance with good business practices.

Corporate governance principles that the Bank applies in its operations are business transparency, protection of the Bank's reputation, responsibility, professionalism, security, efficiency and availability of information in accordance with the law.

Pursuant to the Law on Banks, the Bank's managing bodies are the Shareholders' Assembly, Board of Directors and Executive Board.

The Bank's Shareholders Assembly consists of the Bank's shareholders, who may directly participate in the Assembly's work or through their representatives. Assembly sessions can be regular or extraordinary. Regular meetings of the Shareholders' Assembly are held at least once a year, or no later than four months after the end of a financial year. The Assembly's responsibilities are stipulated under the Law and the Articles of Association, whereas its method of operation and decision-making is prescribed in the Assembly's Rules of Procedure.

Board of Directors (BoD) consists of seven members, including the chairman, whereas the **Executive Board** comprises five members. The members of the Bank's BoD must be individuals with a good business reputation and appropriate qualifications as prescribed by the National Bank of Serbia. At least three members of the BoD must have adequate financial experience. At least one member of the BoD must have active knowledge of the Serbian language and have permanent residency in the territory of the Republic of Serbia. The Chairman and other members of the Bank's BoD are appointed by the Bank's Assembly for a period of four years, whereby they will perform these duties until newly appointed members of the BoD take office, according to previously obtained approval from the National Bank of Serbia and after the expiry of the four-year period, but for three months maximum.

The BoD establishes the Bank's internal organisation, i.e. Bank's organisational structure, which ensures the distribution of authorities, duties and responsibilities of employees, members of the managing bodies and other individuals in managerial positions at the Bank, in a manner that prevents conflict of interest and ensures transparent and documented decision-making and decision-implementing processes.

The Executive Board (EB) members are responsible for ensuring that business operations are carried out in accordance with the Law on Banks, regulations and by-laws of the National Bank of Serbia and the Bank's enactments. Duties and responsibilities of the EB members are stipulated by the Law on Banks, regulations adopted based on the Law on Banks, the Bank's Articles of Association and internal acts.

There are procedures in place at the Bank for appointing and re-appointing members of the BoD and EB, which are harmonised with the Law on Banks and the National Bank of Serbia's Decision and Guideline governing this matter.

The Audit Committee (AC) comprises minimum three members, one of whom is the Chairman and the others are the member of this Committee. At least two members of the AC, who have adequate experience in finance, are members of the Bank's BoD and minimum one member has to be independent of the Bank. The Committee assists the Bank's BoD in supervising the work of the Executive Board and employees of the Bank.

Details about the members of the Board of Directors, Executive Board and the Audit Committee are publicly available in the Bank's website section: *AIK Bank | About us.*

Bank Organisation and Employees

The Bank's organizational model ensures the efficient management and implementation of the internal control system, in line with the requirements of dynamic and modern business and according to the banking sector standards.

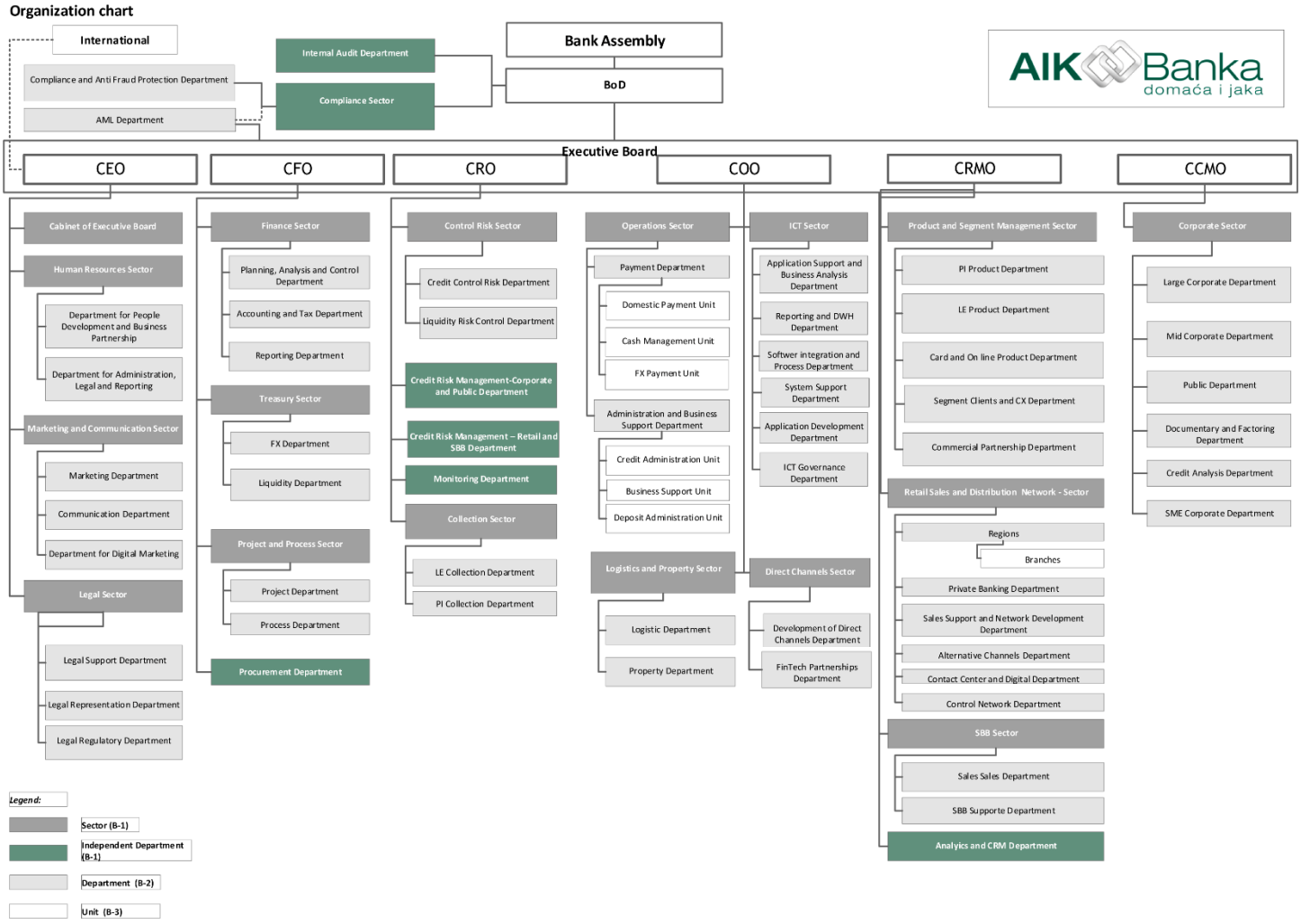


Image 1 – Organizational chart of the Bank as of 31 December 2024

Employees

The Bank's largest capital is its employees. The Human Resources Management Policy was not only aimed at the growth of the existing personnel, but also at the development of business processes, with a strong emphasis on the future integration with Eurobank Direktna. Such an approach has enabled us to work with our employees in parallel with the business expansion and modernization in order to support them in their challenges and ensure that the integration expected in 2025 will be a successful one.

We focus on the development of the skills and potential of our employees, as well as their professional growth, in order to achieve our goals together and build a stable and efficient organization. Together, we want to become a bank that is recognized on the market not only for its good business results, but also for excellent and dedicated employees, who contribute to its everyday progress with their knowledge and values.

AIK Academy, our live training programmes, provided specialised training courses for employees in various organisational units. In addition, 27 online training courses were organised through e-learning, providing learning flexibility. In 2024, a total of 36,759 hours of training courses were held, while each of our employees spent 31 hours on average educating themselves.

Growth of business activities along with the integration with Eurobank Direktna enabled the expansion of our organization and the improvement of operational processes. It was a crucial step for increasing the number of employees in 2024 in order for our processes and the organisation itself to be ready to welcome next year's growth.



The share of employees with higher education has continued to grow, while the number of employees holding college and university degrees reached 57.6% of the total workforce at the end of 2024. The employees holding a college degree account for 21.4%, whereas the employees with a high school diploma account for 21.0% of the total number of employees. Regarding the age structure, the largest number of employees belongs to the category from 41 to 50 years of age (43%), while employees between 31 and 40 years of age make up 27% of the total workforce. Employees under 30 years of age account for 16% and employees over 51 years of age account for 14% of the total workforce.

AIK Banka and MK Group pay special attention to supporting the families of their employees. In 2024, AIK Banka allocated RSD 2.5 million as aid to employees who became parents. This amount was allocated through subsidies for 39 new-born babies within the "Family Support Initiative". The subsidies were ceremoniously rewarded to employees in Serbia, Slovenia and Croatia, which once again proved that the Bank is committed to taking care of its employees and their work and personal life balance.

In cooperation with the Group, an internal portal was introduced for easier access to information. We maintain regular and open communication with our employees through the Heart Count online application and annual engagement surveys. Additionally, the employees obtain all key information in a time manner based on already traditional CEO talks directly from the Bank's CEO via a live connection.

In addition to education, we also organized internal events such as a Sports Day and a New Year's celebration, which encourage team building, internal basketball and football competitions, as well as support for our marathon runners. Hobnobbing gatherings were organised for employees' children with their parents at work, and were given Santa Claus gifts. All new mums at the Bank attended workshops dedicated to their new roles.



These activities confirm our commitment to the professional and personal growth of our employees, creating a work environment that encourages innovation and collaboration.



1.9

Significant Events after the End of the Financial Year

There were no significant events and additional information subsequent to the reporting date, which would require disclosures in the notes to the Bank's financial statements and Annual Business Report for the year ended 31 December 2024.

1.10 Approach to Sustainability, Contribution to the Community and Environmental Impact

The Bank bases its business operations on customer commitment.

Apart from its key business postulate and relationship with employees and customers, as well as its attitude towards the results, the Bank also focuses on social responsibility, excellence and commitment to all interest groups.

In this way, AIK Banka lays the foundations of its sustainable operations, since it starts from a mixture of public interest and social responsibility in all its products/services/operations/. **This implies that no product/service/activity is valid or valuable unless it is in general interest**, where all contracting parties are satisfied and the general public benefits from it. We regard this as the greatest contribution to each individual and the society in general.

Through non-financial reporting and corporate social responsibility, the Bank supports the development of different segments of the society by conducting a wide variety of activities, whose primary objective is to protect the environment, regardless of whether they are aimed at the well-being of their owners, employees and customers or, more generally, at the social community by supporting numerous humanitarian, educational, cultural, healthcare and sports institutions across the region in which it operates – including many neighbouring countries. The Bank always takes into account specific regional characteristics and local society needs.

By prioritising sustainability, AIK Bank embarked on a strategic initiative process, which begins with raising awareness, initiative and implementation of sustainability elements within its new business model, which is additionally achieved by participating in the activities of expert groups on the market.

The goal of the aforesaid strategic guidelines is to raise awareness and develop culture across the entire organization that should maintain environmental, social, business and financial performances of the Bank in the future, taking into account external and internal SGE risks and opportunities for further smooth operations, and actively contribute to reducing any systemic risks pertaining to the financial stability of the country (region) in which the Bank operates.



In implementing sustainability elements, the Bank is particularly focused on local communities and the real sector. The Bank is aware of the impact of its operations on the social community and responds to social needs and expectations in a balanced, relevant and transparent manner.

The four pillars on which AIK Bank bases its business system sustainability originate from the Bank's environmental, social, business and financial performance:

Environmental sustainability (I)
Social sustainability (II)
Business sustainability (III)
Financial sustainability (IV)

The Bank has joined a major regional initiative of the United Nations Development Program (UNDP) dedicated to the promotion of environmental protection, social responsibility and diligent corporate governance. This approach is becoming more and more important each year, both in terms of business operations of small and medium-sized enterprises and all business and credit activities of domestic banks. The Bank is also a member of the Western Balkans ESG Foundation.

The Bank's primary focus is on:

(I) Contribution to environmental sustainability by means of defining goals and adjusting products, relationships with customers, employees and shareholders. Hence, the Bank is more and more turning to green financing and green initiatives – granting loans to relevant customers whose mission is nature conservation and the reduction in greenhouse gas emissions.

It is impossible to avoid climate changes, but behaviour and adaptation can be controlled. Business changes and timely consideration of potential damage through property insurance can mitigate the consequences of natural changes.



A strategic ESG risk management framework was implemented as a basis of business principles in the future period. A set of methodologies and procedures incorporating the ESG component was also implemented and integrated into regular business processes of the Bank in 2024.

The most significant ESG activities during 2024:

- Additionally improving the Bank's ESG framework and defining short-term, medium-term and long-term goals;
- Orienting towards green projects – funding several renewable energy projects;
- Modification of the credit policy and credit process and the introduction of a customer assessment through a questionnaire and a detailed evaluation (due diligence) of transition and physical risks. This makes it possible to minimize potential risks by reviewing necessary collective activities in a timely manner in order to achieve better sustainable development. The aforesaid is also reflected on the customer's internal credit rating and pricing policy, which is compliant with the ESG risk level against the overall customer financial position;
- Co-operation with foreign creditors (EBRD, IFC, GGF, EFSE) in order to support sustainable development projects and consequently improve the Bank's ESG standards in accordance with best global practices. The Bank has implemented a set of various tools and standards recommended by foreign creditors and incorporated them into its credit process along with the comprehensive ESG management, including climate and social components. A specific goal of foreign creditors is to involve the Bank in encouraging, raising awareness and increasing knowledge of its customers;
- Strengthening corporate governance through the establishment of the ESG Committee, as support to the Executive Board, whose goal is to monitor the implementation of determined objectives, define activities as part of sustainable business practices and integrate existing ESG risks into a single risk management framework;
- Measuring the Bank's carbon footprint (Scope I and II) in accordance with the GHG protocol and establishing a regular monitoring process thereof. In connection with the aforesaid, the Bank undertook a number of activities aimed at reducing its GHG emission through mostly renewable energy sources. The Bank has also started a calculation of Scope III financed emissions of its customers according to the PFAC methodology, in order to be able to better measure and have more measurable progress goals in the upcoming years on its way to sustainability and/or accomplishment of its transition plan;
- Raising employees' awareness through a large number of external and internal education courses that included employees from different organisational units of the Bank, i.e. all three lines of defence.
- The Bank's participation in working groups in the banking market, whose goals include the improvement of the ESG framework in the territory of the Republic of Serbia and encouragement of all market participants on the way to sustainable development.

The above-mentioned was also followed by changes in the product catalogue, whose special focus is on green loans. Raising awareness of the real sector about the implementation of the "net zero" business concept in accordance with customers' demands, interests of company owners, employees and other stakeholders.

The Bank is also working on developing its transition plan and a Decarbonisation Strategy, which is going to be one of the three most important objectives of meeting the Bank's strategic development goal. Moreover, in order to better understand its "net zero" path, the Bank calculates the fulfilment of its short-term performance indicators, as well as its carbon footprint.

Special focus in the future will be on small and medium-sized companies that harmonize their operations with ESG criteria. Banks and potential investors see them as “companies of the future”. These are companies that base their strategy on reducing the amount of material incorporated into products, minimizing the consumption of energy and raw material in production, designing products with a longer lifespan and suitable for repair or recycling.

(II) AIK Bank recognises corporate social responsibility (CSR) as one of its pillars of sustainability (CSR), as part of its ethical responsibility to support children, families, youth, education, science, healthcare and care for people, preservation of cultural heritage, sports and improvement of physical education.

MK Group and the Bank made donations this year to preschools across Serbia.



The student dormitory “Slobodan Penezic” was donated funds in 2024 for renovating and furnishing.

The Belgrade Students’ Centre was donated funds with the support of the Ministry of Education, which helped select an appropriate investment project based on strategic guidelines and insight into the student standard in order for the donation to be used in students’ best interest.



SOS Children's Villages Serbia is one of the largest humanitarian organisations in our country, whose mission is to ensure that every child grows up in a home filled with love.

Due to the donations for improving the conditions in these institutions, children now spend time in a lovelier and more creative environment.

AIK Bank's ATMs are the first ATMs in Serbia where all of the Bank's customers, in addition to usual payments and withdrawals, insights into the balance and other services, can now pay their donation to the humanitarian organization SOS Children's Villages Serbia with just a few clicks.



(III) Our goal is to improve sustainable business by adhering to the relevant EU regulations and the UN Finance Environment Initiative, striving to include as many principles as possible in our own business goals. We tend to make our business operations public and our customers aware in each transaction and obligation, along with the right to protect the users of financial services.

Moreover, our goal is to act responsibly towards the state and take seriously our legal obligations by settling our liabilities on time. Our goal is also to prevent our customers from engaging in money laundering and terrorism financing by strengthening financial culture and awareness.

(IV) Financial sustainability also involves active management of all types of risks (on micro and macro level) with the aim of acting responsibly towards regulators and supervisors on the one hand, and customers and the community on the other hand, by trying to act procyclically in times of crisis and stress – enabling the real sector to access financial resources in a sustainable manner.

1.11
Future Plans

VISION

We create unforgettable and unique experience for customers, employees and the community

MISSION

Be different and be the customer's first choice at any place and at any time

VALUES

On the way to achieving our vision, mission and strategic goals, we nurture the following values:



CUSTOMERS

As a universal bank, we strive to be exceedingly dedicated and accountable to our customers through personalization and efficient data management, in order to be able to offer them personalized solutions at any given time and respond to their specific requests and needs in the best possible manner. In this way, we build a long-term partner relationship to the mutual satisfaction.

PRODUCTS AND SERVICES

Digitization and innovation represent a business pledge to withstand the pressure of competition and to respond to the demands of new generations, keeping up with the technological development of the fourth industrial revolution. By changing ourselves we also change the world we live in. We consciously accept all new challenges and enter a new ecosystem. We hope to be not only followers, but also leaders in this area.

EMPLOYEES, REGULATOR, COMMUNITY

Improving knowledge, skills and satisfaction of our employees is our priority at all management levels.
Active co-operation with the regulator while incorporating regulatory requirements into our business framework.
ESG: committed to sustainable business.
Active integration with the community, building a local identity

Belgrade, 25 February 2025

Petar Jovanovic
Executive Board Chairman

Andrija Vukovic
Executive Board Member