ADRIATIC BANK AD. BEOGRAD

Independent Auditor's Report on the Audit of the Financial Statements for the Year 2024

MOORE

This version of our report/ the accompanying documents is a translation from the original. which was prepared in Serbian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However. in all matters of interpretation of information. views or opinions. the original language version of our report takes precedence over this translation.

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This version of our report/ the accompanying documents is a translation from the original, which was prepared in Serbian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ADRIATIC BANK a.d., Beograd

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ADRIATIC BANK a.d., Beograd (the "Bank"), which comprise the balance sheet as of 31 December 2024, and the income statements, 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 a summary of significant accounting policies and other explanatory information.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the ADRIATIC BANK a.d., Beograd as of 31 December 2024, and of its financial performances and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 24 to the financial statements where the Bank disclosed within the item Assets acquired through the collection of receivables amount of RSD 305,519 thousand (as of 31 December 2023: RSD 344,470 thousand), where to the item real estates acquired during 2012 and 2013 refers the amount of RSD 110,002 thousand (as of 31 December 2023: RSD 144,033 thousand). Each year, the Bank appraises the real estates performed by reference appraisal management companies. Without making any doubt that a certain real estate has its own value, absence of their selling over a long period of time raises the question of whether the sale can be realized. As of 31 December 2024, the Bank disclosed items of real estates acquired in 2012 and 2013 at liquidation value, which lead to decreased amounts of the items shown in the financial statements.

In addition, within the item Investment properties, the Bank showed two real estates acquired during 2013 in the total amount of RSD 195,087 thousand (as of 31 December 2023: RSD 206,651 thousand) that are currently leased. The Bank is making efforts to sell them. As of 31 December 2024, the Bank stated the value of one property at liquidation value, which lead to decreased amounts of the items shown in the financial statements.

Our opinion is not modified in respect of this matter.

Responsibilities of the Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the current accounting regulations in effect in the Republic of Serbia, 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, the Management is responsible for assessing the Banks'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 the Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Persons authorized for management are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of 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 the Management 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.*

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- *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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Information included in the Bank's Annual Business Report

The Management is responsible for the preparation of the other information. The other information comprises the information included in the Annual Business Report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information, except to the extent explicitly described in the Report on Other Legal and Regulatory Requirements section of our report, 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 identified above when it becomes available 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. 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.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ADRIATIC BANK a.d., Beograd - continued

Report on Other Legal and Regulatory Requirements

According to the requirements arising from Article 33 of the Law on Accounting and Article 39 of the Law on Audit of the Republic of Serbia, we performed procedures required in respect to the Annual Business Report (including Corporate Governance Report) to verify it compliance with annual financial statements, as well as checks whether the Annual Business Report (including Corporate Governance Report) is prepared in accordance with the applicable legal provisions.

In our opinion, the Annual Business Report is:

- *consistent with the Bank's annual financial statements; and*
- *prepared in accordance with the requirements of Article 34 of the Law on Accounting.*

In addition, considering the knowledge and understanding of the Bank and its environment obtained during the audit, we are required to report if we have identified material misstatements in the Annual Report. We have nothing to report in this regard.

Belgrade, 21 February 2025

„MOORE STEPHENS Revizija i Računovodstvo" d.o.o. Beograd 4 Studentski Trg, 5th floor	*„MOORE STEPHENS Revizija i Računovodstvo" d.o.o. Beograd 4 Studentski Trg, 5th floor*
Ružica Vukosavljević Authorised Auditor	*Bogoljub Aleksić Managing Partner*

Privredno društvo za reviziju, računovodstvo i konsalting MOORE STEPHENS Revizija i Računovodstvo d.o.o. Beograd II

ADRIATIC BANK A.D. BEOGRAD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
AND NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in thousands of RSD unless otherwise stated

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024	2023
Interest income	6	1,373,150	824,341
Interest expenses	6	(331,261)	(215,800)
Net interest income		**1,041,889**	**608,541**
Fee and commission income	7	3,268,919	1,316,681
Fee and commission expense	7	(434,752)	(159,538)
Net fee and commission income		**2,834,167**	**1,157,143**
Net foreign exchange gains/(loss) and currency clause effects	8	(106,367)	(21,713)
Net loss from impairment of financial assets that are not valued at fair value through profit and loss	9	(111,978)	(18,564)
Net gains from derecognition of investments in associated undertakings and joint ventures	10	-	429
Other operating income	11	23,902	17,013
TOTAL NET OPERATING INCOME		**3,681,613**	**1,742,849**
Salaries, compensations and other personal expenses	12	(991,895)	(509,190)
Depreciation expenses	13	(164,182)	(100,404)
Other income	14	34,423	77,460
Other expenses	15	(749,770)	(570,506)
PROFIT BEFORE TAX		**1,810,189**	**640,209**
Income tax	16	(160,435)	-
Gains from deferred taxes	16	10,197	-
Loss from deferred taxes	16	-	(7,820)
PROFIT AFTER TAX		**1,659,951**	**632,389**

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

These financial statements are approved by the Executive Board of Adriatic Bank a.d. Beograd on 21 February 2025

Signed on behalf of Adriatic Bank a.d. Beograd:

ADRIATIC BANK A.D. BEOGRAD
ADRIATIC BANK
1

Marko Ćorić
Member of the Executive Board

Đorđe Lukić
Chairman of the Executive Board

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STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	2024	2023
PROFIT FOR THE YEAR	**1,659,951**	**632,389**
Components of other comprehensive income that cannot be reclassified to profit or loss:		
Increase/(decrease) in revaluation reserves based on intangible assets and fixed assets	18,297	(6,142)
Actuarial gains	(3)	69
Components of other comprehensive income that can be reclassified to profit or loss:		
Positive/(negative) effects of changes in value of debt securities at fair value through other comprehensive income	397,184	239,359
Effect of deferred tax calculation	(62,039)	(35,885)
Total other result for period	**353,439**	**197,401**
TOTAL RESULT FOR THE YEAR	**2,013,390**	**829,790**

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Member of the Executive Board

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Chairman of the Executive Board

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BALANCE SHEET AS AT 31 DECEMBER 2024

	Note	31 December 2024	31 December 2023
ASSETS			
Cash and balances with Central Bank	17	14,742,205	6,661,193
Securities	18	5,105,752	3,981,530
Loans and receivables from banks and others financial organizations	19	8,221,578	4,925,362
Loans and receivables from customers	20	8,582,173	6,273,298
Intangible assets	21	154,179	80,716
Property, plant and equipment	22	1,026,515	865,015
Investment property	23	195,087	268,009
Deferred tax assets	28	21,188	77,459
Other assets	24	437,018	337,058
TOTAL ASSETS		**38,485,695**	**23,469,640**
LIABILITIES			
Deposits and other liabilities due to banks, other financial institutions and Central Bank	25	531,662	294,385
Deposits and other financial liabilities due to customers	26	31,235,313	18,688,383
Provisions	27	432,523	203,927
Current tax liabilities	16	156,006	
Other liabilities	29	765,566	621,710
TOTAL LIABILITIES		**33,121,070**	**19,808,405**
EQUITY			
Share capital	31	3,065,958	3,065,958
Profit for the period	31	1,982,284	632,389
Previous years losses	31	-	(56)
Reserves /(unrealised loss)	31	316,383	(37,056)
TOTAL CAPITAL		**5,364,625**	**3,661,235**
TOTAL LIABILITIES AND EQUITY		**38,485,695**	**23,469,640**

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

These financial statements are approved by the Executive Board of Adriatic Bank a.d. Beograd on 21 February 2025

Signed on behalf of Adriatic Bank a.d. Beograd:

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ADRIATIC BANK
1

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Member of the Executive Board

Đorđe Lukić
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital	Share issue premium	Reserves from profit and other reserves	Revaluation reserves and unrealized losses	Profit	Previous years loss	Total
Balance as at 1 January 2023	**5,671,608**	**2,877,487**	**151,673**	**(282,902)**	**18,133**	**(5,604,554)**	**2,831,445**
Decrease of revaluation reserves from intangible assets and property, plant and equipment	-	-	-	(6,142)	-	-	(6,142)
Actuarial gain	-	-	-	69	-	-	69
Effect of change in fair value from financial assets at FVOCI	-	-	-	239,359	-	-	239,359
Effect of calculation of deferred taxes on other result	-	-	-	(35,885)	-	-	(35,885)
Total other result of period	-	-	-	**197,401**		-	**197,401**
Profit for the year	-	-	-	-	632,389	-	632,389
Distribution of profit for loss coverage - decrease	-	-	-	-	(18,133)	18,133	-
Other - decrease	(2,605,650)	(2,877,487)	(103,228)	-	-	5,586,365	-
Balance as of 31 December 2023	**3,065,958**	**-**	**48,445**	**(85,501)**	**632,389**	**(56)**	**3,661,235**
Balance as at 1 January 2024	**3,065,958**	**-**	**48,445**	**(85,501)**	**632,389**	**(56)**	**3,661,235**
Increase of revaluation reserves from intangible assets and property, plant and equipment	-	-	-	18,297	-	-	18,297
Actuarial gain	-	-	-	(3)	-	-	(3)
Effect of change in fair value from financial assets at FVOCI	-	-	-	397,184	-	-	397,184
Effect of calculation of deferred taxes on other result	-	-	-	(62,039)	-	-	(62,039)
Total other result of period	-	-	-	**353,439**	**-**	**-**	**353,439**
Profit for the year	-	-	-	-	1,659,951	-	1,659,951
Distribution of profit for loss coverage - decrease	-	-	-	-	(56)	56	-
Dividend payments	-	-	-	-	(310,000)	-	(310,000)
Balance as of 31 December 2024	**3,065,958**	**-**	**48,445**	**267,938**	**1,982,284**	**-**	**5,364,625**

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

These financial statements are approved by the Executive Board of Adriatic Bank a.d. Beograd on 21 February 2025

Signed on behalf of Adriatic Bank a.d. Beograd:

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

CASH FLOWS FROM OPERATING ACTIVITIES	2024	2023
Cash inflow from operating activities	**4,621,569**	**2,157,739**
Interest	1,330,243	815,875
Fee and commission	3,270,933	1,319,742
Other operating income	20,393	22,122
Cash outflow from operating activities	**(1,888,128)**	**(1,197,481)**
Interest	(246,703)	(181,211)
Fees and commissions	(434,814)	(160,534)
Gross salaries, salary compensations and other personal expenses	(669,355)	(472,346)
Taxes, contributions and other duties charged to expenses	(31,222)	(25,865)
Other operating expenses	(506,034)	(357,525)
Net cash inflow from operating activities before increases or decreases in financial assets and financial liabilities	**2,733,441**	**960,258**
Decrease in financial assets and increase in financial liabilities	**12,730,723**	**6,787,782**
Decrease in receivables from securities and other financial assets not held for investing	-	41,055
Increase in deposits and other financial liabilities towards banks and other financial organizations, Central Bank and customers	12,730,723	6,390,979
Increase in other financial liabilities	-	355,748
Increase in financial assets and decrease in financial liabilities	**(13,438,959)**	**(5,231,832)**
Increase in loans and other receivables from banks and other financial organizations, Central Bank and customers	(12,561,203)	(5,231,832)
Increase in receivables arising from securities and other financial assets not held for investing	(731,282)	-
Decrease in other financial liabilities	(146,474)	-
Net cash inflow from operating activity before income tax	**2,025,205**	**2,516,208**
Paid dividends	(310,000)	-
Net cash inflow of cash from operating activities	**1,715,205**	**2,516,208**

All amounts are expressed in thousands of RSD unless otherwise stated

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

CASH FLOW FROM INVESTING ACTIVITIES	2024	2023
Investment in investment securities	-	531
Inflow from sale of investment property	71,185	-
Outflow for purchase of intangible assets, property, plant and equipment	(382,306)	(616,433)
Net cash outflow from investing activities	**(311,121)**	**(615,902)**
CASH FLOW FROM FINANCING ACTIVITIES		
Outflow for loan payment	-	-
Net cash outflow for financing activities	**-**	**-**
NET CASH INCREASE/(DECREASE)	**1,404,084**	**1,900,306**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,169,991	1,291,399
NET EXCHANGE RATE GAINS/(LOSSES)	(106,367)	(21,714)
CASH AND CASH EQUIVALENTS AT YEAR END	**4,467,708**	**3,169,991**

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

These financial statements are approved by the Executive Board of Adriatic Bank a.d. Beograd on 21 February 2025

Signed on behalf of Adriatic Bank a.d. Beograd:

ADRIATIC BANK A.D. BEOGRAD
ADRIATIC BANK
1

Marko Ćorić
Member of the Executive Board

Đorđe Lukić
Chairman of the Executive Board

1. GENERAL BANK INFORMATION

Adriatic Bank A.D. Beograd was established on 28 December 1990 as “Centrobanka” a.d Beograd. The bank had several changes of ownership and name in following years.

On 13 April 2023, the sale of shares was carried out based on the Agreement on the sale of shares outside the regulated market between former shareholders and Alexander Shnaider, which made Aleksander Shnaider the owner of 100% of the value of the shares and the sole shareholder of the Bank. The Bank changed its name to Adriatic Bank a.d. Belgrade.

In accordance with the Law on Banks, the Bank is registered to perform payment transactions in the country and abroad and credit and deposit transactions and other business in accordance with Law on Banks and Banks Statute.

The registered office of Adriatic Bank a.d. Belgrade is in Belgrade, Dalmatinska Street 22, where the Bank's main office is located as well. The business network of branches, business units and other cash desks as at 31 December 2024 consists of 7 organizational units (31 December 2023: 6 organizational units).

As at 31 December 2024, the Bank had 174 employees (31 December 2023: 145), while the average number of employees during 2024 was 155 (2023: 140).

The Bank's registration number is 07534183, and the tax identification number is 100003148.

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis for Preparation and Presentation of Financial Statements

The Bank financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the National Bank of Serbia regulation. The attached financial statements are presented in the format prescribed by the Decision on forms and content of positions in the forms of financial statements for banks ("Official Gazette of RS”, no. 71/2014, 135/2014, 103/2018, 93/2020).

The financial statements have been prepared under the historical cost principle, unless otherwise stated in the accounting policies set out below.

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

2.2. New and Amended Standards and Interpretations

The following amended standards entered into force on 1 January 2024, but did not have a material impact on the Bank:

- **Amendments to IAS 1 "Presentation of financial statements” -** Classification of liabilities as short-term and long-term. The amendment should clarify the requirements for the presentation of liabilities as short-term and long-term liabilities (effective for annual periods beginning after 1 January 2024).

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.2. New and Amended Standards and Interpretations (continued)

- **Amendment to IAS 1 "Presentation of financial statements" -** Long-term liabilities with a clause - the amendment amends IAS 1 in order to clarify the presentation of liabilities in the Statement of Financial Position as short-term and long-term. Under these changes, contractual clauses to be fulfilled after the reporting date do not affect the classification of debt as short-term or long-term. Instead, the amendments require entities to disclose information about these clauses in the Notes to the financial statements. The amendment may be adopted early and in the case of early adoption, the amendments related to the classification of liabilities as short-term and long-term must be adopted on an earlier date or on the date of this amendment (effective for annual periods beginning after 1 January 2024).

- **Amendments to IFRS 16 "Lease"** - Lease obligations in Sale and Leaseback transactions - amendment updates IFRS 16 to clarify that the requirements for right-of-use assets and leasing obligations in IFRS 16 apply to sale-and-leaseback transactions after initial recognition. It also clarifies that the "rental payments" will be determined in such a way that the seller-lessee does not recognize a gain or loss related to the right-of-use property retained by the seller-lessee. This amendment applies retrospectively (effective for annual reports beginning on or after 1 January 2024).

- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures"** Supplier Financing Arrangements - These amendments to IAS 7 and IFRS 7 require entities to provide additional disclosures about their use of supplier financing arrangements and ensure that users have information which will enable them to assess: a) how the supplier financing arrangement affects the entity's cash flows and liabilities and b) the impact that supplier financing arrangements have on liquidity risk. IAS 7 disclosures are not required for the comparative period (effective for annual reports beginning on or after 1 January 2024).

2.3. Standards issued but not yet entered into force and have not been early adopted

On the date of issue of these financial statements, the following standards, additions and interpretations were published, but have not yet entered into force:

- **Amendments to IAS 21 Lack of Exchangeability -** This amendment updates IAS 21 to require entities to apply a consistent approach in assessing whether a currency is exchangeable and how to estimate the exchange rate if it is not. Additional disclosures are also required around how you estimate the exchange rate. There are also consequential amendments to IFRS 1. The comparative period is not restated for this amendment (applicable for reporting periods beginning on 1 January 2025);

- **Annual Improvements to IFRS Accounting Standards** (applicable for reporting periods beginning on or after 1 January 2026)

    - **IFRS 1 First-time adoption of International Financial Reporting Standards** – minor amendments to the cross references for hedge accounting by first-time adopters;

    - **IFRS 10 Consolidated Financial Stetements** – to provide additional guidance on determining what constitutes a „de facto agent“;

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3. Standards issued but not yet entered into force and have not been early adopted (continued)

- **IFRS 7 Financial instruments: Disclosures –** minor wording changes around the need to disclosure gains or losses arising on derecognition where a fair value measurement involves unobservable inputs. The implementation guidance accompanying IFRS 7 is also updated with regards to disclosures of deferred differences between fair value and transaction prices and guidance on credit risk disclosures.

- **IFRS 9 Financial instruments** – two minor amendments clarify how a lessee accounts for the derecognition of a lease receivable when it is extinguished, and amended wording that clarifies trade receivables are recognised at the amount determined applying the requirements of IFRS 15 Revenue from Contracts with Customers.

- **IAS 7 Statement of Cash Flows** – minor amendments around the term cost in relation to the measurement of investments in associates and joint ventures.

- **IFRS 18 Presentation and Disclosures of Financial Statements – new standard introduces three key changes:** The statement of profit or loss will be required to be broken down into three subsections: operating, investing and financing, similar to the layout of the cash flow statement, management performance measures, that are used by an entity in other communications, must now be included in a note to the financial statements including a reconciliation to the nearest IFRS equivalent measure, additional guidance is provided on how to aggregate and disaggregate information on the face of financial statements and the notes in order to provide more detailed and useful informatio to users. This standard will replace IAS 1 Presentation of Financial Statements. IFRS 18 is applied retrospectively with the comparative period restated (applicable for reporting periods beginning on or after 1 January 2027);

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures.** IFRS 19 is a voluntary standard that will not be required in order to claim compliance with IFRS Accounting Standards. Subsidiaries without Public Accountability, who meet specific criteria, may apply this standard that provides reduced disclosure requirements instead of the disclosure requirements of other IFRS Accounting Standards. Recognition and measurement criteria of other standards will still be required to be applied (applicable for reporting periods beginning on or after 1 January 2027).

- **Amendments to IFRS 10 „Consolidated financial statements“ i IAS 28 „Investments in Associates and Joint Ventures“-** amendment clarifies the accounting treatment of the sale or transfer of assets between an investor and its associates or joint ventures (deferred until IASB finalises its research project on the equity method).

The Bank's management has chosen not to adopt these new standards, amendments to existing standards and new interpretations before they become effective. Management anticipates that the adoption of these new standards, changes to existing standards and new interpretations will not have a material impact on the Bank's financial statements in the period of initial application.

All amounts are expressed in thousands of RSD unless otherwise stated

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

2.4. Comparative Information

Comparative information in these financial statements represent data from the Bank's financial statements for 2023.

The bank has reclassified income in 2024 based on foreign exchange purchases and sales with domestic and foreign banks, transferring them from the exchange rate differences position to the fees position. To ensure relevant disclosure of the comparative data structure for 2023, we present the reclassified data below.

	Note	Before reclassification	After reclassification
Fee and commission income	7	801,248	1,316,681
Fee and commission expense	7	(35,749)	(159,538)
Net fee and commission income	**7**	**765,499**	**1,157,143**
Net foreign exchange gains/(loss) and currency clause effects	8	369,931	(21,713)

In accordance with the reclassifications performed, the Bank also carried out the corresponding reclassifications in the Cash Flow Statement for the year 2023.

2.5. Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to use the best possible estimates and reasonable assumptions, which have an effect on the application of accounting policies and on the reported amounts of assets and liabilities, as well as income and expenses. The actual value of assets and liabilities may deviate from the value estimated in this way. Areas that involve a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

2.6. Statement of Compliance

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

In preparing the accompanying financial statements, the Bank has applied the accounting policies disclosed in Note 3.

2.7. Going Concern

The Bank's financial statements have been prepared on a going concern basis, which means that the Bank will continue in business for the foreseeable future. In 2024, the bank operated with a profit, with good capitalization and a sufficient level of liquidity provided through deposits and loans. Note 32 provides details on compliance with regulatory indicators, while Note 25 provides details on borrowings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank consistently applies accounting policies across all periods presented in the financial statements. The Bank's fundamental accounting policies applied to the current and prior periods are explained in detail below.

3.1. Foreign Currency Translations

Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into dinars at the middle exchange rate of the National Bank of Serbia valid on the balance sheet date. Gains and losses arising from the translation of receivables and liabilities are recognized in profit or loss.

Foreign currency transactions are translated into dinars at the official exchange rate at the date of the transaction. Net foreign exchange gains and losses resulting from foreign currency transactions and from the translation of foreign currency balance sheet items are credited or debited to the income statement as foreign exchange gains or losses.

3.2. Interest Income and Expense

Interest income and expense on all interest-bearing financial instruments are recognized in the income statement within 'Interest income' and 'Interest expense' using the effective interest method.

The effective interest method is a method that calculates the cost of repaying financial assets or financial liabilities as well as the cost of allocating interest income or interest expense over a specified period. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, over a shorter period of time to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows taking into account all contractual terms of the financial instrument (for example, prepayment) but does not take into account future credit losses. The calculation includes all fees and amounts paid or received between the two parties that are an integral part of the effective interest rate.

Interest income is calculated by applying the effective interest rate on the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest income is calculated at the effective interest rate on their amortized cost less impairment based on expected credit losses and (ii) financial assets purchased or realized with impairment for credit losses, for which the original credit-adjusted effective interest rate is applied to amortized cost.

3.3. Fee and Commission Income and Expenses

Fee and commission income is recognized over time on a straight-line basis, as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. This income includes fees that are often repeated - for account management, account servicing, current account packages, etc.

Other fee and commission income are recognized when the Bank meets its obligation, usually after the relevant transaction has taken place. The amount of fees and commissions paid or receivable represents the transaction price for the service, which is identified as the performance of a specific obligation. This revenue includes payment fees, cash settlement fees, collection or cash disbursements.

3.4. Dividend Income

Dividends are recognized in the income statement when the right to receive payment is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Financial instruments - Classification and Measurement of Financial Assets and Liabilities

Financial instruments

A financial instrument is any contract that gives rise to a financial asset or financial liability, with the simultaneous occurrence of a financial liability, i.e. a financial asset of third parties.

Financial assets

A financial asset is any asset that is:
- cash,
- equity instrument of another legal entity,
- contractual right to receive cash or some other financial asset from another legal entity,
- contractual right to exchange financial assets or financial liabilities with another legal entity, under conditions that are potentially favourable,
- a contract that will or may be settled with equity instruments and that is non-derivative, and for which the Bank is or may be obliged to receive a variable number of equity instruments,
- a contract that will or may be settled by equity instruments and which is a derivative, and which will be or may be settled other than by exchanging a fixed amount of cash or other financial asset for a fixed number of equity instruments.

Financial liabilities

A financial liability is any contractual liability:
- to deliver cash or other financial means to another legal entity,
- to exchange financial instruments with another legal entity under conditions that are potentially unfavourable.

Principles of valuation of financial instruments

From the aspect of classification and measurement, IFRS 9 defines criteria for the classification of financial assets, except equity instruments and derivatives, which are based on the assessment of the business model of managing specific financial assets and contractual characteristics of cash flows of financial instruments.

Financial assets

Upon initial recognition, the Bank measures a financial asset at fair value, increased or decreased for transaction costs that are directly attributable to the acquisition or issue of the financial asset.

The assessment of how the financial asset will be classified is made on the basis of the Bank's business model and the fulfilment of the test of characteristics of contracted cash flow.

Upon initial recognition, the Bank may irrevocably determine that financial assets that otherwise meet the criteria for valuation at amortized cost (AC) or at fair value through other comprehensive income (FVOCI), are recognized at fair value through profit or loss (FVTPL), if it eliminates or significantly reduces an accounting inconsistencies that would otherwise occur.

The business model determines whether cash flows arise from the collection of contracted cash flows, the sale of financial assets or both. The business model for the classification of financial assets is determined at the appropriate Stage of aggregation. Fulfilment of the test of characteristics of contracted cash flows means that cash flows consist exclusively of payment of principal and interest on the remaining principal (SPPI criterion).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Financial Instruments - Classification and Measurement of Financial Assets and Liabilities (continued)

Financial assets (continued)

Classification and measurement

Financial assets can be classified into the following categories:

- ✓ financial assets valued at amortized cost (AC)
- ✓ financial assets measured at fair value through profit or loss (FVTPL)
- ✓ financial assets measured at fair value through other comprehensive income

(a) *Amortized cost* (AC)

Financial assets are held for the purpose of collecting contracted cash flows, and generated cash flows must consist exclusively of payment of principal (the nominal value of the date of financial assets to be charged after maturity) and interest (fee in cash for borrowed funds), which represents the amount by which the financial asset is measured at initial recognition with an increase or decrease in accumulated depreciation using the effective interest method for all differences between the initial amount and the amount at maturity, less all payments and adjustments based on calculated expected credit losses.

Rare sales, even large values or frequent sales of small value, sales made immediately before the maturity of financial assets (less than 3 months before maturity) and when the revenue from such sales are approximately equal to the amount that would be collected from the remaining contractual cash flows, sales due to increased credit risk of financial assets, sales that can be attributed to an isolated event that is beyond the Bank's control and that is one-off, are not contrary to this model.

The results of the analysis of business models and the estimation of contracted cash flows showed that the Bank continues to evaluate loans, placements given to customers and banks, at amortized cost.

(b) Fair value through other comprehensive income (FVOCI)

Financial assets are held for the purpose of collecting contracted cash flows and for the sale of such financial assets, as well as on the basis of contractual terms for cash flows to arise on certain dates which are only payment of principal and interest on outstanding amount of principal. This model implies a higher frequency or value of sales, mainly due to changes in market conditions, and/or for the purpose of maintaining liquidity.

The results of the analysis of business models and the estimates of contracted cash flows showed that the Bank evaluates debt securities at fair value through other comprehensive income.

If debt securities do not meet the test characteristics of contracted cash flows, they are measured at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Financial Instruments - Classification and Measurement of Financial Assets and Liabilities (continued)

Financial assets (continued)

Classification and measurement (continued)

(c) Fair value through profit or loss account (FVTPL)

A business model that results in fair value measurements through profit or loss implies that the Bank manages financial assets in order to generate cash flows from the sale of assets. The Bank makes a decision based on the fair value of assets and manages them in order to achieve those fair values. In this case, the Bank's goal usually leads to active buying and selling. If debt securities or equity securities, including equity holdings, are acquired with the intention of being sold immediately or in the short term, they are classified as at fair value through profit or loss.

Bank classifies financial liabilities as liabilities at amortised cost. The Bank has no financial liabilities that are assessed as FVTPL and does not intend to do so.

Impairment of financial assets

In accordance with IFRS 9 Bank applies the principle of forward-looking expected credit loss (ECL) approach by including the impact of expected macroeconomic variables on the future movement of the probability of loss based on statistically proven interdependencies. Impairment losses for expected losses are calculated for all receivables and other debt instruments that are not measured at fair value through profit or loss, including irrevocable liabilities and issued guarantees. Impairment losses are based on the expected credit loss in accordance with the probability of default in the next 12 months, except when there is a significant deterioration in credit risk compared to the moment of initial recognition, when the assessment of credit losses is based on the probability of default over the life of the asset.

The Bank has defined the criteria for classifying financial instruments in Stages 1, 2 and 3 depending on the degree of increase in credit risk from the moment of initial recognition. The subject of classification is financial instruments that are measured at amortized cost as well as financial instruments that are measured at fair value through other comprehensive income.

STAGE 1

In the Stage 1, the Bank classifies financial instruments in which the credit risk has not significantly increased from the initial recognition. The expected credit loss recognized for Stage 1 financial instruments represents at most one-year portion of accrued credit losses.

Calculated in this manner, expected 12-month credit losses are part of expected credit losses over the financial instrument duration and represent cash deficits during the term that will result if default occurs within 12 months after the reporting date (or a shorter period, if the expected duration of the financial instrument is shorter that 12 months), pondered by the probability of such non-execution.

LEVEL 2 - Significant increase in credit risk

The Bank classifies financial instruments in Stage 2 credit risk when it identifies that there is one or more of the following indicators that may indicate that there has been a significant increase in credit risk:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Financial Instruments - Classification and Measurement of Financial Assets and Liabilities (continued)

Financial assets (continued)

Impairment of financial assets (continued)

STAGE 2 - Significant increase in credit risk (continued)

- 31-90 days past due
- restructuring of non-problematic receivables
- account block by the NBS for 30 days or more
- due to the status of problematic legal entities who have ratings of 7 and 8 and retail and entrepreneurs who are in DPD group 4
- rating downgrade by 2 DPD groups/rating classes from initial recognition of financial instrument
- if a legal entity has an exposure that has been transferred to Stage 2 on any basis, all the accounts of that legal entity that are in Stage 1 will move to Stage 2
- for legal entities where there has been a decrease in business income and equity by more than 50%, if the Credit Appraisal Unit does not consider that the client should be transferred to default status

A significant increase in credit risk for the segment of exposure to states and financial institutions was determined as a decline of two rating categories, compared in relation to the rating scale of renowned external rating agencies (Moody's, Fitch, S&P).

At the reporting date, the Bank measures the impairment allowance for a financial instrument at an amount equal to the expected credit loss over its life, if the credit risk for that financial instrument has increased significantly since initial recognition.

STAGE 3 - status of default

Stage 3 of credit risk includes financial instruments that are considered problematic, i.e. for which there is objective evidence of impairment. The Bank has identified a list of indicators that it monitors in order to identify the status of problem clients:

- continuous delay in settling obligations for more than 90 days
- blocked accounts for more than 60 days in continuity
- reduction of the payment capacity that can be reflected in:
  - 50% decrease in operating income
  - capital decrease of more than 50%
- for retail receivables that has been sued according to Bank's records
- for legal entities and entrepreneurs, the client in the status of defendant and/or bankruptcy
- the client has not submitted the last financial statement to the register of business entities
- for corporate, entrepreneurs and individuals which are placed in sector of collection of receivables (WOD);
- other information that indicates business problems or may affect the inability to service debt, such as:
  - frequent reminders of the client about settling obligations, difficult negotiations, indicating that the client has or will have problems in business and
  - other information identified by credit officer during the monitoring in connection with negative changes in client's business, in relation to the circumstances that existed when approving loans

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Financial Instruments - Classification and Measurement of Financial Assets and Liabilities (continued)

Financial assets (continued)

Impairment of financial assets (continued)

LEVEL 3 - status of default (continued)

For these financial instruments, the impairment allowance is calculated as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Future cash flow is determined based on insight into the borrower's creditworthiness and credit risk exposure.

The reversal of an impairment loss is recognized as income in the period in which the reversal is reversed.

The final write-off of uncollectible receivables is made on the basis of a court decision, settlement of interested parties, or on the basis of decisions of the competent body in the Bank.

The Bank makes an accounting write-off (transfer of balance sheet assets to off-balance sheet records) of problematic receivables, for which the calculated amount of impairment is 100% of their gross value.

The manner and steps of implementing the accounting write-off are defined by the acts of the Debt Collection Department.

3.6 Provisions

Provisions for liabilities and expenses are non-financial liabilities of uncertain timing or amount. A provision is recognized when the Bank has a present legal or constructive obligation as a result of a past event, and such an obligation can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 applicable, the risks associated with the liability. The Bank does not discount future cash flows that are expected to arise in the near future.

3.7. Sales and Repurchase Agreements

Securities sale-repurchase agreements ("repo") are securities sold subject to repurchase agreements ("reverse repo") and are accordingly recorded as loans and borrowings to other banks. The difference between the selling price and the repurchase price is treated as interest and is accrued over the life of the contract using the effective interest method.

3.8. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include balances with maturities of less than three months from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible securities, loans and advances to banks, due amounts of other banks and short-term government securities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Intangible Assets

Acquired licenses are stated at historical cost. Licenses have a limited useful life and are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives (applied depreciation rate of 25% - 33.33%).

3.10. Property, Plant and Equipment

The initial measurement of fixed assets is performed at cost or purchase price. The purchase value is the value according to the supplier's invoices, increased by the dependent costs based on the acquisition and the costs of bringing the asset into a state of functional readiness.

For subsequent measurement of construction, after initial recognition, the Bank applies the revaluation model in accordance with IAS 16 "Property, Plant and Equipment".

The Bank's equipment is stated at cost less accumulated depreciation and impairment losses, if any.

Buildings are regularly subject to revaluation. The frequency of revaluation depends on the movement of the fair value of the assets being revalued. The increase in the book value of buildings on the basis of revaluation is reflected in the revaluation reserve account. Decreased book values, which reduce previous increases in the value of the same assets, are charged directly to revaluation reserves, while all other reductions are charged to the income statement.

Revaluation reserves are transferred directly to retained earnings when the surplus is realized from the withdrawal from use or disposal of the asset and if the asset is not used by the Bank. In the latter case, the amount of realized profit is the difference between depreciation calculated on the revalued carrying value and depreciation calculated on the initial purchase value of the asset (optional).

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

Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amount to their residual value over their estimated useful lives, as follows:

- buildings 1.3%
- computer equipment 20.0%
- vehicles 20.0%
- furniture and equipment 12.5% - 20.0%
- leasehold improvements 20.0%

Gains and losses on disposals are determined from the difference between the cash inflow and the carrying amount and are recognized in the income statement within other income/expenses.

The residual value of an asset is the estimated amount that the Bank could currently obtain from the sale of the asset, less the estimated cost of sales, if the asset is already old and in the condition expected to be at the end of its useful life. The residual value of an asset is zero if the Bank expects to use the asset until the end of its useful life. The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10. Property, plant and equipment (continued)

When revalued assets are sold, the amount of revaluation included in the revaluation reserve is transferred to retained earnings.

3.11. Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to depreciation and are tested for impairment on an annual basis and when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purpose of assessing impairment, assets are grouped at the lowest Stages for which there are separately identifiable cash flows (cash-generating units). Non-financial assets (other than goodwill) that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.12. Investment Property

Investment property is property held for the purpose of earning from rent or for the purpose of increasing capital, or for both.

Investment property is held for long-term rental yields and is not occupied by the Bank.

Land held under operating leases is classified and accounted for as investment property if it meets other requirements from the definition of investment property.

Investment property is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost of the investment property can be measured reliably. Investment property is initially measured at cost. Transaction costs are included in the initial measurement. The purchase value of the investment property includes its purchase price and all costs directly attributable to the acquisition. After initial recognition, investment property is subsequently measured at fair value. The fair value of investment property reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognized in the income statement in the period in which they arise.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the item will flow to the Bank and can be measured reliably. All other maintenance costs are charged to the period in which they are incurred. When an investment property is used by its owner, it is reclassified to property, plant and equipment, and it's carrying amount at the date of reclassification becomes its carrying amount which will be further depreciated.

3.13. Inventories

Upon acquisition, inventories are measured using the historical cost method, or the net realizable value method, whichever is lower. Historical cost implies that inventories are recognised on the basis of acquisition costs, and net realizable value is the value at which inventories can be realized on the market sale transaction.

The Inventories also include assets acquired through the collection of receivables. If there is an indication that an asset is impaired, the recoverable amount of the asset is estimated to determine the amount of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14. Leases

Bank as a *lessee*

The Bank classifies leases (leases of property and equipment) in accordance with IFRS16, which implies that on the first day of the lease, assets with the right to use and lease liabilities are recognized in the balance sheets at the present discounted value of those leasing liabilities. The leasing period means the entire period of the lease, as well as the period of possible extension of the lease provided for in the contract. The choice of the discount rate is conditioned by the interest rate implied in the lease (based on the lease payment, the unguaranteed residual value, the fair value of the fixed asset and the initial direct costs of the lender). The discount rate can also be determined as an incremental lending rate, ie. as the interest rate that the lessee would have to pay for a similar lease or, if it cannot be determined, at what price the lessee can obtain funds on the market for the purchase of the same or similar assets (assets of similar value) under the same conditions (similar term). The Bank recalculates the discount or incremental rate when changing the provisions of the contract (duration of the lease, changes in the option to purchase the subject property, changes in future payments due to changes in the rate in the lease agreement). Changes in estimates (for example, changes in estimates of the economic life or residual value of the leased asset), or changes in circumstances (for example, non-performance of financial obligations of the lessee) do not cause a new classification of leasing, i.e. recalculation of the discount or incremental rate.

Each month, the Bank will record the cost of interest on the lease liability and the cost of depreciation on the discounted right to use the asset. Each month, upon receipt of the invoice for the payment of the lease, the amount of leasing liability will decrease.

The Bank will revalue the lease liability based on the occurrence of certain events (i.e. change in the lease period, change in the lease price, significant change in the incremental rate, etc.). In that case, the Bank recognizes the amount of the revaluation of the lease liability as an adjustment to the right to use the asset.

If the amount of the lease is of small value (monthly lease amount up to EUR 100) and/or if the lease contract is concluded for a period of 12 months or less, the Bank will not treat those leases in accordance with this standard.

Bank as the lessor

A lease is an agreement under which the lessor transfers to the lessee the right to use the assets during an agreed period of time in exchange for one or more payments.

When an asset is leased out under an operating lease, the asset is recognized in the balance sheet depending on the type of asset.

Lease income is recognized on a straight-line basis over the term of the lease.

3.15. Borrowings

Deposits, received loans, and subordinated liabilities represent the primary source of financing for the Bank.
The Bank classifies capital instruments as liabilities or equity instruments in accordance with the substance of the contractual terms of the specific instrument. Deposits, received loans, and subordinated liabilities are initially measured at fair value plus transaction costs that can be directly attributed to them. After initial recognition, they are measured at amortized cost using the effective interest rate method.

Loan liabilities are classified as current liabilities unless the Bank has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16. Employee Benefits

(a) Employee benefits

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

The Bank and its employees are legally obliged to pay taxes and social security contributions in accordance with applicable legal regulations. The Bank is not obliged to pay compensation to employees, which is the obligation of the Fund. Taxes and contributions related to defined benefit plans are recorded as an expense of the period to which they relate.

(b) Retirement benefits

In accordance with applicable legal regulations, the Bank is obliged to pay retirement benefits to employees upon retirement or termination of employment by force of law due to loss of working capacity in the amount of three average salaries in the business sector in the Republic of Serbia, according to the latest information published by a competent statistical body. These payments are recognized in the balance sheet as a liability, in accordance with the estimate of the certified actuary at a discounted amount.

Actuarial gains and losses arising from adjustments based on experience as well as changes in actuarial assumptions are charged or credited to the income statement and are allocated to the expected average remaining length of service of the employees in question.

The actuarial assumptions used when calculating retirement benefits were as follows:

- data on employees: total length of service as at 31 December 2024, year of birth and sex, number of years until old age or full pension;
- annual employee turnover rate of 14%;
- annual discount rate 6%;
- assumed geometric growth of earnings of 8.5% per year during the entire period for which funds are reserved.

Termination benefits are paid when the employment is terminated before the date of regular retirement, or when the employee accepts the agreed termination of employment, as redundancy, in exchange for these benefits. The Bank recognizes termination benefits upon termination of employment when it is evident that the Bank will either terminate the employment relationship with the employee, in accordance with a detailed formal plan without the possibility of resignation, or provide termination benefits for termination of employment in order to encourage voluntary termination of employment for the purpose of reducing the number of employees. Benefits that fall due more than 12 months after the balance sheet date are reduced to the present value.

3.17. Current Income Tax and Deferred Taxes

a) Current income tax

Current income tax is the amount that is calculated and paid in accordance with the tax regulations in the Republic of Serbia, based on the profit shown in the prescribed tax balance. The bank itself calculates the income tax, ie the annual tax liability and the amount of the advance payment for the next year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17. Current Income Tax and Deferred Taxes (continued)

a) Current income tax (continued)

Income tax in the amount of 15% is paid based on the annual profit shown in the Tax Balance and is reduced for certain investments during the year, as shown in the Tax Balance - PDP form. Accounting profit is adjusted for certain permanent as well as temporary differences in order to obtain the amount of taxable profit. The Tax Balance is submitted within 180 days after the expiration of the period for which the tax liability is determined.

b) Deferred taxes

Deferred income tax is calculated and recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the Bank's financial statements. Deferred tax liabilities are recognized for all taxable temporary differences between the tax bases of assets and liabilities on the balance sheet date and the amounts reported for reporting purposes, which will result in taxable amounts of future periods.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be realized.

Current and deferred taxes are recognized as income and expense and are included in net profit for the period.

3.18. Share Capital

Ordinary shares are classified as equity.

(a) Share issue costs

Additional costs that are directly attributable to the issue of new shares or the acquisition of a legal entity are recognized in equity as a deduction, net of tax, from the inflow of proceeds. Any amount greater than the fair value of the proceeds received above the nominal value of the shares issued is recognized in equity as a share premium.

(b) Dividends on shares

Dividends on shares are recorded as liabilities in the period in which the decision on their payment is made. Dividends approved for the year after the balance sheet date are disclosed in the Note on events after the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19. Financial Guarantees

Financial guarantees are contracts that oblige the issuer of the guarantee to make a payment or compensate the loss to the recipient of the guarantee, incurred if a particular debtor does not settle its obligations in a timely manner in accordance with the terms of the contract. The Bank provides such financial guarantees to banks, financial institutions and other organizations, on behalf of its clients, in order to provide loans, current account overdrafts, and other banking services.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee is given. After initial recognition, the bank's guarantee liabilities are measured as greater than: a) the initially recognized amount less depreciation calculated to recognize income on the straight-line basis over the duration of the guarantee; and b) the best estimate of the amount of impairment loss for the guaranteed exposure, which is determined based on the ECL model.

4. FINANCIAL RISK MANAGEMENT

4.1 Introduction

The Bank's operations are exposed to various financial risks and these operations require the identification, assessment, monitoring, mitigation and control of risk, as well as the establishment of an adequate system for reporting on risk. The Bank manages its risks through a special organizational unit for risk management. The Bank by its acts prescribes procedures for identification, measurement, risk assessment and risk management in accordance with regulations, standards and rules of the profession.

The Bank's risk management policy defines a unique system for managing the risks to which the Bank is exposed in its operations.

By the nature of its activities, the Bank is exposed to various types of risks, such as:

1. liquidity risk;
2. credit risk;
3. interest rate risk;
4. market risk;
5. risks of the Bank's exposure towards an entity or a group of related parties;
6. risks of the Bank's investments in other legal entities and fixed assets;
7. risks related to the country of origin of the entity to whom the Bank is exposed;
8. operational risk (including legal risk, model risk and risk of inadequate management of information and other technologies).
9. AML risk (risk of money laundering and terrorist financing prevention)
10. Compliance risk
11. Reputational risk

Risk management framework

The most crucial role in the risk management system, as part of the internal control system, is played by Bank's Managing Board, which is responsible for its establishment and oversight. The Manging Board defines the strategy and policies for managing the material types of risks to which the Bank is exposed in its operations. Additionally, the Board grants prior approval for the Bank's exposure to any individual entity or group of related entities exceeding 10% of the Bank's regulatory capital, as well as for increasing such exposure beyond 20% of the regulatory capital, up to a maximum of 25% of the Bank's capital. The Executive Board implements the risk management strategy and policies by adopting risk management procedures, identifying, measuring, and assessing risks, and ensuring their application. The Credit Committee plays a significant role in the loan approval process, reviewing credit requests, making decisions within its authority, or providing recommendations for higher-level approvals in credit transactions.

The Bank's internal organization ensures the functional and organizational separation of risk management activities from other regular business activities. A dedicated organizational unit, Risk Management, is responsible for overseeing and managing risks.

The Risk Management Structure is organized to cover risk management through the following functions:

- Credit Risk Management
- Collateral Monitoring
- Non-Credit Risk Management Department (covering market and operational risks)
- Credit Application Assessment Department (responsible for analyzing the creditworthiness and repayment capacity of individual clients, entrepreneurs, small and medium-sized enterprises, and corporations).

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Introduction (continued)

Internal audit

Internal Audit conducts its activities based on an annual and multi-year plan approved by the Managing Board. The frequency of internal audits (frequency or audit cycle length) for a specific business process or risk can range from one to five years, depending directly on the assessed risk level or regulatory requirements.

Internal Audit regularly monitors the implementation of recommendations (action plans) issued in internal audit reports and reports to the Executive Board, the Audit Committee, and the Managing Board on their status, including any delays in the implementation of corrective measures.

4.2 Liquidity Risk

Liquidity risk is defined as the risk of possible adverse effects on the Bank's financial result and equity due to the Bank's inability to meet its due obligations. Liquidity risk arises due to significant withdrawal of existing sources of financing, inability to obtain new sources of funds (liquidity risk of sources of funds), as well as due to difficult conversion of assets into liquid assets due to market disruptions (market liquidity risk).

In order to adequately manage and control liquidity risk, the Bank has implemented internal procedures that define a comprehensive system for managing this risk, including competencies and responsibilities of participants in the process as well as controls and methodologies that achieve efficiency of liquidity risk management system.

The Bank's liquidity risk management system includes:

- defining the principles of liquidity risk management,
- organizational structure that supports adequate liquidity risk management,
- procedures for identifying, measuring, mitigating and monitoring liquidity risk,
- information system that supports liquidity risk management,
- timely and adequate activities in situations of increased liquidity risk,
- adoption of the Contingency Plan and the Bank's Recovery Plan,
- internal liquidity risk management system

In its operations, the Bank adheres to the following basic principles for liquidity risk management:

- The Bank actively monitors liquidity risk exposure in significant currencies exceeding 5% of the Bank's liabilities (RSD, EUR, USD and CHF).
- Ensuring continuous stability and diversification of funding sources, according to the type of source and tenors, in which sense the limits of concentration of sources of funds and maximum participation in the deposit base per client have been determined.
- Formation of a Stage of highly liquid assets and an adequate Stage of liquidity reserves consisting of cash, funds in accounts with foreign banks, obligatory reserves with the National Bank of Serbia in EUR and RSD and highly liquid securities issued by the Ministry of Finance of the Republic of Serbia.
- The Bank has established internal procedures for dealing with increased liquidity risk as well as early warning systems for potential deterioration of the Bank's liquidity profile. The Bank's business plan in case of unforeseen events as well as the Bank's Recovery Plan are subject to regular annual testing and revision.
- Liquidity risk assessment is a mandatory part of the procedure when approving a new product.
- Regularly conduct stress tests based on scenarios specific to the Bank or the general market in which the Bank operates, in order to identify sources of potential liquidity crisis as well as the conditions and ways under which the Bank would, in such situations, maintain the required liquidity Stage with full fulfilment regulatory and internally defined limits.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity Risk (continued)

Bodies and organizational units of the Bank that are directly involved in the liquidity risk management process are:

- The Bank's Managing Board adopts a risk management strategy and policy, of which liquidity risk management is an integral part, as well as the Bank's Recovery Plan.
- The Bank's Executive Board adopts the Bank's risk management procedures and ensures their full implementation
- The Assets and Liabilities Management Committee (ALCO) monitors the Bank's liquidity risk exposures and early warning indicators and proposes measures to improve the Bank's liquidity profile
- The Asset Management Department is responsible for day-to-day liquidity management and maintaining defined internal and regulatory limits at the approved Stage.
- The Risk Management Department implements procedures for measuring, analysing and monitoring liquidity risk and develops methodologies for internal liquidity risk assessment and stress testing
- Internal audit performs an independent assessment of the adequacy of adopted liquidity risk management procedures at least once a year

The Bank's liquidity risk management means managing all items of assets, liabilities and off-balance sheet items of the Bank that may have an impact on its liquidity position. Internal identification, measurement and monitoring of liquidity risk relies on gap analysis of future cash flows of these positions allocated over time intervals according to the remaining maturity. For balance sheet items for which it is not possible to determine in advance the exact date of inflow or outflow of assets, the Bank uses assumptions based on the analysis of the historical movement of these positions or on the basis of expert assessment. For the purpose of estimating potential outflows of deposits without a defined maturity, the Bank uses an internal model based on the concept of deposit stability analysis.

The Bank defines individual and cumulative liquidity gap limits, which it observes both at the aggregate Stage (consolidated presentation) and by significant currencies. Limits are defined as the limit of the ratio between the cumulative gap of up to one month and the total assets of the bank as well as for the three-month gap in relation to the total assets of the Bank.

The following table shows the assets and liabilities grouped into categories according to the remaining contractual maturity at the balance sheet date.

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity Risk (continued*)*

As of 31 December 2024	**up to 1 month**	**1-3 months**	**3-12 months**	**1 - 5 years**	**over 5 years**	**Total**
Assets						
Cash and balances with the Central Bank	14,742,205	-	-	-	-	14,742,205
Securities	-	-	-	2,506,933	2,598,819	5,105,752
Loans and receivables from banks and other financial organizations	7,985,546	236,032	-	-	-	8,221,578
Loans and receivables from customers	396,874	616,348	3,068,548	3,540,668	959,735	8,582,173
Other assets	16,031	-	13	403,119	17,855	437,018
Total assets	**23,140,656**	**852,380**	**3,068,561**	**6,450,720**	**3,576,409**	**37,088,726**
LIABILITIES						
Deposits and other liabilities due to banks, other financial institutions and Central Bank	531,662	-	-	-	-	531,662
Deposits and other liabilities due to customers	18,473,693	1,166,590	6,129,709	5,129,643	335,678	31,235,313
Other liabilities	755,545	2,737	3,054	3,635	595	765,566
Total liabilities	**19,760,900**	**1,169,327**	**6,132,763**	**5,133,278**	**336,273**	**32,532,541**
Net Gap (Total Assets - Total Liabilities)	**3,379,756**	**(316,947)**	**(3,064,202)**	**1,317,442**	**3,240,136**	**4,556,185**

As of 31 December 2023	**up to 1 month**	**1-3 months**	**3-12 months**	**1 - 5 years**	**over 5 years**	**Total**
Assets						
Cash and balances with the Central Bank	6,661,193	-	-	-	-	6,661,193
Securities	2,787,072	1,194,458	-	-	-	3,981,530
Loans and receivables from banks and other financial organizations	4,708,757	216,605	-	-	-	4,925,362
Loans and receivables from customers	300,234	393,814	1,984,431	2,356,536	1,238,283	6,273,298
Other assets	336,116	-	13	561	368	337,058
Total assets	**14,793,372**	**1,804,877**	**1,984,444**	**2,357,097**	**1,238,651**	**22,178,441**
LIABILITIES						
Deposits and other liabilities due to banks, other financial institutions and Central Bank	294,385	-	-	-	-	294,385
Deposits and other liabilities due to customers	8,645,881	1,093,120	4,526,099	4,233,661	189,622	18,688,383
Other liabilities	614,355	1,812	1,939	3,275	329	621,710
Total liabilities	**9,554,621**	**1,094,932**	**4,528,038**	**4,236,936**	**189,951**	**19,604,478**
Net Gap (Total Assets - Total Liabilities)	**5,238,751**	**709,945**	**(2,543,594)**	**(1,879,839)**	**1,048,700**	**2,573,963**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity Risk (continued)

Non-discounted cash flows

The amounts shown in the table below show the contracted undiscounted cash flows of financial instruments as at 31 December 2024.

As of 31 December 2024	up to 1 month	1-3 months	3-12 months	1 - 5 years	over 5 years	Total
Cash and balances with the Central Bank	14,742,205	-	-	-	-	14,742,205
Securities	-	-	-	2,506,933	2,598,819	5,105,752
Loans and receivables from banks and other financial organizations	7,985,235	236,032	-	-	-	8,221,267
Loans and receivables from customers	329,245	573,397	2,848,098	2,803,985	342,611	6,897,336
Total assets (contracted maturity dates)	**23,056,685**	**809,429**	**2,848,098**	**5,310,918**	**2,941,430**	**34,966,560**

As of 31 December 2024	up to 1 month	1-3 months	3-12 months	1 - 5 years	over 5 years	Total
Deposits and other liabilities due to banks, other financial institutions and Central Bank	531,662	-	-	-	-	531,662
Deposits and other liabilities due to customers	18,474,879	1,170,788	6,198,085	5,162,567	335,678	31,341,997
Total liabilities (contracted maturity dates)	**19,006,541**	**1,170,788**	**6,198,085**	**5,162,567**	**335,678**	**31,873,659**

As of 31 December 2023	up to 1 month	1-3 months	3-12 months	1 - 5 years	over 5 years	Total
Cash and balances with the Central Bank	6,661,187	-	-	-	-	6,661,187
Securities	3,656,960	1,567,268	-	-	-	5,224,228
Loans and receivables from banks and other financial organizations	4,714,479	219,807	-	-	-	4,934,286
Loans and receivables from customers	322,625	459,115	2,216,867	2,998,876	1,741,068	7,738,551
Total assets (contracted maturity dates)	**15,355,251**	**2,246,190**	**2,216,867**	**2,998,876**	**1,741,068**	**24,558,252**

As of 31 December 2023	up to 1 month	1-3 months	3-12 months	1 - 5 years	over 5 years	Total
Deposits and other liabilities due to banks, other financial institutions and Central Bank	300,436	3,202	-	-	-	303,638
Deposits and other liabilities due to customers	8,647,315	1,098,119	4,598,076	4,248,634	189,622	18,781,766
Total liabilities (contracted maturity dates)	**8,947,751**	**1,101,321**	**4,598,076**	**4,248,634**	**189,622**	**19,085,404**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity Risk (continued)

The focus of the Bank during 2024 was to continue maintaining a high Stage of liquidity as well as diversifying and optimizing liquidity reserves with a reduced appetite for risk-taking. At the same time, the Bank continued to strengthen its deposit base, which continued to grow throughout 2024, while liquidity reserves were maintained.

Regulatory liquidity indicators

In accordance with the Decision on the Management of the Bank's Liquidity Risk, the Bank is obliged to compile and regularly report to the National Bank of Serbia on the Bank's liquidity Stage through the Bank's liquidity indicator, narrow bank liquidity indicator and liquidity coverage indicator.

Bank liquidity indicator and narrow bank liquidity indicator

The Bank's liquidity indicator represents the ratio of the first and second tier liquidity assets of the Bank, on the one hand, and the sum of the Bank's liabilities on sight or with no contractual maturity and liabilities of the Bank with an agreed maturity in the next month from the day of performing the liquidity ratio calculation, on the other.

A narrow indicator of a Bank's liquidity is the ratio of the Bank's first-line liquidity claims, on the one hand, and sums the Bank's liabilities on sight or with no contractual maturity and the Bank's contractual maturity within the next month from the reporting date on the other.

Banks's liquidity indicator	31 December
2024	5.41
2023	4.45

Narrow indicator	31 December
2024	3.90
2023	3.14

Liquid assets coverage indicator

The liquid assets coverage indicator represents the ratio of the Bank's liquidity buffer and the net outflow of its liquid assets that would occur during the next 30 days from the day of calculating this indicator in the assumed stress conditions.

This indicator significantly relies on the Basel III regulation of the European Union (Commission Delegated Regulation EU 2015/61) with some minor changes to adapt to local conditions. In that sense, the most significant differences relate to the inclusion of the amount of required reserves with the National Bank of Serbia that exceeds the amount of calculated reserves and the inclusion of securities of the Ministry of Finance of the Republic of Serbia without the application of corrective factors.

The regulatory requirement is to maintain highly liquid assets at a minimum level of 100% relative to the net outflow of funds. The indicator of liquidity coverage of the Bank as of 31 December 2023 and 2024 was as follows:

LCR	31 December
2024	807%
2023	596%

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk

The Bank is exposed to credit risk and the possibility that the debtor will not fulfil its obligations towards the Bank in the agreed amount on the due date. Exposure to credit risk arises primarily from crediting operations.

In order to maintain credit risk at an acceptable Stage, the Bank:
- reviews the creditworthiness of the borrowers of loans, guarantees and other products,
- determines the limits of credit indebtedness on the basis of risk assessment,
- does business with creditworthy clients and obtains appropriate security instruments.

Clients are under continuous supervision, and limits on risk exposure are adjusted as necessary. Risk limits are determined depending on the different types of security instruments.

The concentration of risk by economic activities is also under constant monitoring, although no restrictions have been set.

Risk exposure to one debtor, including banks, is limited and includes both on-balance sheet and off-balance sheet risk exposure. The total risk exposure per client in relation to restrictions is considered before the transaction occurs.

Credit risk management at the level of individual placements

Credit risk management at the Stage of individual placements includes:
- credit risk management in the process of approving and realizing placements;
- credit risk management in the process of monitoring and collecting placements.

The organizational units of the Bank responsible for taking credit risk at the Stage of individual placements of corporate and retail entities are Corporate Department, Retail and SME Department and Treasury Department. Organizational parts of the Bank responsible for independent credit risk assessment at the Stage of individual placements is the Risk Management Department.

The Managing Board, The Executive Board and Credit Committee are the Bank's bodies that participate in the decision-making process on approving loans and other receivables of the Bank, as well as changes in loan terms and other receivables, and are composed of members who meet the requirements for membership defined by law and their powers, responsibilities and scope regulated by the Bank's Articles of Association.

Members of the Credit Committee and other committees regulated by the Law on Banks and the above Decision are appointed by the Managing Board of the Bank.

The dynamics of sessions of the Credit Committee, the quorum for decision-making, as well as the procedure of the Bank's Credit Committee are defined by the Rules of operation of the Credit Committee.

Large exposures

The Executive Board of the Bank is obliged to inform the Managing Board at least quarterly about the following:
- on all transactions concluded with related parties, including legal transactions with entities related to related parties of the Bank
- granted approvals, i.e. all placements granted to one person or a group of related parties, by which the Bank increases its exposure to that person or group of related parties

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Credit risk management at the level of individual placements (continued)

Placement monitoring

Organizational parts of the Bank who are in charge of credit risk at the Stage of individual placements are obliged to monitor individual placements and borrowers. Monitoring of individual placement includes:

- Monitoring the financial status of the debtor,
- Monitoring the regularity in the fulfilment of obligations,
- Status and organizational changes of the debtor, i.e. up-to-date documentation,
- Monitoring of collateral,
- Identifying the need to restructure or refinance client liabilities, analyse economic feasibility and implement the process
- Other factors affecting the debtor's ability to fulfil its obligations
- Monitoring and collection of placements for all debtors who are up to 30 days late

Monitoring of individual placements in the status of default

The organizational part of the Bank responsible for credit risk management in the process of monitoring and collection of placements with the status of outstanding liabilities is the Debt Collection Department and the Legal Department.

On a monthly basis, the Debt Collection Department reports to the Debt Collection follow-up Commission on the status of clients by segments and days past due in order to better monitor and collect receivables from clients and establish a system for early detection of potential problematic placements.

Debt Collection follow-up Commission as a body for bad assets management:

- monitors clients who are in problematic status (over 60 days past due - Watch list);
- monitors clients according to the Early Recognition System (EWS) identified as potentially problematic, (makes decisions on actions towards individual clients based on information obtained from the Debt Collection Department)

The system for defining early identification of potential problematic claims (EWS) as well as the Watch List is the responsibility of the Risk Management Department in cooperation with the Debt Collection Department and is subject to continuous improvement according to current IT support.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Portfolio level credit risk management

Credit risk management at the Stage of the Bank's portfolio is applied in all organizational units of the Bank whose competence are related to the approval and monitoring of placements, as well as at the Stage of:

- Risk Management Department
- Financial Control Department
- Executive and Managing Board of the Bank

By monitoring and identifying credit risks at the portfolio Stage, the Bank, by analysing the structure and characteristics of the portfolio, timely identifies factors that may lead to an increase in credit risk.

Identification of credit risk at the Stage of the Bank's portfolio is carried out by determining current credit risk exposure based on current and historical data as well as by determining credit risk exposure that may occur in the future through projections and simulations of the Bank's portfolio.

Internal credit risk reporting covers the following areas:

- portfolio quality - portfolio quality reports contain detailed views on portfolio structure and focus on concentration indicators, as well as key indicators of the Bank's portfolio quality, based on which proposals/opinions are given on potential future effects and steps to be taken in order to improve the Bank's operations;
- classification of client loans - classification of loans by risk categories and ratings are done at least quarterly - a breakdown by portfolio segment is needed to provide appropriate insight in terms of risk sources;
- impairment of loans - analysis of provisions and allowances for loans is considered important as an indicator of portfolio quality and a means of identifying sources of loan deterioration;
- large debtors - the analysis of large engagements focuses on significant concentrations towards certain clients, as well as on compliance with regulations;
- indicators of early warning about the threat to the activities and financial position of the Bank defined by the Recovery Plan;
- Stage of problematic receivables, movement of NPL portfolios in accordance with the Decision on NBS reporting, structure of NPL portfolios and its coverage by impairment;
- quarterly portfolio stress within the ICAAP process and reporting to the Managing Board on the results of stress tests and their effect on internal capital requirements;
- monitoring the quality of assets by days of arrears and their movement for all segments of the portfolio;
- monitoring the status of foreclosed real estate based on the collection of receivables.

Control and supervision

Organizational parts of the Bank in the function of independent control and supervision over the risk management system:

- Internal Audit,
- Compliance and AML Department

In addition to regular independent assessments of the efficiency and reliability of the credit risk management system, the Bank is obliged to test the quality of the applied internal models for credit risk assessment at least once a year.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

The Bank's exposure to credit risk

The Bank determines the credit risk exposure of its financial assets by applying IFRS 9 as described further in this section.

Impairment of financial assets

Assets carried at amortized cost

Assessment on an individual basis - Stage 3
The calculation of the impairment for exposures to the Stage 3 is performed on an individual basis if the client meets the following conditions:
- Legal entities and entrepreneurs - total exposure in the Bank is greater than EUR 50 thousand and
- Retails - total exposure in the Bank is greater than EUR 30 thousand

The bank uses the following criteria to determine the "default" status:
- Continuous delay in settlement of obligations overdue 90 days
- Existence of objective evidence of impairment

Continuous overdue 90 days
The bank has established a system of counters of days of delay which is monitored on a regular basis and which Materially serves to identify clients with a continuous delay of more than 90 days. The counter of days of delay is based on the regulatory threshold of materiality, namely: 1% of the claim, but not less than RSD 10,000 for a natural person (entrepreneurs), or RSD 50,000 for a legal person. In addition, counters of days of delay are set at the individual claim Stage for retails (entrepreneurs), that is, at the client Stage for corporate customers.

Objective evidence of impairment
The default status can be identified even before the delay of 90 days if other qualitative criteria are identified that indicate the existence of objective evidence of impairment of the financial asset, i.e. the existence of certainty that the debtor will not be able to settle his obligations in entire amount.

In respect of the matter, the Bank has identified an indicators list that monitors to identify the default status:
- Account blocking for more than 60 days continuously
- Decrease in repayment capacity, which can be reflected in:
  - Reduction in operating revenues of 50%
  - Capital decrease over 50%
- Corporate clients where the client is sued, bankrupt, liquidated
- Where the client has not submitted the last financial report to the relevant institution
- Where both corporate clients and retails clients are in the debt collection sector (WOD);
- Other information that indicates problems in business or may affect the inability to service the debt, such as:
  - frequent reminders to the client about the settlement of obligations, difficult negotiations, hints to the client that he has or will have problems in business and
  - another type of information that the credit officer notices during monitoring regarding negative changes in the client's business, in relation to the circumstances that existed when the placement was approved
  - Claims for retails with status of defendant in the bank's system

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Impairment of financial assets (continued)

As, in accordance with the standard, expected credit losses represent probability-weighted estimates of credit losses, the Bank recognizes the existence of several possible collection scenarios when assessing expected future cash flows.

On this occasion, the scenarios that are considered are:

- realization of collateral (judicial or extrajudicial);
- restructuring and reprogramming;
- bankruptcy;
- sale of receivables;
- everything else that is considered relevant.

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

Depending on the type of real estate over which the mortgage was established, its location and the date of the last assessment, the Bank uses the reduced market value of the real estate in the process of calculating the value adjustment, as follows:

Residential property/territory	**Haircuts 2024**	**Billing year**
Belgrade and Novi Sad	20%	1-5
Other	42.5%	1-5

Land/type	**Haircuts 2024**	**Billing year**
Land Vojvodina	25%	1-5
Land other	40%	1-5

Business property/territory	**Haircuts 2024**	**Billing year**
Belgrade and Novi Sad	20%	1-5
Other	42.5%	1-5

Industrial property/type	**Haircuts 2024**	**Billing year**
Factories	35%	1-5
Warehouses	50%	1-5

Residential property/territory	**Haircuts 2023**	**Billing year**
Belgrade and Novi Sad	20%	1-5
Other	42,5%	1-5

Land/type	**Haircuts 2023**	**Billing year**
Land Vojvodina	25%	1-5
Land other	40%	1-5

Business property/territory	**Haircuts 2023**	**Billing year**
Belgrade and Novi Sad	20%	1-5
Other	42.5%	1-5

Industrial property/type	**Haircuts 2023**	**Billing year**
Factories	35%	1-5
Warehouses	50%	1-5

In cases when the mortgage valuation date is older than 3 years, the haircut defined above is increased by 10%.

Expected cash flows must be reduced to their present value. As a discount factor, the Bank uses the effective interest rate (effective interest rate calculated on the day of concluding the loan agreement) in cases when a fixed interest rate has been agreed with the client, when the Bank has approved a change in repayment terms, when there is restructured receivable, the Bank uses the initial effective interest rate per restructured account. In the case of loans with a variable interest rate, the current effective interest rate valid on the day of calculation is used.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Impairment of financial assets (continued)

In order to determine the expected period of collateral collection, Debt Collection Department takes into account the following factors:

- type of mortgage (depending on the law under which the mortgage was established, i.e. whether it was established under the Mortgage Act or the Enforcement Procedure Act);
- validity of mortgage documentation (quality, i.e. completeness of documentation held by the Bank);
- type, purpose, functionality and size of the real estate that is the subject of the mortgage and the location where the real estate is located;
- supply and demand for real estate that is the subject of collateral;
- phase in which the mortgage collection process is located, i.e. whether the collection was initiated through court or out-of-court settlement procedure or the collection is expected by exercising the rights from the bankruptcy procedure;
- client's cooperation with the Bank.

Except in the case when it is able to document and confirm shorter expected periods of realization, the Bank uses the expected collection period of 1 to 5 years for the realization of mortgages on real estate. For collateral: guarantee deposit, government bonds or other securities guaranteed by the government, government guarantees and guarantees of first-class banks, the Bank assumes immediate collectability and does not discount the expected cash inflows based on them.

Deviations from this rule are allowed in cases of exposures that are under the jurisdiction of the Debt Collection Department, with the approval of the Debt Collection Monitoring Commission.

Assessment on a group basis - Stage 1,2,3

Stage 1 - expected credit losses

The calculation of the allowance under Stage 1 is performed if at the reporting date the credit risk of the financial instrument has not increased significantly since initial recognition. The Bank measures the loan loss provision for this financial instrument at an amount equal to the most expected twelve-month credit loss.

The expected credit loss recognized for Stage 1 financial instruments is accounted for as a one-year portion of accrued credit losses as follows:

$$ECL=\sum_{t=1}^{T}\left(EAD_t * MPD_t * LGD_t \right)$$

ECL Expected credit loss
EAD Exposure at default
MPD Marginal Probability of default
LGD Loss given default

Calculated in this way, expected 12-month credit losses are part of expected credit losses over the term and represent cash deficits over the term that will result if default occurs within 12 months after the reporting date (or a shorter period if the expected financial term of instrument is shorter than 12 months), weighted by the probability of such default.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Impairment of financial assets (continued)

Stage 2 – expected credit losses

In each reporting period, i.e. at the time of the assessment of expected credit losses for the purpose of calculating the value correction in accordance with this Methodology, the Bank assesses for all financial instruments individually (at the Stage of individual lots) whether there has been a significant increase in credit risk.
On this occasion, the Bank identified parameters whose identification reflects an increase in the risk of default. In identifying a significant increase in credit risk at the Stage of an individual financial instrument, the Bank takes care that this moment is identified before the moment of default itself.

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

- Continuous delay of 31-90 days
- Forbearance status – ResPE - Restructured Performing
- Account blocking by the NBS for 30 days or longer
- All clients with a rating of 9
- Deterioration of credit risk identified through a change in rating from the initially determined for 2 rating categories
- If a client has an exposure that has moved to Stage 2 for any reason, all lots of that client that are in Stage 1 will move to Stage 2.

Especially for corporate clients: if there was a drop in operating revenues and capital by more than 50%. A significant increase in credit risk for the segment of exposure to countries and financial institutions was determined as a drop of 2 rating categories, viewed in relation to the rating scale of renowned external ratings agency (Moody's, Fitch, S&P).

On the reporting date, the Bank calculates an allowance for a financial instrument in an amount equal to expected credit losses during its lifetime, if the credit risk for that financial instrument has significantly increased since initial recognition.

The Bank's general approach to calculating expected credit losses for the entire life of the financial instrument is presented by the formula:

$$ECL=\sum_{t=1\ldots n}^{T}\left(EAD_t * MPD_t * LGD_t\right)$$

ECL	Expected credit loss
EAD	Exposure at default
MPD	Marginal Probability of default
LGD	Loss given default
n	number of years up to due of exposure

The expected credit losses calculated in this way for the entire period of the financial instrument represent the losses that the Bank recognizes for the purposes of calculating the Stage 2 impairment.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Impairment of financial assets (continued)

Stage 3 – expected credit losses

For borrowers on the group assessment at Stage 3, the calculation of expected credit losses is calculated as the difference between the gross book value of the placement and the value obtained by discounting all available collateral by the initial effective interest rate, which is multiplied by LGD unsecured for S3. LGD unsecured for S3 is as follows:

Homogeneous group	LGD unsecured
Corporate clients	98%
Entrepreneurs	98%
Mortgages	98%
Consumer and cash loans	98%
Credit cards	100%
Overdraft	100%

The collateral value that is discounted is 90% of the allocated value after applying the haircut. The average collection from the collateral of 36 months is taken as the discount period.

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Impairment of financial assets (continued)

Total balance sheet exposure to credit risk

The total exposure to credit risk as of 31 December 2024 and 31 December 2023 is presented in the following overview without taking into account any collateral or any other credit protection. These values are stated in the Gross and Net carrying amounts.

	31 December 2024		31 December 2023	
	Gross	Net	Gross	Net
I. Assets overview	**37,517,407**	**37,088,726**	**22,444,027**	**22,178,441**
Cash and balances with Central Bank	14,742,205	14,742,205	6,661,193	6,661,193
Securities	5,114,288	5,105,752	3,981,530	3,981,530
Loans and receivables from banks and other financial organizations	8,261,714	8,221,578	4,932,993	4,925,362
Loans and receivables from customers	8,946,312	8,582,173	6,521,369	6,273,298
Other assets	452,888	437,018	346,941	337,058

Guarantees and letters of credit represent irrevocable obligations of the bank to make payments if the customer is unable to settle its obligation to a third party and bear the same risk as loans.

	31 December 2024		31 December 2023	
	Gross	Net	Gross	Net
II. Off-balance sheet items	**5,542,098**	**5,482,806**	**4,112,060**	**4,053,701**
Payable guarantees	1,799,137	1,770,504	888,317	880,226
Performance guarantees	954,821	941,036	810,810	802,688
Irrevocable commitments	2,788,140	2,771,266	2,161,651	2,120,681
Other	-	-	251,282	250,106
Total (I+II)	**43,059,505**	**42,571,532**	**26,556,087**	**26,232,142**

Change in loans and receivables from customers by risk Stages during 2024:

	Stage 1	Stage 2	Stage 3	Total
31 December 2023	**5,139,576**	**1,064,744**	**317,050**	**6,521,370**
New receivables	5,461,933	1,164,816	106,869	6,733,618
Reduction/Repayment of receivables	(3,199,797)	(922,355)	(186,524)	(4,308,676)
31 December 2024	**7,401,712**	**1,307,205**	**237,395**	**8,946,312**

Change in impairment of loans and receivables from customers by risk Stages during 2024:

	Stage 1	Stage 2	Stage 3	Total
31 December 2023	**60,832**	**20,678**	**166,562**	**248,072**
New receivables-impairment	96,173	97,090	99,215	292,478
Reduction/Repayment of receivables-impairment	(53,241)	(19,527)	(103,643)	(176,411)
31 December 2024	**103,764**	**98,241**	**162,134**	**364,139**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Impairment of financial assets (continued)

Change in loans and receivables from customers by Stage of risk during 2023:

	Stage 1	Stage 2	Stage 3	Total
As of 31.12.2022	**5,055,689**	**1,754,929**	**389,018**	**7,199,636**
New receivables	3,023,303	733,921	31,024	3,788,248
Reduction/Repayment of receivables	(2,939,416)	(1,424,106)	(102,992)	(4,466,514)
As of 31.12.2023	**5,139,576**	**1,064,744**	**317,050**	**6,521,370**

Change in impairment of loans and receivables from customers by risk Stages during 2023:

	Stage 1	Stage 2	Stage 3	Total
As of 31.12.2022	**67,259**	**37,475**	**134,843**	**239,577**
New receivables-impairment	46,674	19,315	76,778	142,767
Reduction/Repayment of receivables-impairment	(53,101)	(36,112)	(45,059)	(134,272)
As of 31.12.2023	**60,832**	**20,678**	**166,562**	**248,072**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations

31 December 2024	Stage 1	Stage 2	Stage 3	Total	Impairment Stage 1	Impairment Stage 2	Impairment Stage 3	Total Impairment	Net
Housing	1,186,515	90,023	47,427	1,323,965	15,369	14,705	9,461	39,535	1,284,430
Cash and consumer	331,292	12,698	9,857	353,847	8,399	1,016	9,651	19,066	334,781
Credit cards	2,202	7	-	2,209	11	2	-	13	2,196
Overdraft on current accounts	2,612	213	59	2,884	32	16	59	107	2,777
Retail	**1,522,621**	**102,941**	**57,343**	**1,682,905**	**23,811**	**15,739**	**19,171**	**58,721**	**1,624,184**
Entrepreneurs	**52,436**	**69,458**	**4,429**	**126,323**	**454**	**6,218**	**2,231**	**8,903**	**117,420**
Total retail	**1,575,057**	**172,399**	**61,772**	**1,809,228**	**24,265**	**21,957**	**21,402**	**67,624**	**1,741,604**
Large companies	697,028	219,774	-	916,802	11,719	1,543	-	13,262	903,540
Medium companies	1,499,051	517,719	96,586	2,113,356	12,078	31,218	94,985	138,281	1,975,075
Small companies	2,990,074	249,924	26,652	3,266,650	38,720	29,110	4,547	72,377	3,194,273
Micro companies	640,502	147,389	52,385	840,276	16,982	14,413	41,200	72,595	767,681
Corporate	**5,826,655**	**1,134,806**	**175,623**	**7,137,084**	**79,499**	**76,284**	**140,732**	**296,515**	**6,840,569**
Total corporate	**7,401,712**	**1,307,205**	**237,395**	**8,946,312**	**103,764**	**98,241**	**162,134**	**364,139**	**8,582,173**
Banks	**8,261,714**	**-**	**-**	**8,261,714**	**40,136**	**-**	**-**	**40,136**	**8,221,578**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations

31 December 2023	Stage 1	Stage 2	Stage 3	Total	Impairment Stage 1	Impairment Stage 2	Impairment Stage 3	Total Impairment	Net
Housing	1,292,172	18,958	45,602	1,356,732	3,063	91	11,309	14,463	1,342,269
Cash and consumer	191,340	3,065	11,318	205,723	2,857	521	11,091	14,469	191,254
Credit cards	3,531	122	7	3,660	165	44	7	216	3,444
Overdraft on current accounts	2,838	5	80	2,923	214	4	80	298	2,625
Retail	**1,489,881**	**22,150**	**57,007**	**1,569,038**	**6,299**	**660**	**22,487**	**29,446**	**1,539,592**
Entrepreneurs	**106,066**	**20,146**	**8,792**	**135,004**	**4,908**	**3,849**	**4,880**	**13,637**	**121,367**
Total retail	**1,595,947**	**42,296**	**65,799**	**1,704,042**	**11,207**	**4,509**	**27,367**	**43,083**	**1,660,959**
Large companies	323,727	-	-	323,727	6,757	-	-	6,757	316,970
Medium companies	1,270,677	367,947	-	1,638,624	15,610	5,259	-	20,869	1,617,755
Small companies	1,670,852	324,609	226,420	2,221,881	25,651	8,818	133,161	167,630	2,054,251
Micro companies	278,371	329,893	24,832	633,096	1,608	2,092	6,033	9,733	623,363
Corporate	**3,543,627**	**1,022,449**	**251,252**	**4,817,328**	**49,626**	**16,169**	**139,194**	**204,989**	**4,612,339**
Total corporate	**5,139,574**	**1,064,745**	**317,051**	**6,521,370**	**60,833**	**20,678**	**166,561**	**248,072**	**6,273,298**
Banks	**4,932,993**	**-**	**-**	**4,932,993**	**7,631**	**-**	**-**	**7,631**	**4,925,362**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

The structure of receivables from customers located in Stage 1.

31 December 2024	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Total
Housing	1,107,308	79,207	-	-	1,186,515
Cash and consumer	329,296	1,996	-	-	331,292
Credit cards	2,202	-	-	-	2,202
Overdraft on current accounts	2,612	-	-	-	2,612
Retail	**1,441,418**	**81,203**	**-**	**-**	**1,522,621**
Entrepreneurs	**48,832**	**3,604**	**-**	**-**	**52,436**
Total retail	**1,490,250**	**84,807**	**-**	**-**	**1,575,057**
Large companies	696,957	71	-	-	697,028
Medium companies	1,424,229	74,822	-	-	1,499,051
Small companies	2,585,149	404,925	-	-	2,990,074
Micro companies	635,680	4,822	-	-	640,502
Corporate	**5,342,015**	**484,640**	**-**	**-**	**5,826,655**
Total	**6,832,265**	**569,447**	**-**	**-**	**7,401,712**
of which: restructured	-	-	-	-	-
Receivables from banks	**8,261,714**	**-**	**-**	**-**	**8,261,714**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

31 December 2023	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Total
Housing	1,199,351	92,821	-	-	**1,292,172**
Cash and consumer	182,844	8,496	-	-	**191,340**
Credit cards	3	3,528	-	-	**3,531**
Overdraft on current accounts	2,836	1	-	1	**2,838**
Retail	**1,385,034**	**104,846**	**-**	**1**	**1,489,881**
Entrepreneurs	**97,734**	**8,332**	**-**	**-**	**106,066**
Total retail	**1,482,768**	**113,178**	**-**	**1**	**1,595,947**
Large companies	323,727	-	-	-	**323,727**
Medium companies	1,270,677	-	-	-	**1,270,677**
Small companies	1,670,822	30	-	-	**1,670,852**
Micro companies	278,103	268	-	-	**278,371**
Corporate	**3,543,329**	**298**	**-**	**-**	**3,543,627**
Total	**5,026,097**	**113,476**	**-**	**1**	**5,139,574**
of which: restructured	-	-	-	-	-
Receivables from banks	**4,932,993**	**-**	**-**	**-**	**4,932,993**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

The structure of receivables from customers located in Stage 2.

31 December 2024	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Over 90 days	Total
Housing	68,230	17,995	3,798	-	-	90,023
Cash and consumer	7,958	1,206	3,482	52	-	12,698
Credit cards	7	-	-	-	-	7
Overdraft on current accounts	213	-	-	-	-	213
Retail	**76,408**	**19,201**	**7,280**	**52**	**-**	**102,941**
Entrepreneurs	**64,537**	**4,563**	**358**	**-**	**-**	**69,458**
Total retail	**140,945**	**23,764**	**7,638**	**52**	**-**	**172,399**
Large companies	219,774	-	-	-	-	219,774
Medium companies	365,198	113,998	-	38,523	-	517,719
Small companies	101,302	122,885	25,737	-	-	249,924
Micro companies	118,676	27,728	-	985	-	147,389
Corporate	**804,950**	**264,611**	**25,737**	**39,508**	**-**	**1,134,806**
Total	**945,895**	**288,375**	**33,375**	**39,560**	**-**	**1,307,205**
of which: restructured	**173,189**	**11,301**	**-**	**28,526**	**-**	**213,016**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

31 December 2023	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Over 90 days	Total
Housing	-	-	18,958	-	-	**18,958**
Cash and consumer	-	-	1,713	1,352	-	**3,065**
Credit cards	-	-	122	-	-	**122**
Overdraft on current accounts	-	-	5	-	-	**5**
Retail	**-**	**-**	**20,798**	**1,352**	**-**	**22,150**
Entrepreneurs	**16,322**	**-**	**3,824**	**-**	**-**	**20,146**
Total retail	**16,322**	**-**	**24,622**	**1,352**	**-**	**42,296**
Large companies	-	-	-	-	-	-
Medium companies	78,852	251,189	37,906	-	-	**367,947**
Small companies	232,531	71,171	20,907	-	-	**324,609**
Micro companies	302,236	25,885	1,772	-	-	**329,893**
Corporate	**613,619**	**348,245**	**60,585**	**-**	**-**	**1,022,449**
Total	**629,941**	**348,245**	**85,207**	**1,352**	**-**	**1,064,745**
of which: restructured	107,065	-	-	-	-	107,065
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

The structure of receivables from customers located in Stage 3.

31 December 2024	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Over 90 days	Total
Housing	1,141	-	-	-	46,286	47,427
Cash and consumer	503	-	408	-	8,946	9,857
Credit cards	-	-	-	-	-	-
Overdraft on current accounts	30	-	-	-	29	59
Retail	**1,674**	**-**	**408**	**-**	**55,261**	**57,343**
Entrepreneurs	**-**	**-**	**-**	**-**	**4,429**	**4,429**
Total retail	**1,674**	**-**	**408**	**-**	**59,690**	**61,772**
Large companies	-	-	-	-	-	-
Medium companies	-	-	10,722	-	85,864	96,586
Small companies	-	4,070	-	-	22,582	26,652
Micro companies	313	-	-	-	52,072	52,385
Corporate	**313**	**4,070**	**10,722**	**-**	**160,518**	**175,623**
Total	**1,987**	**4,070**	**11,130**	**-**	**220,208**	**237,395**
of which: restructured	**7**	**-**	**10,722**	**-**	**438**	**11,167**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

31 December 2023	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Over 90 days	Total
Housing	1,420	723	-	-	43,459	**45,602**
Cash and consumer	119	128	-	-	11,071	**11,318**
Credit cards	-	-	-	-	7	**7**
Overdraft on current accounts	-	-	-	-	80	**80**
Retail	**1,539**	**851**	**-**	**-**	**54,617**	**57,007**
Entrepreneurs	**-**	**-**	**-**	**-**	**8,792**	**8,792**
Total retail	**1,539**	**851**	**-**	**-**	**63,409**	**65,799**
Large companies	-	-	-	-	-	**-**
Medium companies	-	-	-	-	-	**-**
Small companies	5	-	-	-	226,415	**226,420**
Micro companies	2,252	3,487	-	11,504	7,589	**24,832**
Corporate	**2,257**	**3,487**	**-**	**11,504**	**234,004**	**251,252**
Total	**3,796**	**4,338**	**-**	**11,504**	**297,413**	**317,051**
of which: restructured	77	26	-	-	642	745
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

The structure of receivables from customers located in Stage 3 as well as restructured receivables.

31 December 2024	Gross exposure	Impairment	Stage 3 receivables	Restructured receivables Stage 3	Impairment Stage 3	Share of Stage 3 receivables in Gross exposure	Amount of collateral for Stage 3
Total retail	**1,809,228**	**67,624**	**61,772**	**445**	**21,402**	**3.41%**	**44,301**
Housing	1,323,965	39,535	47,427	-	9,461	3.58%	41,972
Cash and consumer	353,847	19,066	9,857	445	9,651	2.79%	-
Credit cards	2,209	13	-	-	-	0.00%	-
Overdraft on current accounts	2,884	107	59	-	59	2.05%	-
Retail	**1,682,905**	**58,721**	**57,343**	**445**	**19,171**	3.41%	**41,972**
Entrepreneurs	**126,323**	**8,903**	**4,429**	**-**	**2,231**	3.51%	**2,329**
Corporate	**7,137,084**	**296,515**	**175,623**	**10,722**	**140,732**	**2.46%**	**78,253**
Accommodation and catering services	45,487	1,300	-	-	-	0.00%	-
Administrative and support service activities	685,240	6,115	483	-	473	0.07%	-
Agriculture, forestry and fishing	297,963	3,279	-	-	-	0.00%	-
Arts, entertainment and recreation	398,105	1,713	-	-	-	0.00%	-
Construction	1,523,566	77,839	50,783	-	40,221	3.33%	49,728
Financial and insurance activities	161,893	10,044	-	-	-	0.00%	-
Information and communication	123,501	1,955	-	-	-	0.00%	-
Manufacturing industry	1,473,921	48,475	18,066	10,722	15,269	1.23%	2,762
Professional, scientific, innovation and technical	332,689	21,657	-	-	-	0.00%	-
Real estate business	78,978	2,050	-	-	-	0.00%	-
Traffic and storage	100,297	3,166	19,808	-	25	19.75%	19,783
Wholesale and retail trade, repair	1,867,647	116,059	86,099	-	84,367	4.61%	5,980
Other	47,797	2,863	384	-	377	**0.80%**	-
Total	**8,946,312**	**364,139**	**237,395**	**11,167**	**162,134**	**2.65%**	**122,554**
Receivables from banks	**8,261,714**	**40,136**	**-**	**-**	**-**	**0.00%**	**-**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from clients, banks and other financial institutions (continued)

31 December 2023	Gross exposure	Impairment	Stage 3 receivables	Restructured receivables Stage 3	Impairment Stage 3	Share of Stage 3 receivables in Gross exposure	Amount of collateral for Stage 3
Total retail	**1,704,042**	**43,083**	**65,799**	**745**	**27,367**	**3.86%**	**43,946**
Housing	1,356,732	14,463	45,602	-	11,309	3.36%	39,901
Cash and consumer	205,723	14,469	11,318	745	11,091	5.50%	-
Credit cards	3,660	216	7	-	7	0.19%	-
Overdraft on current accounts	2,923	298	80	-	80	2.74%	-
Retail	**1,569,038**	**29,446**	**57,007**	**745**	**22,487**	**3.63%**	**39,901**
Entrepreneurs	**135,004**	**13,637**	**8,792**	**-**	**4,880**	**6.51%**	**4,045**
Corporate	**4,817,328**	**204,989**	**251,252**	**-**	**139,194**	**5.22%**	**241,144**
Accommodation and catering services	20,322	1	-	-	-	0.00%	-
Administrative and support service activities	128,602	3,096	483	-	474	0.38%	-
Agriculture, forestry and fishing	419,886	80,324	132,611	-	77,821	31.58%	132,612
Arts, entertainment and recreation	44,949	1,226	-	-	-	0.00%	-
Construction	985,887	54,478	64,304	-	49,542	6.52%	63,268
Financial and insurance activities	131,055	1,923	-	-	-	0.00%	-
Information and communication	19,403	492	-	-	-	0.00%	-
Manufacturing industry	1,510,901	33,772	13,479	-	6,566	0.89%	9,702
Professional, scientific, innovation and technical	77,412	414	-	-	-	0.00%	-
Real estate business	18,961	290	-	-	-	0.00%	-
Traffic and storage	168,789	5,708	20,468	-	2,084	12.13%	18,408
Wholesale and retail trade, repair	1,222,486	22,643	19,523	-	2,331	1.60%	17,154
Other	68,675	622	384	-	376	0.56%	-
Total	**6,521,370**	**248,072**	**317,051**	**745**	**166,561**	**4.86%**	**285,090**
Receivables from banks	**4,932,993**	**7,631**	**-**	**-**	**-**	**0.00%**	**-**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from clients, banks and other financial institutions (continued)

Below are the changes of receivables at the Stage 3 level.

Changes in Stage 3 receivables	Gross amount as of 31 December 2023	New Stage 3 clients	Decrease of Stage 3 clients	Gross amount as of 31 December 2024	Net amount as of 31 December 2024
Housing	45,602	4,082	2,257	47,427	37,966
Cash and consumer	11,318	1,793	3,254	9,857	206
Credit cards	7	-	7	-	-
Overdraft on current accounts	80	24	45	59	-
Retail	**57,007**	**5,899**	**5,563**	**57,343**	**38,172**
Entrepreneurs	**8,792**	**21**	**4,384**	**4,429**	**2,198**
Total retail	**65,799**	**5,920**	**9,947**	**61,772**	**40,370**
Large companies	-	-	-	-	-
Medium companies	-	96,586	-	96,586	1,601
Small companies	226,420	6,088	205,856	26,652	22,105
Micro companies	24,832	50,808	23,255	52,385	11,185
Corporate	**251,252**	**153,482**	**229,111**	**175,623**	**34,891**
Total	**317,051**	**159,402**	**239,058**	**237,395**	**75,261**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Changes in Stage 3 receivables	Gross amount as of 31 December 2022	New Stage 3 clients	Decrease of Stage 3 clients	Gross amount as of 31 December 2023	Net amount as of 31 December 2023
Housing	45,583	8,504	8,485	45,602	34,293
Cash and consumer	11,540	4,089	4,311	11,318	227
Credit cards	7	-	-	7	-
Overdraft on current accounts	102	20	42	80	-
Retail	**57,232**	**12,613**	**12,838**	**57,007**	**34,520**
Entrepreneurs	**17,784**	**-**	**8,992**	**8,792**	**3,912**
Total retail	**75,016**	**12,613**	**21,830**	**65,799**	**38,432**
Large companies	-	-	-	-	-
Medium companies	-	-	-	-	-
Small companies	266,240	13,482	53,302	226,420	93,259
Micro companies	47,763	4,929	27,860	24,832	18,799
Corporate	**314,003**	**18,411**	**81,162**	**251,252**	**112,058**
Total	**389,019**	**31,024**	**102,992**	**317,051**	**150,490**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Restructured receivables

Loans with amendments to the initially agreed terms are loans that are rescheduled or restructured due to deterioration in the financial condition of the debtor and due to problems in the settlement of obligations in the initially agreed maturity dates. The Bank performs a financial analysis of debtors who have a problem in settling liabilities and if it estimates that the debtor will be able to settle its obligations after the changed conditions, the Bank decides to reschedule such loans.

Restructured receivables as of 31 December 2024	Restructured receivables (RR)- Gross exposure	Stage 1 RP	Stage 2 RR	Stage 3 RR	Impairment of RR	Impairment of Stage 1 RR	Impairment of Stage 2 RR	Impairment of Stage 3 RR	Share of RR in gross exposure	Amount of collaterals for RR
Total retail	**45,130**	**-**	**44,685**	**445**	**5,357**	**-**	**4,920**	**437**	**2.49%**	**41,326**
Housing	-	-	-	-	-	-	-	-	0.00%	-
Cash and consumer	445	-	-	445	437	-	-	437	0.13%	-
Credit cards	-	-	-	-	-	-	-	-	0.00%	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	0.00%	-
Retail	**445**	**-**	**-**	**445**	**437**	**-**	**-**	**437**	**0.03%**	**-**
Entrepreneurs	44,685	-	44,685	-	4,920	-	4,920	-	35.37%	41,326
Corporate	**179,053**	**-**	**168,331**	**10,722**	**26,094**	**-**	**15,372**	**10,722**	**2.51%**	**88,834**
Accommodation and catering services	-	-	-	-	-	-	-	-	0.00%	-
Administrative and support service activities	-	-	-	-	-	-	-	-	0.00%	-
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	0.00%	-
Arts, entertainment and recreation	-	-	-	-	-	-	-	-	0.00%	-
Construction	-	-	-	-	-	-	-	-	0.00%	-
Financial and insurance activities	-	-	-	-	-	-	-	-	0.00%	-
Information and communication	-	-	-	-	-	-	-	-	0.00%	-
Manufacturing industry	132,896	-	122,174	10,722	15,726	-	5,004	10,722	9.02%	42,677
Professional, scientific, innovation and technical activities	-	-	-	-	-	-	-	-	0.00%	-
Real estate business	-	-	-	-	-	-	-	-	0.00%	-
Traffic and storage	-	-	-	-	-	-	-	-	0.00%	-
Wholesale and retail trade, repair	46,157	-	46,157	-	10,368	-	10,368	-	2.47%	46,157
Other	-	-	-	-	-	-	-	-	0.00%	-
Total	**224,183**	**-**	**213,016**	**11,167**	**31,451**	**-**	**20,292**	**11,159**	**2.51%**	**130,160**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.00%**	**-**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Restructured receivables (continued)

Restructured receivables as of 31 December 2023	Restructured receivables (RR)-Gross exposure	Stage 1 RP	Stage 2 RR	Stage 3 RR	Impairment of RR	Impairment of Stage 1 RR	Impairment of Stage 2 RR	Impairment of Stage 3 RR	Share of RR in gross exposure	Amount of collaterals for RR
Total retail	**745**	**-**	**-**	**745**	**730**	**-**	**-**	**730**	**0.04%**	**-**
Housing	-	-	-	-	-	-	-	-	-	-
Cash and consumer	745	-	-	745	730	-	-	730	0.36%	-
Credit cards	-	-	-	-	-	-	-	-	-	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	-	-
Retail	745	-	-	745	730	-	-	730	0.05%	-
Entrepreneurs	-	-	-	-	-	-	-	-	-	-
Corporate	**107,065**	**-**	**107,065**	**-**	**462**	**-**	**462**	**-**	**2.22%**	**107,065**
Accommodation and catering services	-	-	-	-	-	-	-	-	-	-
Administrative and support service activities	-	-	-	-	-	-	-	-	-	-
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	-	-
Arts, entertainment and recreation	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-
Financial and insurance activities	-	-	-	-	-	-	-	-	-	-
Information and communication	-	-	-	-	-	-	-	-	-	-
Manufacturing industry	93,368	-	93,368	-	379	-	379	-	6.18%	93,368
Professional, scientific, innovation and technical activities	-	-	-	-	-	-	-	-	-	-
Real estate business	-	-	-	-	-	-	-	-	-	-
Traffic and storage	-	-	-	-	-	-	-	-	-	-
Wholesale and retail trade, repair	13,697	-	13,697	-	83	-	83	-	1.12	13,697
Other	-	-	-	-	-	-	-	-	-	-
Total	**107,810**	**-**	**107,065**	**745**	**1,192**	**-**	**462**	**730**	**1.65%**	**107,065**
Receivables from banks	-	-	-	-	-	-	-	-	-	-

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Restructured receivables (continued)

In 2024, the Bank had restructured receivables in the amount of RSD 213,016 thousand that were classified in Stage 2 according to the Bank's methodology which relate to loans to legal entities and restructured receivables in the amount of RSD 11,167 thousand that were classified in Stage 3 relating to cash and consumer loans and loans to legal entities.

There were no movements of restructured receivables during 2024 within Stage 1, while the movements within Stage 2 and Stage 3 are presented in the following two tables:

	Gross restructured Stage 2 receivables as of 31 December 2023	New restructured Stage 2 receivables	Decrease in restructured Stage 2 receivables	Gross amount as of 31 December 2024	Net amount as of 31 December 2024
Housing	-	-	-	-	-
Cash and consumer	-	-	-	-	-
Credit cards	-	-	-	-	-
Overdraft on current accounts	-	-	-	-	-
Retail	**-**	**-**	**-**	**-**	**-**
Entrepreneurs	**-**	**44,685**		**44,685**	**39,765**
Total retail	**-**	**44,685**	**-**	**44,685**	**39,765**
Large companies	-	-	-	-	-
Medium companies	43,103	52,906	8,247	**87,762**	78,697
Small companies	63,962	26,591	17,792	**72,761**	66,888
Micro companies	-	7,808	-	**7,808**	7,374
Other	-	**87,305**	**26,039**	**168,331**	**152,959**
Corporate	**107,065**	**131,990**	**26,039**	**213,016**	**192,724**
Total	**107,065**	**-**	**-**	**-**	**-**
Banks	**-**	**-**	**-**	**-**	**-**
Other receivables from banks	**-**	**-**	**-**	**-**	**-**
Other funds that are not classified	**-**	-	**-**	-	-
TOTAL	**107,065**	**131,990**	**26,039**	**213,016**	**192,724**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Restructured receivables (continued)

	Gross restructured Stage 3 receivables as of 31 December 2023	New restructured Stage 3 receivables	Decrease in restructured Stage 3 receivables	Gross amount as of 31 December 2024	Net amount as of 31 December 2024
Housing	-	-	-	-	-
Cash and consumer	745	-	300	445	8
Credit cards	-	-	-	-	-
Overdraft on current accounts	-	-	-	-	-
Retail	**745**	**-**	**300**	**445**	**8**
Entrepreneurs	-				
Total retail	**745**	**-**	**300**	**445**	**8**
Large companies	-	-	-	-	-
Medium companies	-	10,722	-	10,722	-
Small companies	-	-	-	-	-
Micro companies	-	-	-	-	-
Other	-	10,722	-	10,722	-
Corporate	-	**10,722**	**300**	**11,167**	**8**
Total	**745**	**-**	**-**	**-**	**-**
Banks	**-**	**-**	**-**	**-**	**-**
Other receivables from banks	**-**	**-**	**-**	**-**	**-**
Other funds that are not classified	**-**	-	-	-	-
TOTAL	**745**	**10,722**	**300**	**11,167**	**8**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Receivables from clients covered by collaterals (amount of receivable or collateral, whichever is lower)

31 December 2024.	Stage 1 clients					Stage 2 clients					Stage 3 clients				
	Real estate	Deposits	Guarantee	Other collaterals	Total	Real estate	Deposits	Guarantee	Other collaterals	Total	Real estate	Deposits	Guarantee	Other collaterals	Total
Housing	1,132,654	1,532	-	-	1,134,186	90,023	-	-	-	90,023	41,972	-	-	-	41,972
Cash and consumer	47,585	8,239	-	-	55,824	2,205	2,980	-	-	5,185	-	-	-	-	-
Credit cards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail	**1,180,239**	**9,771**	**-**	**-**	**1,190,010**	**92,228**	**2,980**	**-**	**-**	**95,208**	**41,972**	**-**	**-**	**-**	**41,972**
Entrepreneurs	**2,665**	**-**	**209**	**-**	**2,874**	**55,585**	**-**	**-**	**-**	**55,585**	**2,329**	**-**	**-**	**-**	**2,329**
Total retail	**1,182,904**	**9,771**	**209**	**-**	**1,192,884**	**147,813**	**2,980**	**-**	**-**	**150,793**	**44,301**	**-**	**-**	**-**	**44,301**
Large companies	37,820	0	-	-	37,820	157,970	-	-	-	157,970	-	-	-	-	-
Medium companies	660,502	60,023	-	-	720,525	139,397	223,586	-	-	362,983	-	5,851	-	-	5,851
Small companies	1,549,255	73,056	6,578	-	1,628,889	142,703	9,982	-	-	152,685	21,509	-	561	-	22,070
Micro companies	385,544	4,018	632	-	390,194	125,431	6,044	271	-	131,746	50,332	-	-	-	50,332
Corporate	2,633,121	137,097	7,210	-	2,777,428	565,501	239,612	271	-	805,384	71,841	5,851	561	-	78,253
Total	**3,816,025**	**146,868**	**7,419**	**-**	**3,970,312**	**713,314**	**242,592**	**271**	**-**	**956,177**	**116,142**	**5,851**	**561**	**-**	**122,554**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Receivables from clients covered by collaterals (amount of receivables or collateral, whichever is lower) (continued)

31 December 2023	Stage 1 clients					Stage 2 clients					Stage 3 clients				
	Real estate	Deposits	Guarantees	Other collaterals	Total	Real estate	Deposits	Guarantees	Other collaterals	Total	Real estate	Deposits	Guarantees	Other collaterals	Total
Housing	1,278,575	3,431	-	-	1,282,006	18,958	-	-	-	18,958	39,901	-	-	-	**39,901**
Cash and consumer	41,562	13,353	-	-	54,915	-	-	-	-	-	-	-	-	-	**-**
Credit cards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Overdraft on current accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Retail	**1,320,137**	**16,784**	**-**	**-**	**1,336,921**	**18,958**	**-**	**-**	**-**	**18,958**	**39,901**	**-**	**-**	**-**	**39,901**
Entrepreneurs	**51,702**	**-**	**2,371**	**-**	**54,073**	**-**	**-**	**-**	**-**	**-**	**4,045**	**-**	**-**	**-**	**4,045**
Total retail	**1,371,839**	**16,784**	**2,371**	**-**	**1,390,994**	**18,958**	**-**	**-**	**-**	**18,958**	**43,946**	**-**	**-**	**-**	**43,946**
Large companies	6,811	-	-	-	6,811	-	-	-	-	-	-	-	-	-	**-**
Medium companies	355,645	170,606	6,965	-	533,216	283,676	46	2,510	-	286,232	-	-	-	-	**-**
Small companies	611,838	54,391	19,638	-	685,867	163,973	9,602	4,673	-	178,249	218,918	-	630	-	**219,548**
Micro companies	113,618	81,690	2,651	-	197,959	296,495	-	3,066	-	299,561	21,597	-	-	-	**21,597**
States	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Corporate	**1,087,912**	**306,687**	**29,254**	**-**	**1,423,853**	**744,144**	**9,649**	**10,249**	**-**	**764,042**	**240,515**	**-**	**630**	**-**	**241,145**
Total	**2,459,751**	**323,471**	**31,625**	**-**	**2,814,847**	**763,102**	**9,649**	**10,249**	**-**	**783,000**	**284,461**	**-**	**630**	**-**	**285,091**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Concentration Risk

31 December 2024	Receivables from Stage 1 and Stage 2 clients				Receivables from Stage 3 clients			
	Serbia	Montenegro	EU	Other	Serbia	Montenegro	EU	Other
Total retail	**1,623,978**	**5**	**6**	**123,467**	**61,772**	**-**	**-**	**-**
Housing	1,248,394	-	-	28,144	47,427	-	-	-
Cash and consumer	248,755	-	-	95,235	9,857	-	-	-
Credit cards	2,209	-	-	-	-	-	-	-
Overdraft on current accounts	2,726	5	6	88	59	-	-	-
Retail	**1,502,084**	**5**	**6**	**123,467**	**57,343**	**-**	**-**	**-**
Entrepreneurs	121,894	-	-	-	4,429	-	-	-
Corporate	**6,961,461**	**-**	**-**	**-**	**175,623**	**-**	**-**	**-**
Accommodation and catering services	45,487	-	-	-	-	-	-	-
Administrative and support service activities	684,757	-	-	-	483	-	-	-
Agriculture, forestry and fishing	297,963	-	-	-	-	-	-	-
Arts, entertainment and recreation	398,105	-	-	-	-	-	-	-
Construction	1,472,783	-	-	-	50,783	-	-	-
Financial and insurance activities	161,893	-	-	-	-	-	-	-
Information and communication	123,501	-	-	-	-	-	-	-
Manufacturing industry	1,455,855	-	-	-	18,066	-	-	-
Professional, scientific, innovation and technical activities	332,689	-	-	-	-	-	-	-
Real estate business	78,978	-	-	-	-	-	-	-
Traffic and storage	80,489	-	-	-	19,808	-	-	-
Wholesale and retail trade, repair	1,781,548	-	-	-	86,099	-	-	-
Other	47,413	-	-	-	384	-	-	-
Total	**8,585,439**	**5**	**6**	**123,467**	**237,395**	**-**	**-**	**-**
Receivables from banks	**2,855,663**	**484,676**	**1,805,154**	**3,116,221**	**-**	**-**	**-**	**-**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Concentration risk (continued)

31 December 2023	Receivables from Stage 1 and Stage 2 clients				Receivables from Stage 3 clients			
	Serbia	Montenegro	EU	Other	Serbia	Montenegro	EU	Other
Total retail	**1,608,790**	**1**	**1**	**29,451**	**65,794**	**-**	**-**	**5**
Housing	1,281,707	-	-	29,423	45,602	-	-	-
Cash and consumer	194,405	-	-	-	11,318	-	-	-
Credit cards	3,653	-	-	-	7	-	-	-
Overdraft on current accounts	2,813	1	1	28	75	-	-	5
Retail	**1,482,578**	**1**	**1**	**29,451**	**57,002**	**-**	**-**	**5**
Entrepreneurs	**126,212**	**-**	**-**	**-**	**8,792**	**-**	**-**	**-**
Corporate	**4,566,076**	**-**	**-**	**-**	**251,252**	**-**	**-**	**-**
Accommodation and catering services	20,322	-	-	-	-	-	-	-
Administrative and support service activities	128,119	-	-	-	483	-	-	-
Agriculture, forestry and fishing	287,274	-	-	-	132,611	-	-	-
Arts, entertainment and recreation	44,949	-	-	-	-	-	-	-
Construction	921,583	-	-	-	64,304	-	-	-
Financial and insurance activities	131,055	-	-	-	-	-	-	-
Information and communication	19,403	-	-	-	-	-	-	-
Manufacturing industry	1,497,423	-	-	-	13,479	-	-	-
Professional, scientific, innovation and technical activities	77,412	-	-	-	-	-	-	-
Real estate business	18,961	-	-	-	-	-	-	-
Traffic and storage	148,321	-	-	-	20,468	-	-	-
Wholesale and retail trade, repair	1,202,963	-	-	-	19,523	-	-	-
Other	68,291	-	-	-	384	-	-	-
Total	**6,174,866**	**1**	**1**	**29,451**	**317,046**	**-**	**-**	**5**
Receivables from banks	**2,727,899**	**-**	**1,597,113**	**607,981**	**-**	**-**	**-**	**-**

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Interest Rate Risk

The Bank is exposed to changes in the prevailing level of market interest rates that affect its financial position and cash flows. As a result of such changes, the interest margin may increase, decrease and cause losses in the event of unexpected changes. Interest rates are based on market interest rates and they are regularly adjusted by the Bank.

The risk management activity aims to optimize net income from interest, maintain the market interest rate at a consistent level in line with the Bank's business strategy. The Bank's Management manages maturity compliance of assets and liabilities based on macro and micro economic forecasts, forecasting liquidity conditions and forecasting interest rate trends.

The Bank has implemented internal procedures that define the system and methodologies for interest rate risk management, competencies and responsibilities of system participants, but also controls that are undertaken in order to operate the system as efficiently as possible.

The subject of interest rate risk management are all interest rate sensitive balance sheet items included in the banking book that may cause a negative effect on the Bank's result and capital due to changes in interest rates.

The Bank can be exposed to various forms of interest rate:

- Maturity mismatch risk and repricing risk, as well as price risk. This risk arises from the difference between the maturity date (for fixed rates) and the price change date (for variable rates) for the Bank's assets, liabilities and off-balance sheet items.
- Yield curve risk - risk that arises due to changes in the shape and slope of the yield curve, when unforeseen shifts in the curve have adverse effects on revenue or basic economic value.
- Basis risk - due to different reference interest rates for interest rate sensitive positions with similar characteristics in terms of maturity, i.e. re-pricing.
- Optionality risk - due to options embedded in interest rate sensitive positions (loans with the possibility of early withdrawal, different types of bonds or bills containing the option to buy or sell, different types of maturity deposits that give depositors the right to withdraw funds at any time, often without paying any penalties).

In order to manage interest rate risk exposure, the Bank uses the GAP interest rate methodology.

Analysis of interest rate risk exposure involves analysing the balance and changes in on-balance sheet assets, liabilities and off-balance sheet items. The Bank identifies interest rate risk exposure by determining the mismatch of positions in major currencies and in total for all currencies with which it operates.

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

Analysis of off-balance sheet items (swaps, forwards) involves identifying potential changes in positions, which occur as a cause of changes in interest rates in the market.

The analysis of interest rates implies continuous monitoring and adjustment of transactions to the conditions of changes in market interest rates.

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Interest Rate Risk (continued)

As at 31 December 2024	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Interest insensitive positions	Total
ASSETS							
Cash and balances with Central Bank	8,103,052	-	-	-	-	6,639,153	14,742,205
Securities	-	-	-	2,409,884	2,559,158	136,710	5,105,752
Loans and receivables from banks and other financial organizations	6,243,370	229,454	-	-	-	1,748,754	8,221,578
Loans and receivables from customers	1,429,172	4,010,189	2,714,390	217,377	45,882	165,163	8,582,173
Other assets	-	-	-	-	-	437,018	437,018
Total assets	**15,775,594**	**4,239,643**	**2,714,390**	**2,627,261**	**2,605,040**	**9,126,798**	**37,088,726**
LIABILITIES							
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	300,000	-	-	-	-	231,662	531,662
Deposits and other liabilities due to customers	15,024,640	709,767	4,283,075	652,558	-	10,565,273	31,235,313
Other liabilities	-	-	-	-	-	765,566	765,566
Total liabilities	**15,324,640**	**709,767**	**4,283,075**	**652,558**	**-**	**11,562,501**	**32,532,541**
GAP (Assets - Liabilities):	**450,954**	**3,529,876**	**(1,568,685)**	**1,974,703**	**2,605,040**	**(2,435,703)**	**4,556,185**

As at 31 December 2023	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Interest insensitive positions	Total
ASSETS							
Cash and balances with Central Bank	1,569,211	-	-	-	-	5,091,982	6,661,193
Securities	-	-	-	1,794,166	2,065,122	122,242	3,981,530
Loans and receivables from banks and other financial organizations	3,599,892	211,734	-	-	-	1,113,736	4,925,362
Loans and receivables from customers	1,181,432	2,187,959	2,523,604	248,107	4,804	127,392	6,273,298
Other assets	-	-	-	-	-	337,058	337,058
Total assets	**6,350,535**	**2,399,693**	**2,523,604**	**2,042,273**	**2,069,926**	**6,792,410**	**22,178,441**
LIABILITIES							
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	117,658	-	-	-	-	176,727	294,385
Deposits and other liabilities due to customers	1,832,099	781,504	3,007,521	305,265	-	12,761,994	18,688,383
Other liabilities	-	-	-	-	-	621,710	621,710
Total liabilities	**1,949,757**	**781,504**	**3,007,521**	**305,265**	**-**	**13,560,431**	**19,604,478**
GAP (Assets - Liabilities):	**4,400,778**	**1,618,189**	**(483,917)**	**1,737,008**	**2,069,926**	**(6,768,021)**	**2,573,963**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Interest Rate Risk (continued)

Limits for GAP interest rates are defined by the Decision of the Managing Board and they are monitored regularly.
As an integral part of interest rate risk assessment, the Bank conducts stress tests of the effects of changes in interest rates. In determining the exposure to interest rate risk in the banking book and the limit of this risk, the Bank assesses the effects of interest rate changes on the Bank's economic value, applying the standard interest rate shock test according to the nature and level of risks to which it is exposed. The standard interest rate shock represents a positive and a negative parallel shift in interest rates by 200 base points (1bp = 0.01%). In the current structure of interest rate GAPs increasing the interest rate by 200 basis points would change the economic value of capital by 14.21% (2023: 15.64%).

As at 31 December 2024

	0-1m	1-3m	3-6m	6-12m	1-2y	2-3y	3-4y	4-5y	5-7y	7-10y	10-15y	15-20y	> 20y	TOTAL
Sensitive assets	15,775,594	4,239,643	2,673,904	40,486	1,161,113	603,752	844,890	17,506	157,405	2,038,454	980	408,201	-	27,961,928
Sensitive liabilities	(15,324,640)	(709,767)	(2,138,359)	(2,144,716)	(635,163)	(17,395)	-	-	-	-	-	-	-	(20,970,040)
GAP	**450,954**	**3,529,876**	**535,545**	**(2,104,230)**	**525,950**	**586,357**	**844,890**	**17,506**	**157,405**	**2,038,454**	**980**	**408,201**	**-**	**6,991,888**
Basel 2 Sensitivity coefficients (200 bp changes of interest rates)	0.08%	0.32%	0.72%	1.43%	2.77%	4.49%	6.14%	7.71%	10.15%	13.26%	17.84%	22.43%	26.03%	
Effects	**361**	**11,296**	**3,856**	**(30,090)**	**14,569**	**26,327**	**51,876**	**1,350**	**15,977**	**270,299**	**175**	**91,559**	**-**	**457,555**
Regulatory capital														3,213,718
Total effects/Regulatory capital (max. 20%)														**14.24%**

As at 31 December 2023

	0-1m	1-3m	3-6m	6-12m	1-2y	2-3y	3-4y	4-5y	5-7y	7-10y	10-15y	15-20y	> 20y	TOTAL
Sensitive assets	6,350,535	2,399,694	2,474,358	49,246	89,990	1,130,938	8,461	812,884	140,161	1,548,558	880	380,325	-	15,386,030
Sensitive liabilities	(1,949,758)	(781,504)	(974,341)	(2,033,180)	(175,941)	(129,324)	-	-	-	-	-	-	-	(6,044,048)
GAP	**4,400,777**	**1,618,190**	**1,500,017**	**(1,983,934)**	**(85,951)**	**1,001,614**	**8,461**	**812,884**	**140,161**	**1,548,558**	**880**	**380,325**	**-**	**9,341,982**
Basel 2 Sensitivity coefficients (200 bp changes of interest rates)	0.08%	0.32%	0.72%	1.43%	2.77%	4.49%	6.14%	7.71%	10.15%	13.26%	17.84%	22.43%	26.03%	
Effects in (RSD thousand)	**3,521**	**5,178**	**10,800**	**(28,370)**	**(2,381)**	**44,972**	**520**	**62,673**	**14,226**	**205,339**	**157**	**85,307**	**-**	**401,942**
Regulatory capital														2,644,150
Total effects/Regulatory capital (max. 20%)														**15.64%**

4. FINANCIAL RISK MANAGEMENT (continued)

4.5. Market Risk

Market risks are the possibility of negative effects on the financial result and capital of the bank based on market price fluctuations. Basic market risks to which the Bank is exposed include FX risk and other market risks.

Foreign Exchange Risk

Foreign currency risk is the risk of adverse effects on the Bank's financial result and capital due to changes in the exchange rate, and the Bank is exposed to it on the basis of positions held in the banking book and trading book.

Foreign currency risk management is based on the prescribed methodology of the National Bank of Serbia. The Bank creates a foreign exchange position in all cases when it conducts transactions denominated in foreign currency or in dinars with indexed foreign currency clause, which includes the following transactions:

- placing and repayment of loans to clients in foreign currency or dinars with indexed foreign currency clause
- formation of sources of funds from clients in foreign currency or in dinars with indexed foreign currency clause
- performing foreign exchange (FX) trading for the Bank's account and FX trading with clients
- formation of other receivables and liabilities in foreign currency based on other business activities

Long/short foreign currency position is the sum of all net long/short positions in individual currencies. Higher absolute amount compared with these positions represents the total net open foreign exchange position. The maximum regulatory allowable indicator of the Bank's foreign exchange risk is 20% of the Bank's capital on a daily basis.

The Bank regularly monitors its exposure to foreign currency risk by complying with limits prescribed by the National Bank of Serbia, as well as internally prescribed limits. The Bank actively manages foreign currency risk through prudent assessment of open foreign currency positions by applying foreign currency swaps and observing risk limitations prescribed by the National Bank of Serbia and limitations contained in internal enactments adopted by the Bank's management.

Table in the text below shows summarized exposure to foreign exchange risk on 31 December 2024. The table also includes assets and liabilities according to their carrying values denominated in relevant currencies.

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.5. Market Risk (continued)

FX Risk (continued)

As of 31 December 2024	USD	EUR	CHF	Other currencies	Total	RSD	Total
ASSETS							
Cash and balances with Central Bank	-	6,341,591	-	99,449	6,441,040	8,301,165	14,742,205
Securities	-	1,085,713	-	322,967	1,408,680	3,697,072	5,105,752
Loans and receivables from banks and other financial organizations	-	6,802,868	-	1,418,710	8,221,578	-	8,221,578
Loans and receivables from customers	-	5,510,335	-	5,720	5,516,055	3,066,118	8,582,173
Other assets	-	65,429	-	-	65,429	371,589	437,018
Total assets	**-**	**19,805,936**	**-**	**1,846,846**	**21,652,782**	**15,435,944**	**37,088,726**
LIABILITIES							
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	-	7,141	-	93,088	100,229	431,433	531,662
Deposits and other liabilities due to customers	-	19,223,994	-	1,543,847	20,767,841	10,467,472	31,235,313
Other liabilities	-	628,596	-	31,090	659,686	105,880	765,566
Total liabilities	-	19,859,731	-	1,668,025	21,527,756	11,004,785	32,532,541
Net foreign currency position	**-**	**(53,795)**	**-**	**178,821**	**125,026**	**4,431,159**	**4,556,185**

As of 31 December 2023	USD	EUR	CHF	Other currencies	Total	RSD	Total
ASSETS							
Cash and balances with Central Bank	10,924	4,760,995	4,519	195	4,776,633	1,884,560	6,661,193
Securities	138,139	500,466	-	-	638,605	3,342,925	3,981,530
Loans and receivables from banks and other financial organizations	724,529	2,068,966	5,952	124,682	2,924,129	2,001,233	4,925,362
Loans and receivables from customers	-	5,546,469	6,173	-	5,552,642	720,656	6,273,298
Other assets	-	-	-	-	-	337,058	337,058
Total assets	**873,592**	**12,876,896**	**16,644**	**124,877**	**13,892,009**	**8,286,432**	**22,178,441**
LIABILITIES							
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	-	121,278	-	126,407	247,685	46,700	294,385
Deposits and other liabilities due to customers	860,182	12,181,939	13,901	119,046	13,175,068	5,513,315	18,688,383
Other liabilities	6,265	476,577	1,314	68	484,224	137,486	621,710
Total liabilities	**866,447**	**12,779,794**	**15,215**	**245,521**	**13,906,977**	**5,697,501**	**19,604,478**
Net foreign currency position	**7,145**	**97,102**	**1,429**	**(120,644)**	**(14,968)**	**2,588,931**	**2,573,963**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.5. Market Risk (continued)

FX Risk (continued)

The impact of decrease foreign exchange rates on the Bank's net result:

	Balance of open foreign currency positions		RSD depreciation effect of 10%	
	Dec 2024	**Dec 2023**	**Dec 2024**	**Dec 2023**
EUR	59,601	98,807	5,094	8,399
CHF	1,543	1,430	132	122
USD	10,264	7,145	877	607
Other currencies (long position)	173,853	6,450	14,859	548
Other currencies (short position)	29,776	162,716	2,545	13,831

4.6. The risks of exposure to a single party or a group of related parties

The Bank's exposure to a single party represents the total amount of receivables and off-balance sheet items relating to that party or a group of related parties (loans, investments in debt securities, equity shares, guarantees issued, avals, etc.).
The exposure risk, i.e. exposure concentration, is the Bank's exposure towards:

- One party or a group of related parties (two or more persons or legal entities related by shares);
- Two or more retail or corporate entities related in the manner that deterioration or improvement of the financial position of one party affects the financial position of the other,
- A person who is an authorised representative of a corporate entity,
- Two or more persons or corporate entities related by their membership in legal entities' management bodies, including their respective family members;
- Family members of a person who are members of management bodies of two corporate entities at the same time;
- A party related to the Bank (members of the Banking Group the member of which is the Bank; members of the management bodies of the Bank and of the Banking Group and their respective family members; parties with share in the capital of the Bank or the Banking Group and their respective family members; legal entities in which all the above mentioned parties own a control package)

The main goal of the exposure risk management is to eliminate the risk bearing exposure of the Bank's assets to one party, group of related parties or parties related to the Bank. This goal can be achieved by strict compliance with and the application of the Bank's credit policy in relation to acceptance and approval of client's requests in order to identify related parties and monitor the Bank's exposure limits towards them.

Bank's exposure

- ✓ Large Bank's exposure is an exposure to a single party or a group of related parties amounting to no less than 10% of the Bank's capital,
- ✓ Towards a single party or a group of related parties may not exceed 25% of the capital of the Bank.

The total of all the Bank's large exposures may not exceed 400% of the Bank's capital. The Bank has adopted limits defined by NBS in line with the Decision on managing risks and operates in accordance with them.

4. FINANCIAL RISK MANAGEMENT (continued)

4.7. The risks of investing into other entities and fixed assets

The Bank's investment risk is the risk related to the Bank's investment in a single retail/corporate entity operating outside the financial sector and the risk of the Bank's investment in fixed assets.

Managing this risk implies measuring, monitoring and controlling:

1. the amount of the Bank's investment (the Bank acquires the right to shares or share in capital) in any retail/corporate entity operating outside the financial sector that may not exceed 10% of the Bank's capital,
2. the amount of the Bank's investment in its own fixed assets
3. the total amount of the Bank's investment (the sum of items 1 and 2) that may not exceed 60% of the Bank's capital,
4. managing Board quarterly reporting of movements in indicators of items 1 to 3, and
5. managing Board suggestions relating to corrective measures in order to maintain the investment risk within the prescribed limits.

Limits of Bank's investments:

- The Bank's investments in a single entity operating outside the financial sector may not exceed 10% of the Bank's capital; the limit relates to the investment based on which the Bank acquires the right to shares or share in capital of the entity operating outside the financial sector
- The total amount of the Bank's investments in entities operating outside the financial sector and in fixed assets may not exceed 60% of the Bank's capital.

The Bank has adopted the limits defined by the National Bank of Serbia in accordance with the Decision on Risk Management and operates accordingly.

4.8. Risks related to the country of origin of the entity towards which the Bank is exposed

The risk related to the country of origin of the retail/corporate entity to which the Bank is exposed (country risk) is the risk of adverse effects on the Bank's financial results that may occur due to the Bank's inability to collect its receivables from retail/corporate entity domiciled in a foreign country due to political, economic and social conditions in that country.

The reasons that lead to country risk exposure are as follows:

- Political reasons - significant political changes in a country due to which a debtor is unable to fulfil its obligations to the Bank on a regular basis (change of government, significant political change, political turmoil, wars, catastrophes, etc.)
- Economic reasons - extremely negative economic events in a country due to which foreign debt repayment is seriously questioned or completely hindered.

Country risk is reflected through:

- Risk of non-payment - relates to cases in which debtor is unable to fulfil its obligations to the Bank on a regular basis due to political and economic reasons.
- Transfer risk - represents the possibility that solvent debtor from a foreign country is unable to pay its debt to the Bank in the specified currency due to certain irregularities in that country.
- Guarantee risk - the risk that has occurred as a result of a guarantee issued to an entity in a foreign country for payment to be effected in a third country.

The main goal of the country risk management is to protect the entire Bank's portfolio from possible risk bearing and uncollectible receivables from debtors from countries at risk.

4. FINANCIAL RISK MANAGEMENT (continued)

4.9. Operational risk (also including the legal risk, and the risk of inadequate management of information and other technologies significant for the Bank's business)

Operational risk is defined as the risk of negative effects on the Bank's financial results and share capital arising from the employee omission, illegal acts, inadequate internal procedures and processes, inadequate management of the Bank's information and other systems and unforeseeable external events.

The bank implemented a system of procedures and methodologies in order to identify, estimate, control and manage operative risks to which it is exposed during its operation.

The main method for identifying and estimating operational risks is RCSA - the process of risk self-estimation and the control with which all the processes and activities in the bank are covered. Taking into account the frequency and impact of potential events, as well as the established controls, risk owners assess the level of risk on an A-D scale.

Events from operational risk are stated in the loss base, and by:

- Business line
- Cause of event
- Type of event
- Type of loss

The base of events is dominated by potential losses from lawsuits against the Bank. Accordingly, the Bank has taken appropriate measures and provided funds to cover losses from legal risk. Analysis of exposure to operational risk is also represented through the introduction of new services and products, and new activities in the Bank, e.g. implementation of mobile banking services, implementation of new AML software, inclusion in electronic invoice system, regional clearing, implementation of new ATMs and considering new activities in order for the Bank to achieve the level of necessary digitalization.

The Bank uses Key Risk Indicators (continued: KRI) as the means of estimation, monitoring and control of operational risk, as well as a preventive mechanism used to prevent losses based on operational risk which is used in the decision making process in order to improve the performance of working processes and the efficiency of controls. Key indicators provide information on changes in exposure toward operational risk and represent the mechanism for proactive reactions to those changes. During 2023, there was no exceedance of the defined exposure levels.

The whole framework of operational risk is based on established limits for operational risks which are based on tracking the levels of total operational risk events compared to the minimal capital requirement, as well as the level of the maximum individual event compared to the capital requirement for operational risks.

Information Risks

The risk management process of the ICT system is established within the framework of comprehensive risk management in the Bank. IT risks are classified as operational risks and are defined as the possibility of negative effects on the financial result and capital, the achievement of business goals, operations in accordance with regulations and the Bank's reputation due to inadequate management of the information system or other weaknesses in that system that negatively affect its functionality or security, that is, threatens the continuity of the Bank's operations.

4. FINANCIAL RISK MANAGEMENT (continued)

4.9. Operational risk (also including the legal risk, and the risk of inadequate management of information and other technologies significant for the Bank's business) (continued)

Information Risks (continued)

The Bank's information and communication technology system (ICT system) was established as an integral solution with the tendency to support all business processes. The ICT system is a technological-organizational unit that includes: a) electronic communication networks in the sense of the law governing electronic communications; b) devices or groups of interconnected devices such that within the device, that is, within at least one of the group of devices, automatic data processing is performed using a computer program; c) data that is maintained, stored, processed, searched or transmitted using the means mentioned under (a) and (b) for the purpose of their operation, use, protection or maintenance; d) the organizational structure through which this system is managed, e) all types of system and application software and software development tools.

Users of the ICT system are all persons authorized to use the ICT system (employees of the Bank, employees of service providers who access the Bank's ICT system, Bank clients who access the Bank's ICT system through electronic interactive communication channels, etc.). Responsibilities have been formally established in terms of managing and monitoring the operation of the system, as well as reporting to the Bank's management on the state, performance, security and possible problems in the functioning of the IS.

ICT system risk management is also established through the Bank's internal acts, policies and procedures related to the development and maintenance of the ICT system, its management, use, protection and monitoring. Activities related to the engagement of third parties related to the Bank's ICT system are also included.

ICT system risk assessment provides a structural qualitative assessment of the operating environment. These include sensitivity, threats, vulnerabilities, risk and protection. The assessment is taken into account when making decisions on establishing cost-effective safeguards to mitigate threats and abuse vulnerabilities.

ICT system risk assessment is performed using a methodology based on identified resources through a tabular presentation of identified risks (incident scenarios for potential threats to exploit vulnerabilities). As there is a different impact of risk on confidentiality, integrity and availability, this methodology involves calculating a unique impact on the asset taking into account all three factors. According to the performed risk assessment, the Bank's management decides which risk levels are acceptable, and which will require introduction of additional controls.

The Bank has a register of information goods, owners and users are defined, as well as the classification of information goods according to their importance for business, i.e. the degree of sensitivity and criticality, taking into account the possible consequences of breach of confidentiality.

The security of the Bank's information system is organized on several levels. The first level of security is physical security, which refers to the control of access to the Bank's facilities, as well as the control of access to central locations. The second level is logical security at the level of operating systems, computer network and network components, while the third level is logical control of access to application solutions and databases. Also, data security is ensured by additional activities such as the formation of regular copies of data from the system and the existence of a plan to continue operations due to adverse events and the backup location of the Bank. The bank performs regular tests of BCP and DR locations.

4. FINANCIAL RISK MANAGEMENT (continued)

4.9. Operational risk (also including the legal risk, and the risk of inadequate management of information and other technologies significant for the Bank's business) (continued)

Information Risks (continued)

The framework defines and regulates protection measures, basic principles, manner and procedures for achieving and maintaining an adequate level of security, as well as powers and responsibilities, respecting the principles of internationally recognized standards and recommendations of good practice such as ISO/IEC 27000 series standards for information security, ISO/ISC 20000 and ITIL for IT services management as well as COBIT as a framework for corporate governance and IT management, in accordance with the Law on Information Security, accompanying Regulations of this Law and the NBS Decision on minimum standards of financial institution information system management.

The ultimate goal of this policy is to define information security and protection in the information security management system in order to:
- ensure confidentiality, integrity, availability, authenticity, provability, irrefutability and reliability in the information system,
- ensure the continuity of critical business processes,
- reduce the potential impact of the incident on security and the risk of material and non-material damage through preventive action.

4.10 ALM Risk

The risk of money laundering and terrorist financing refers to the potential negative impact on the Bank's financial results, capital, or reputation due to the use of the Bank (either directly or indirectly through business relationships, transactions, services, or products) for money laundering and/or terrorist financing.

This risk primarily arises from the Bank's failure to align its operations with laws, regulations, and internal policies governing the prevention of money laundering and terrorist financing. It can also result from inconsistencies within the Bank's internal policies related to anti-money laundering and counter-terrorist financing procedures.

The Bank has defined the identification, assessment, control, and management of money laundering and terrorist financing risk through internal policies. Establishing an appropriate internal structure, ensuring effective organizational units and internal controls, and providing employee training are key factors in managing this risk.

To enhance and ensure the continuous implementation of AML/CTF policies and procedures, the Bank has established a dedicated organizational unit, the AML/CTF Department. This department is responsible for taking measures to improve compliance and ensure the ongoing application of policies and procedures for managing money laundering and terrorist financing risks. The Bank has provided this unit with the necessary human resources, material resources, IT infrastructure, and other working conditions, along with continuous professional training and development opportunities for its employees.

4.11. Compliance Risk (continued)

Ensuring the Bank's compliance with legal and regulatory requirements is a fundamental obligation and an integral part of its business strategy, embedded at all levels of the Bank's operations. The goal is to achieve full compliance with regulatory frameworks, thereby strengthening the stability and integrity of the Bank's operations.

This is accomplished through the strong commitment of the Bank's senior management, who collectively play a key role in establishing and implementing effective procedures and systems to ensure regulatory compliance.

4. FINANCIAL RISK MANAGEMENT (continued)

4.11. Compliance Risk (continued)

The risk of non-compliance, which could negatively impact the Bank's financial results and capital, is present in various segments of the Bank's operations, particularly in operational areas. It is identified as the risk of potential sanctions, financial losses, and damage to the Bank's reputation due to the failure to adhere to regulatory requirements, professional standards, good business practices, and ethical norms.

To properly and continuously manage this complex risk, the Bank has established a systematic and comprehensive approach, applying the highest level of professional attention.

The compliance function is organized as a separate sector, the Compliance Department, and is tailored to the size and specifics of the Bank's operations.

During 2024, the Bank was exposed to numerous legal and sub-legal changes that directly and significantly impact its operations. As a result, the compliance function made additional efforts to analyze these changes appropriately and in a timely manner, presenting them to the management and other organizational units of the Bank for proper and prompt alignment.

The banking sector is undergoing a transformation of the regulatory framework, particularly regarding systemic laws, and this trend is expected to continue throughout 2025.

4.12. Reputation risk

The risk of non-compliance in the Bank's operations refers to the possibility of negative effects on the Bank's financial results and capital due to the failure to align its operations with the law, regulations, business standards, internal policies, anti-money laundering and counter-terrorist financing procedures, as well as professional rules, good business practices, and ethical norms. This includes the risk of regulatory sanctions, financial losses, and reputational damage.

As one of the risks managed comprehensively within the Bank's risk management framework, compliance risk also encompasses reputational risk. This occurs if the Bank, as a result of failing to ensure compliance, damages its business reputation and erodes customer trust.

4.13. Capital Risk Management

The Bank's objectives when managing capital are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividends paid to shareholders, issue new shares or convert portion of liabilities to subordinated debt.

Under the NBS regulations, the Bank is required to:

- maintain the prescribed minimum monetary share capital of EUR 10 million in RSD counter value at the NBS middle exchange rate;
- maintain the minimum capital adequacy ratio, against the risk bearing assets, of 8%

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.13. Capital Risk Management (continued)

The Bank's Financial Control Department performs the control of capital based on the capital adequacy ratio and to the end of 2023 is:

	As of 31 December 2024	As of 31 December 2023
Paid in share capital	3,065,958	3,065,958
Share premium	-	-
Reserves from profit, other reserves and reserves for general bank risks	48,445	48,445
Losses from previous years	-	(56)
Intangible assets	(154,179)	(80,715)
Regulatory adjustments to the value of the elements of the basic share capital (additional value adjustments)	(5,106)	(3,981)
Revaluation reserves and other unrealized gains/(losses)	266,070	161,939
Gross amount of receivables from debtors - retail (except farmers and entrepreneurs), with full application of point 13 under 13) of the Decision on capital adequacy	(7,470)	(10,475)
Basic share capital	**3,213,718**	**3,181,115**
Additional share capital	**-**	**-**
Share capital	**3,213,718**	**3,181,115**
Supplementary capital	**-**	**-**
Total capital, balance as at 31 December	**3,213,718**	**3,181,115**
Capital adequacy ratio, as at 31 December	**24.24%**	**34.57%**

4.14. Fair value of financial assets and liabilities

Fair value specified in financial statements is the amount for which an asset may be exchanged, or for which a liability may be settled, between informed, willing parties in an independent transaction.

Fair value is calculated by using market information available on the reporting date, as well as individual method of Bank's assessment.

The fair value of a financial instrument shown at its nominal value is approximately equal to its book value. This includes cash and receivables and liabilities without a defined maturity or fixed interest rate. For other receivables and liabilities, expected future cash flows are discounted to their present value using current interest rates. Having in mind that the variable interest rate is agreed for most financial assets and liabilities of the Bank, changes in prevailing interest rates lead to changes in contractual rates.

Quoted market prices are used for securities traded. The fair value of other securities is calculated as the net present value of expected future cash flows.

The fair value of irrevocable credit commitments and contingent liabilities are the same as their book values.

4. FINANCIAL RISK MANAGEMENT (continued)

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

Assessment of financial instruments

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

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

The fair value of financial assets and financial liabilities traded in active markets is based on quoted market prices or prices quoted by dealers. For all other financial instruments the Bank determines fair value by using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparing to similar instruments for which there is an observable market price and other valuation models. Assumptions and inputs used in valuation techniques include free from risk and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond prices and equity securities, foreign exchange rates, equity and equity-indexed prices and expected price fluctuations and correlations. The objective of valuation techniques to determine the fair value which reflects the price of the financial instrument at the reporting date, which would be defined by the market participants in the free and independent transactions.

The Bank uses widely accepted models of valuation to determine the fair value of financial instruments. Securities of the Ministry of Finance of the Republic of Serbia denominated in RSD and EUR are revalued at the prevailing price on the secondary market.

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

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

Assessment of financial instruments (continued)

The table below shows fair value of financial instrument recognized at fair value in financial statements.

As of 31 December 2024	Level 1	Level 2	Level 3	Total
Financial assets				
- at fair value through other comprehensive income	-	5,105,752	-	5,105,752
Total	**-**	**5,105,752**	**-**	**5,105,752**

As of 31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets				
- at fair value through other comprehensive income	-	3,981,530	-	3,981,530
Total	**-**	**3,981,530**	**-**	**3,981,530**

During 2024 and 2023, there were no changes of levels nor reclassifications between fair valuation levels.

The following table shows the fair value of financial instruments that are not measured at fair value and analyses them by level in the fair value hierarchy within which the measurement of fair value is located:

	31 December 2024		31 December 2023	
Financial (monetary) assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and balances with Central Bank	14.742.205	14.742.205	6,661,193	6,661,187
Loans and receivables from banks and other financial organizations	8.221.578	8.221.578	4,925,362	4,925,362
Loans and receivables from customers	8.582.173	8.500.395	6,273,298	5,087,285
Other assets	437.018	437.018	337,058	337,063
Total	**31.982.974**	**31.901.196**	**18,196,911**	**17,010,897**
Financial (monetary) liabilities				
Deposits and other liabilities due to banks, other financial institutions and Central Bank	531.662	531.662	294,385	294,266
Deposits and other liabilities due to customers	31.235.313	31.235.313	18,688,383	18,093,190
Other liabilities	765.566	765.566	621,710	616,236
Total	**32.532.541**	**32.532.541**	**19,604,478**	**19,003,692**

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

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

Assessment of financial instruments (continued)

As of 31 December 2024	Fair value			
	Level 1	Level 2	Level 3	Total
ASSETS				
Cash and balances with Central Bank	14,742,205	-	-	14,742,205
Loans and receivables from banks and other financial organizations	-	-	8,221,578	8,221,578
Loans and receivables from customers	-	-	8,500,395	8,500,395
Other assets			437,018	437,018
Total	**14,742,205**	**-**	**17,158,991**	**31,901,196**
LIABILITIES				
Deposits and other liabilities due to banks, other financial institutions and Central Bank	-	-	531,662	531,662
Deposits and other liabilities due to customers	-	-	31,235,313	31,235,313
Other liabilities	-	-	765,566	765,566
Total	**-**	**-**	**32,532,541**	**32,532,541**

As of 31 December 2023	Fair value			
	Level 1	Level 2	Level 3	Total
ASSETS				
Cash and balances with Central Bank	6,661,187	-	-	6,661,187
Loans and receivables from banks and other financial organizations	-	-	4,925,362	4,925,362
Loans and receivables from customers	-	-	5,087,285	5,087,285
Other assets	-	-	337,063	337,063
Total	**6,661,187**	**-**	**10,349,710**	**17,010,897**
LIABILITIES				
Deposits and other liabilities due to banks, other financial institutions and Central Bank	-	-	294,266	294,266
Deposits and other liabilities due to customers	-	-	18,093,190	18,093,190
Other liabilities	-	-	616,236	616,236
Total	**-**	**-**	**19,003,692**	**19,003,692**

The following is a description of the methodology and assumptions used to determine fair values of financial instruments that have not been valued at fair value in the financial statements.

Assets for which fair value approximates to book value

For financial assets and liabilities that are liquid or have short-term maturities (less than one year) it is assumed that the book value approximates fair value. This assumption also applies to deposits on requirements, savings accounts without a specific maturity and financial instruments with variable rate.

4. FINANCIAL RISK MANAGEMENT (continued)

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

Assessment of financial instruments (continued)

Fixed-rate financial instruments

Fair value of financial assets and liabilities with fixed rates valued at amortized cost are estimated by using market interest rates plus current credit risk. The estimated fair value of deposits with a fixed rate based on the discounted cash flows using prevailing interest rates on the debt on the money market with similar credit risk and maturity.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Deteriorating operating conditions for borrowers may have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

The preparation of financial statements in accordance with IFRS requires management to use the best estimates and reasonable assumptions that affect the application of accounting policies, the presented amounts of assets and liabilities, as well as income and expenses.

Areas that demand the greatest degree of reasoning, which may significantly affect the amounts presented in the Bank's financial statements, are presented below.

(a) Classification and valuation and impairment of financial assets

Losses due to impairment of loans

The expected credit loss model is based on judgment because it requires an estimate of a significant increase in credit risk and the measurement of expected losses without some more detailed guidance. In terms of a significant increase in credit risk, the Bank has set out specific valuation rules that include quantitative and qualitative criteria. Measurement of expected credit loss involves complex models that rely on historical default and loss rates, their extrapolation in case of insufficient data, individual estimations of credit loss-adjusted cash flows, and probability of scenario realization including forward-looking information.

All amounts are expressed in thousands of RSD unless otherwise stated

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Classification and valuation and impairment of financial assets (continued)

Losses due to impairment of loans (continued)

The following components have a major impact on expected credit losses:
- determining the level of assessment of expected credit loss on an individual or collective basis;
- the definition of default applied by the Bank;
- development and application of internal credit assessment models, which assign PDs to individual credit risk classes;
- development and application of internal models used to assess non-performance exposures ("EADs") for financial instruments and credit commitments;
- assessment of loss given default ("LGD"), including judgments made in the assessment of collateral;
- criteria for assessing whether there has been a significant increase in credit risk;
- selection of future macroeconomic scenarios and weighting of their probabilities.

Detailed disclosure of the identification of a significant increase in credit risk, including collective, individual credit, foresight techniques used to measure the expected loss and default definition, and other aspects of credit risk assessment are given in Note 4.3.

ECL on individual significant placements are based on estimates of discounted future cash flows of individual placements, takin into account the repayment and realization of any assets that serve as collateral for these placements.

The Bank used forward-looking information to measure expected credit losses. The most significant projected assumptions for the future that correlate with the level of expected credit losses and their assigned weights were as follows as at 31 December 2024:

The ARDL model (autoregressive distributed lag model) was used for forward looking PD. The Model takes into account predictions of the most prestigious institutions such as the European Central Bank, International Monetary Fund etc. for assessing macroeconomic variables entering the model. These predictions are the basis for the first scenario. The second scenario is a pessimistic scenario which stresses value from the first scenario and worsens macroeconomic forecasts, while the third scenario presents an optimistic scenario and to a lesser extent improves estimates of macroeconomic variables. All variables in the models were selected based on their economic significance (taking into account the relevant economic literature), as well as on the basis of their statistical significance in the model.

Consumer and cash loans

The regression for Consumer and cash loans includes macroeconomic variables: 6m BELIBOR, real dinar earnings, retail trade turnover and interaction of the regime of high inflation and six-month BELIBOR. The table shows the weighted values of the projected PD.

Variables	*Scenario*	*Assigned weight*	*Realized DR 2023*	*Projected PD 2024*
6m BELIBOR, real dinar wages, turnover in retail trade and the interaction of the high inflation regime and 6m BELIBOR	Starting	25%	1.50%	0.55%
	Pessimistic	50%	1.50%	1.15%
	Optimistic	25%	1.50%	0.52%

All amounts are expressed in thousands of RSD unless otherwise stated

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Classification and valuation and impairment of financial assets (continued)

Losses due to impairment of loans (continued)

Credit cards

The regression for Credit Cards includes macroeconomic variables: Exchange rate EUR/RSD, 6m BELIBOR and seasonally adjusted real earnings. The table shows the weighted values of the projected PD.

Variables	*Scenario*	*Assigned weight*	*Realized DR 2023*	*Projected PD 2024*
Industrial production of the processing industry, real dinar earnings and 6m BELIBOR	Starting	25%	0.63%	0.43%
	Pessimistic	50%	0.63%	0.95%
	Optimistic	25%	0.63%	0.37%

Entrepreneurs

Regression for Entrepreneurs include macroeconomic variables: 6m EURIBOR, change in RSD/EUR exchange rate, real effective exchange rate and industrial production. The table shows the weighted values of the projected PD.

Variable	*Scenario*	*Assigned weight*	*Realized DR 2023*	*Projected PD 2024*
Share of imports of goods and services in GDP	Starting	25%	8.41%	1.08%
	Pessimistic	50%	8.41%	2,48%
	Optimistic	25%	8.41%	0.97%

Legal entities

The regression for legal entities includes macroeconomic variables: 6m EURIBOR, change in RSD/EUR exchange rate, real effective exchange rate, industrial production and share of corporate loans in GDP. The table shows the weighted values of the projected PD.

Variable	*Scenario*	*Assigned weight*	*Realized DR 2023*	*Projected PD 2024*
6m EURIBOR, effective real exchange rate and aggregate loans to corporate in % of GDP	Starting	25%	3.23%	0.88%
	Pessimistic	50%	3.23%	1.93%
	Optimistic	25%	3.23%	0.84%

Housing loans

Macroeconomic variables are included in the regression for housing loans: Change in the nominal exchange rate against the EUR, nominal dinar earnings, the six-month EURIBOR and the interaction of the high inflation regime and own arrears. The table shows the weighted values of the projected PD.

Variable	*Scenario*	*Assigned weight*	*Realized DR 2023*	*Projected PD 2024*
Change in the nominal exchange rate against the EUR, nominal dinar earnings, the 6m EURIBOR and the interaction of the high inflation regime and own arrears	Starting	25%	0.27%	0.55%
	Pessimistic	50%	0.27%	1.25%
	Optimistic	25%	0.27%	0.51%

All amounts are expressed in thousands of RSD unless otherwise stated

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Classification and valuation and impairment of financial assets (continued)

Losses due to impairment of loans (continued)

Overdrafts

Macroeconomic variables are included in the regression for overdrafts: real dinar wages, 6m BELIBOR and the consumer sentiment indicator. The table shows the weighted values of the projected PD.

Variable	*Scenario*	*Assigned weight*	*Realized DR 2023*	*Projected PD 2024*
Real dinar earnings, 6m BELIBOR and the consumer sentiment indicator	Starting	25%	0.63%	0.39%
	Pessimistic	50%	0.63%	0.87%
	Optimistic	25%	0.63%	0.26%

Significant Increase in Credit Risk (SICR)

In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition.

If 10% of loans and advances to customers classified as Stage 1 as at 31 December 2024 are measured by applying the ECL lifetime (for Stage 2), the expected impairment loss would be higher by RSD 45,250 thousand (31 December 2023: higher by RSD 3,898 thousand).

Business model assessment

The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the “hold to collect” business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the “hold to collect” business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Bank’s control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The “hold to collect and sell” business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model’s objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(a) Classification and valuation and impairment of financial assets (continued)

Assessment whether cash flows are solely payments of principal and interest (SPPI)

Determining whether financial assets cash flows are solely payments of principal and interest requires judgement.

The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Bank's loans include cross-selling clauses that represent a reduction in the interest rate upon the customer entering into other contracts with the Bank or achieving certain criteria, such as maintaining a minimum turnover on current bank accounts held with the Bank. The cash flows are SPPI if such clauses merely reduce the Bank's overall profit margin on the instrument and there are no other features inconsistent with a basic loan arrangement.

The Bank considered examples in the standard and concluded that features that arise solely from legislation and that are not part of the contract, that is, if legislation changed, the features would no longer apply, are not relevant for assessing whether cash flows are SPPI. The Bank's loan agreements allow adjusting interest rates in response to certain macro-economic or regulatory changes. Management applied judgement and assessed that competition in the banking sector and the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI.

Modification of financial assets

When financial assets are contractually modified (e.g. renegotiated), the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based on quantitative and qualitative factors, described in the relevant accounting policy and the qualitative factors require significant judgment. In particular, the Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognized and whether the new recognized loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognized nor reclassified out of the credit-impaired stage.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(a) Classification and valuation and impairment of financial assets (continued)

Write-off policy

Financial assets are derecognized, in whole or in part, when the Bank has exhausted all practical recovery efforts and concluded that there are no reasonable expectations of recovery. Determining cash flows for which there is no reasonable expectation of recovery requires assessment. Management has considered the following indicators that there is no reasonable expectation of recovery:

- The decision of the National Bank of Serbia on the accounting write-off of the bank's balance sheet assets stipulates that the Bank is obliged to write off the low-collectability balance sheet assets by transferring the balance sheet assets to the bank's off-balance sheet records. Pursuant to the aforementioned decision, the bank is obliged to write off the problem loan in the event that the amount of impairment of the loan is calculated, which the bank has recorded in favour of the value adjustment of 100% of its gross book value. With these placements, it is evident that there is very little possibility of collection or no source of collection of receivables at all. The possibility of collection is assessed on the basis of the status of proceedings against the client and other participants in the placement.
- In accordance with applicable collection procedures and international financial reporting standards, a bank may partially write off receivables by transferring the uncollectible portion of receivables from the balance sheet to off-balance sheet records. This move recognizes partial non-collectability and reduces the balance receivable to the amount of expected collection, without affecting the legal position of the bank as a creditor, since the claim remains fully recognized and recorded in the bank's books (both on- balance sheet and off-balance sheet records). The decision on partial write-off is made in accordance with the competencies of the Committee for Problematic Placements and based on the analysis of the possibility of voluntary or forced collection, previously conducted procedures, the relationship between the value of receivables and collateral, and available legal remedies in favour of the Bank. If these arguments confirm the partial non-collectability, a part of the claim can be written off.
- If the cost of conducting enforcement proceedings (especially court proceedings) is higher than the amount of the claim, the receivables may be written off when the collection methods are exhausted or become inexpedient by initiating court/enforcement proceedings.

(b) Fair value of securities

The fair value of financial instruments traded in an active market at the balance sheet date is based on quoted market prices of supply or demand, without any deduction for transaction costs. The fair value of financial instruments not quoted in an active mark.et is determined using appropriate valuation techniques, which include net present value techniques, comparison with similar instruments for which there are market prices and other relevant models.

When market inputs are not available, they are determined by valuations that include some degree of judgment in estimating fair value. Valuation models reflect the current market situation at the measurement date and do not have to represent the market conditions before or after the measurement date. Therefore, valuation techniques are revised periodically to adequately reflect current market conditions.

More detailed disclosures are provided in Note 4.14 (Fair value of financial assets and liabilities).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(c) Estimate of the fair value of buildings and investment property and foreclosed assets

The Bank receives independent appraisals for its investment property and foreclosed assets at least annually, and for business premises (classified as property, plant and equipment) at least every three years.

At the end of each reporting period, management updates its estimate of the fair value of each property, taking into account the most recent independent valuations. Management determines the value of assets within the range of reasonable fair value estimates.

The best evidence of fair value is current price in an active real estate market. If current price information is not available, management reviews information from a variety of sources, including:

- current active market prices for properties of different nature or recent prices for similar properties in less active markets, adjusted to reflect these differences,
- discounted cash flow projections on reliable estimates of future cash flows,
- capitalized revenue forecasts based on the estimated net income of the real estate market and the capitalization rate derived from market evidence analysis.

(d) Recognition of deferred tax assets

Deferred tax assets represent income taxes that may be collected through future reductions in taxable profit. Deferred tax assets are recorded if the achievement of the relevant tax benefits is probable. The future taxable profit and the amount of tax benefits that are probable in the future are based on the medium-term business plan prepared by management, as well as on the subsequent extrapolation of the results of the same plan. The Bank did not recognize deferred tax assets for tax losses carried forward.

(e) Provisions for litigation

The Bank is subject to a number of claims incidental to the normal conduct of its business, relating to and including commercial, contractual and employment matters, which are handled and defended in the ordinary course of business. The Bank routinely assesses the likelihood of any adverse judgments or outcomes to these matters as well as ranges of probable and reasonable estimated losses. A number of these cases relate to claims for disputed clauses in loan agreements, such as those relating to loan origination fees and insurance premiums collected by the Bank from individuals as borrowers. In estimating the provision, the Bank assesses the probability of any adverse outcomes on these matters, and for those with a probable negative outcome, calculates the provision based on the actual receivable plus the best estimate of default interest and legal costs.

Reasonable estimates include judgment made by management after considering information including notifications, settlements, estimates performed by legal department, available facts, identification of other potentially responsible parties and their ability to contribute as well as prior experience.

A provision for litigation is recognized when it is probable that an obligation exists for which a reliable estimate can be made after careful analysis. The required provision may change in the future due to new events and as additional information becomes available.

Matters that are either contingent liabilities or do not meet the recognition criteria for provision are disclosed, unless the possibility of transferring economic benefits is remote. Refer to Note 27 for further information about the Bank's contingent liabilities in respect of litigations and related provisions.

All amounts are expressed in thousands of RSD unless otherwise stated

6. INTEREST INCOME AND EXPENSES

	2024	2023
Interest income based on EIR		
On loans	641,083	479,748
On deposits	124,332	11,632
On securities and REPO transaction	265,494	223,003
On foreign currency loans	5,281	3,448
On foreign currency deposits	296,885	90,696
On foreign currency securities	40,075	15,814
Total:	**1,373,150**	**824,341**
Interest expense		
On deposits	128,540	70,481
On securities	34,808	33,783
On other liabilities	2	3
On foreign currency borrowings	139,750	-
On foreign currency deposits	403	97,867
On foreign currency securities	27,758	181
On other foreign currency liabilities	128,540	13,485
Total:	**331,261**	**215,800**
Net interest income	**1,041,889**	**608,541**

Total interest income and expense accounted for using the effective interest method presented in the table relate to financial assets and liabilities that are not carried at fair value through profit and loss statement.

Interest income from loans in dinars in the amount of RSD 641,083 thousand (2023: RSD 479,748 thousand), also includes income from suspended interest in the amount of RSD 33,946 thousand (2023: RSD 5,691 thousand).

Income from interest from securities in the amount of RSD 265,494 thousand (2023: RSD 223,003 thousand), mostly refers to income from interest from government bonds in the amount of RSD 164,357 thousand.

Interest income on deposits in foreign currency in the amount of RSD 296,885 thousand (2023: RSD 90,696 thousand) mostly refer to interest income on short-term deposits in foreign currency of other foreign banks, in the amount of RSD 171,702 thousand (2023: RSD 36,120 thousand).

Interest expenses on deposits in dinars in the amount of RSD 128,540 thousand (2023: RSD 70,481 thousand), mainly refer to interest expenses on short-term deposits of other companies in the amount of RSD 68,375 thousand (2023: RSD 35,463 thousand), to interest expenses on demand deposits of households in the amount of RSD 31,188 thousand (2023: RSD 17,001 thousand) and on interest expenses on retail sight deposits in the amount of RSD 17,052 thousand (2023: RSD 14,219 thousand).

Interest expenses on deposits in foreign currency in the amount of RSD 139,750 thousand (2023: RSD 97,867 thousand), mostly refers to interest expenses on retail savings deposits in the amount of RSD 78,155 thousand (2023: RSD 56,418 thousand), while the amount of RSD 19,316 thousand (RSD 11,465 thousand) refers to interest from retail long-term savings deposits with maturity of 25 months in foreign currency.

All amounts are expressed in thousands of RSD unless otherwise stated

6. INTEREST INCOME AND EXPENSES (continued)

Interest income	**2024**	**2023**
National Bank of Serbia	211,444	102,855
Banks and other financial institutions	63,784	4,099
Corporate	505,167	346,769
Retail	125,898	119,172
Entrepreneurs	11,776	16,075
Foreign entities	250,540	55,096
Republic of Serbia	204,541	180,275
Total	**1,373,150**	**824,341**

Interest expense	**2024**	**2023**
Banks and other financial institutions	361	2,054
Corporate	70,864	41,966
Retail	156,665	116,147
Entrepreneurs	2,255	1,497
Public sector	2	1,370
Foreign entities	32,220	5,357
Republic of Serbia	35,211	33,964
Other clients	5,925	-
Leasing	27,758	13,445
Total	**331,261**	**215,800**
Net interest income	**1,041,889**	**608,541**

7. FEE AND COMMISSION INCOME AND EXPENSE

	2024	**2023**
Fee and commission income in RSD	3,237,766	1,302,833
Fee and commission income in foreign currency	31,153	13,848
Total:	**3,268,919**	**1,316,681**
Fee and commission expense in RSD	375,267	131,889
Fee and commission expense in foreign currency	59,485	27,649
Total:	**434,752**	**159,538**
Net fee and commission income	**2,834,167**	**1,157,143**

Fee and commission income and expenses shown in the table are the result of the reclassifications carried out by the Bank during 2024 (note 2.4). The Bank has also modified the comparative data for 2023.

All amounts are expressed in thousands of RSD unless otherwise stated

7. FEE AND COMMISSION INCOME AND EXPENSE (continued)

The breakdown of fee and commission income and expenses is presented in table:

	2024	2023
Income from fees for banking services		18,020
- payment cards	24,066	
- domestic payment operations (companies, bank, retail)	77,910	62,577
- commissions for issued guarantees	41,287	34,340
- foreign currency payment operations	60,832	24,079
- banking services	10,772	8,488
- other fees and commissions	7,119	5,921
- exchange operations	550,809	333,008
- buying and selling of foreign currency	2,494,901	826,903
- other – early repayment	1,223	3,346
Total income	**3,268,919**	**1,316,681**
Expenses from fees for banking services		
- payment cards	1,117	1,047
- domestic payment operations	6,152	5,156
- foreign currency payment operations	59,430	27,597
- banking services	3,627	743
- other fees and commissions	1,658	1,154
- buying and selling of foreign currency	362,768	123,841
Total expenses:	**434,752**	**159,538**
Net gains from fees and commissions	**2,834,167**	**1,157,143**

10. NET FOREIGN EXCHANGE GAINS/(LOSSES) AND CURRENCY CLAUSE EFFECTS

	2024	2023
Foreign exchange gains and losses on:		
Foreign currency deposits and loans	(799)	100,528
Foreign currency accounts	(113,900)	(103,397)
Cash and deposits held with NBS	2,195	(4,674)
Payment card transactions	1,899	2,650
Other	(984)	(2,111)
Contracted currency clause	(9,043)	(7,767)
Securities	14,265	(6,945)
Total	**(106,367)**	**(21,713)**

Net foreign exchange losses shown in the table are the result of the reclassifications carried out by the Bank during 2024 (note 2.4). The Bank has also modified the comparative data for 2023.

All amounts are expressed in thousands of RSD unless otherwise stated

9. NET LOSS FROM IMPAIRMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT

	2024	2023
Impairment loss on balance sheet assets	(1,349,691)	(572,442)
Income from reversal of impairment of balance sheet assets	1,185,758	535,992
Provision for off-balance sheet items	(153,213)	(98,061)
Income from reversal of provisions for off-balance sheet items	152,279	86,223
Expenses from write-off of uncollectible receivables	(906)	(1,410)
Income from collected receivables previously written-off	75,477	87,543
Impairment of financial assets valued at FV through OCI	(2,065)	(503)
Reversal of impairment of financial asset valued through OCI	198	364
Modification loss	(19,815)	(56,270)
Net loss:	**(111,979)**	**(18,564)**

Movements on the accounts of impairment of balance assets in 2024 and 2023 were as follows:

	Loans to clients	Receivables for interest and fees	Other receivables	Total
Opening balance 01 January 2024	**246,239**	**8,201**	**11,146**	**265,586**
New impairment allowance	1,131,581	15,028	203,083	1,349,692
Exchange rate differences	(1,877)	1	(3,450	(5,326)
Write-off	(72)	(766)	(16)	(854)
Transfer to off-balance sheet items	(3,629)	(144)	(275)	(4,048)
Income from reversal of impairment	(985,866)	(14,282)	(184,756)	(1,184,904)
Balance at the year end	**386,376**	**8,038**	**25,732**	**420,146**

	Loans to clients	Receivables for interest and fees	Other receivables	Total
Opening balance 01 January 2023	**238,594**	**6,783**	**3,931**	**249,308**
New impairment allowance	427,735	11,438	133,269	572,442
Exchange rate differences	160	-	4,333	4,493
Write-off	(159)	-	-	(159)
Transfer to off-balance sheet items	(24,506)	-	-	(24,506)
Income from reversal of impairment	(395,585)	(10,020)	(130,387)	(535,992)
Balance at the year end	**245,239**	**8,201**	**11,146**	**265,586**

10. NET GAIN FROM DERECOGNITION OF INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES

	2024	2023
Gains from sale of investments in other financial organisations	-	429
Total	**-**	**429**

All amounts are expressed in thousands of RSD unless otherwise stated

11. OTHER OPERATING INCOME

	2024	2023
Rent income	14,101	17,013
Revenues from damage compensation	9,801	-
Total	**23,902**	**17,013**

12. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES

	2024	2023
Costs of salaries	361,657	255,571
Costs of employee compensations	47,840	40,191
Taxes for salaries and wages	50,703	36,340
Contributions for salaries and wages	93,030	67,950
Compensations for temporary and occasional work	7,048	3,052
Other personal expenses	38,390	20,552
Net expense for provisions for unused days of annual leave, retirement and bonus	393,227	85,534
Total	**991,895**	**509,190**

13. DEPRECIATION COSTS

	2024	2023
Intangible assets	36,589	25,480
Fixed assets	60,284	37,631
Right of use assets	67,309	37,293
Total	**164,182**	**100,404**

14. OTHER INCOME

	2024	2023
Income from derecognition of provisions for litigation	2,228	58,992
Income from sale of fixed assets	-	39
Income from sale of asset acquired by collecting of receivables	459	502
Income from sale of investment property	9,828	-
Other income	12,757	2,089
Income from legal actions finalised in favour of the Bank	4,699	4,161
Other income from previous year	4,452	11,677
Total	**34,423**	**77,460**

All amounts are expressed in thousands of RSD unless otherwise stated

15. OTHER EXPENSES

	2024	**2023**
Costs of materials	30,778	33,887
Costs of production services	55,822	37,740
Non-material costs (without taxes and contributions)	353,237	287,881
Taxes	23,800	17,931
Contributions	75,093	57,863
Provisions for liabilities (Note 28)	42,630	27,355
Shortages and damages	-	279
Losses on sale of asset acquired by collecting of receivables	-	42,477
Losses on disposal and write-off of fixed assets and intangible investments	11,577	
Losses on changes in value of fixed assets acquired by collecting receivables and investment property	47,693	2,848
Other expenses	109,140	62,245
Total	**749,770**	**570,506**

Cost of material amounting to RSD 30,778 thousand (2023: RSD 33,887 thousand) and mostly refer to electricity and heating costs in the amount of RSD 11,617 thousand (2023: RSD 14,178 thousand).

Of the total costs of production services in the amount of RSD 55,822 thousand (2023: RSD 37,740 thousand), the amount of RSD 20.514 thousand (2023: RSD 13,627 thousand) is cost of electronic communications and automatic data processing.

Non-material costs in the amount of RSD 353,237 thousand (2023: RSD 287,881 thousand) are mostly made up of the amount of RSD 38,670 thousand (2023: RSD 37,781 thousand) which refers to the costs of bank deposit insurance premiums; an amount of RSD 69,006 thousand (2023: RSD 59,841 thousand) related to service services - software maintenance; the amount of RSD 18,635 thousand (2023: RSD 27,257 thousand) related to the costs of maintaining software applications; the amount of RSD 18,635 thousand (2023: RSD 19,108 thousand) related to service services - IT equipment and the amount of RSD 38,679 thousand (2023: RSD 11,718 thousand) related to expenditures for educational and sports purposes.

Other expenses amounting to RSD 109,140 thousand (2023: RSD 62,245 thousand) mostly refer to provisions to referrers in the amount of RSD 105,509 thousand.

Expenditures from changes in the value of fixed assets acquired through the collection of receivables and investment real estate, of RSD 47,693 thousand, refer to the posting of valuations by authorized appraisers, in December 2024, namely expenditures of new valuations of acquired assets of RSD 36,129 thousand and investment real estate of RSD 11,564 thousand.

All amounts are expressed in thousands of RSD unless otherwise stated

16. INCOME TAX

Total tax (expense)/income consists of the following taxes:

	2024	2023
Income tax	(160,435)	-
Deferred tax credit (Note 28)	10,197	-
Deferred tax loss (Note 28)	-	(7,820)
Total tax expense	**(150,238)**	**(7,820)**

Current income tax on the Bank's profit before tax differs from the theoretical amount that would result from the use of weighted average tax rate and would be as follows:

	2024	2023
Gain prior to taxation	1.810.188	640.209
Income tax per rate of 15%	(271.528)	(96.031)
Tax effects of expenses adjustment	(8.213)	(6.920)
Tax effect of income adjustment	40.870	39.556
Tax effect of capital gains	(279)	-
Temporary differences on:		
Depreciation calculated for tax and accounting purposes	(4.930)	(300)
Long term provisions	800	(7.752)
IAS 19	91	53
Valuation of assets acquired by collection of receivables	5.377	179
Tax effect based on the reduction of current tax in accordance with legal regulations	8.859	-
Income tax before tax credit	**(228.953)**	**(71.215)**
Used tax credit	78.715	63.395
Income tax presented in the income statement	**(150.238)**	**(7.820)**
Effective tax rate (prior to tax credit)	*12,6%*	*11,1%*

The Bank did not recognize potential deferred tax assets based on unused amounts of tax losses carried forward. The table below shows tax losses and the amount of unused tax credit per year:

Tax period of unused tax credit inception	Tax loss	Amount of unused tax credit	Non-utilised tax credit
2020	125,983	18,897	-
2021	288,514	43,277	-
2022	110,271	16,541	-
TOTAL	**524,768**	**78,715**	-

Based on the achieved result in 2024 and the computed profit tax in the amount of RSD 151,873 thousand, the Bank utilised the total remaining tax credit in the amount of RSD 78,715 thousand.

All amounts are expressed in thousands of RSD unless otherwise stated

17. CASH AND BALANCES WITH CENTRAL BANK

	31 December 2024	31 December 2023
Giro account	2,331,036	1,771,280
Cash on hand in RSD	169,380	112,901
Receivables for calculated interest, fee and commission per cash funds held with Central Bank	1	1
Cash on hand in foreign currency	194,368	174,323
Obligatory foreign currency reserve held with NBS	6,246,550	4,602,195
Receivables for interest on avista deposits with NBS in foreign currency	99	93
Accruals for cash and assets with the NBS	748	378
Accrued receivables for interest for avisa deposits with NBS in foreign currency	23	22
Deposits of surplus liquid funds with the NBS	5,800,000	-
Total	**14,742,205**	**6,661,193**

The Bank calculates and allocates the obligatory reserve with the National Bank of Serbia in the amount and in the manner determined by the Decision on obligatory reserve of banks with the National Bank of Serbia. The obligatory reserve in dinars is allocated to the gyro account and is therefore not separately disclosed.

The obligatory reserve with the NBS represents the minimum reserve of dinar and foreign currency funds allocated in accordance with the Decision of the NBS and can be used for liquidity if necessary.The obligatory reserve in dinars is calculated by the Bank on liabilities in dinars, loans and securities, as well as in other dinars liabilities other than dinars deposits received on transactions performed by the Bank in the name and on behalf of third parties which do not exceed the number of placements provided by the Bank given from those deposits.

The National Bank of Serbia pays interest on the amount of the average daily balance of the allocated RSD obligatory reserve in the accounting period, which does not exceed the amount of the RSD obligatory reserve at the interest rate of 0.75% annually.

The Bank calculates its foreign currency obligatory reserve on liabilities for foreign currency deposits, loans and securities and other foreign currency liabilities, as well as on deposits, loans and other foreign currency received from abroad in the operations performed by the Bank on behalf and for the account of third parties.

The National Bank of Serbia does not pay interest on the amount of realized average balance of allocated foreign currency reserves.

The table below shows summary of cash and cash equivalents disclosed in cash flow statements:

	31 December 2024	31 December 2023
In RSD		
Current and gyro account	2,331,036	1,771,280
Cash on hand	169,380	112,901
	2,500,416	1,884,181
In foreign currency		
Foreign currency account	1,772,924	1,111,487
Cash on hand	194,368	174,323
	1,967,292	1,285,810
Total cash	**4,467,708**	**3,169,991**
Less: Allowances for impairment	*13,172*	*5,494*
Balance as of 31 December	**4,454,536**	**3,164,497**

All amounts are expressed in thousands of RSD unless otherwise stated

18. SECURITIES

	31 December 2024	31 December 2023
Securities in RSD	3,395,612	3,006,766
Securities in foreign currency	1,398,543	629,221
Accrued interest	136,710	122,242
Premium/(discount)	174,887	223,301
Total	**5,105,752**	**3,981,530**

Securities measured in the bank's balance relate to securities at fair value through other comprehensive income and consist entirely of long-term bonds of the Republic of Serbia.

Impairment allowance of securities measured at fair value through other comprehensive income:

	31 December 2024	31 December 2023
Balance on 1st January	6,646	6,519
Increase	2,122	528
Decrease	(232)	(401)
Total impairment allowance	**8,536**	**6,646**

19. LOANS AND RECEIVABLES FROM BANKS AND OTHER FINANCIAL ORGANIZATIONS

	31 December 2024	31 December 2023
Bank foreign currency account	1,722,541	1,090,276
Funds on the account with the domestic bank intended for the purchase of securities	10,297	1,703
Bank's foreign currency account with CRHOV	26,914	14,015
Other earmarked deposits in foreign currency	7,595	7,456
Short-term deposits with domestic banks in foreign currency	2,797,616	703,042
Short-term deposits with other foreign banks in foreign currency	3,643,749	1,101,949
Interest receivables from banks in foreign currency	12,866	5,688
Repo transactions	-	2,001,233
Total	**8,221,578**	**4,925,362**

Movement of impairment allowance is shown in the table below:

	31 December 2024	31 December 2023
Balance on 1st January	7,632	3,587
Increase	505,234	207,326
Reduction	(472,730)	(203,281)
Total correction	**40,136**	**7,632**

All amounts are expressed in thousands of RSD unless otherwise stated

20. LOANS AND RECEIVABLES FROM CUSTOMERS

	31 December 2024	31 December 2023
Accrued interest on loans, deposits and other placements	25,594	20,648
Calculated fee and commission on loans, deposits and other placements	1,600	2,136
Impairment of accrued interest, fees and commissions on loans, deposits and other placements	(3,198)	(3,002)
Accrued interest on loans, deposits and other placements in foreign currency	4	8
Loans on transaction accounts	57,725	40,003
Consumer loans	746	665
Liquidity and working capital loans	5,129,802	4,129,686
Investment loans	2,024,375	705,356
Housing loans	1,312,206	1,342,551
Cash loans	245,111	190,455
Other loans	11,334	16,039
Impairment of loans granted in dinars	(356,976)	(243,741)
Other earmarked deposits	21,071	18,961
Impairment of other earmarked deposits	(76)	(290)
Accrued receivables for interest from loans, deposits and other placements	19,133	16,374
Deferred maturities and interest - moratorium	13,894	19,661
Impairment of accrued expenses and deferrals in dinars	(1,352)	(939)
Loans for imports of goods and services from abroad in foreign currency	15,972	37,107
Loans for purchase of property in foreign currency	95,153	-
Impairment of loans in foreign currency	(2,535)	(99)
Accrued receivables for interest for loans, deposits and other placements in foreign currency	148	177
Accrued income for receivables stated at amortized value using the effective interest rate	(27,558)	(18,458)
Total	**8,582,173**	**6,273,298**

Movement of impairment allowance is shown in the table below:

	31 December 2024	31 December 2023
Balance on 1st January	248,071	239,577
Increase	841,812	361,060
Reduction	(725,746)	(352,566)
Total correction	**364,137**	**248,071**

All amounts are expressed in thousands of RSD unless otherwise stated

20. LOANS AND RECEIVABLES FROM CUSTOMERS (continued)

Breakdown of loans and receivables as of 31.12.2024 is presented in the table below:

	Short-term loans		Long-term loans			
	In RSD	In foreign currency	In RSD	In foreign currency	Total 2024	Total 2023
Interest and fee receivables	12,212	-	14,983	4	27,199	22,792
Impairment of interest and fees	(2,376)	-	(822)	-	(3,198)	(3,002)
Accrued interest receivables calculated for loans, deposits and other placements	(27,553)	-	(6)	-	(27,559)	36,212
Impairment of accruals in dinars	(1,039)	-	(313)	-	(1,352)	(939)
Placements to clients	1,829,986	-	6,971,127	111,125	8,912,238	6,506,878
Modifications	-	-	(19,815)	-	(19,815)	(45,016)
Impairment of provision	(71,485)	-	(285,491)	(2,535)	(359,511)	(243,840)
Placed deposits	-	-	19,316	1,755	21,071	18,961
Impairment of placed deposits	-	-	(65)	(11)	(76)	(290)
Accrued income for receivables at amortized costs applying effective interest rate	27,182	-	5,846	148	33,176	(18,458)
TOTAL	**1,766,927**	**-**	**6,704,760**	**110,486**	**8,582,173**	**6,273,298**

	Legal entities	Entrepreneurs	Retail	Foreign persons	Other customers	Total 2024	Total 2023
Interest receivable	21,919	1,020	3,488	83	688	**27,198**	22,792
- in dinars	21,915	1,020	3,488	83	688	**27,194**	22,784
- in foreign currency	4	-	-	-	-	**4**	8
Impairment of interest receivables and fees	(2,360)	(82)	(623)	(22)	(112)	**(3,199)**	(3,002)
- in dinars	(2,360)	(82)	(623)	(22)	(112)	**(3,199)**	(3,002)
- in foreign currency	-	-	-	-	-	**-**	-
Accrued receivables for interest on loans, deposits and other placements	8,092	306	17,158	348	7,273	**33,177**	36,212
Impairment of accruals in dinars	(324)	(14)	(721)	(70)	(223)	**(1,352)**	(939)
- Accrued income for receivables at amortized cost applying effective interest rate	(24,467)	(588)	(2,504)	-	-	**(27,559)**	(18,458)
Placements to clients	7,102,659	125,449	1,570,278	113,853	-	**8,912,239**	6,506,878
- in dinars	7,086,687	125,449	1,570,278	18,700	-	**8,801,114**	6,469,771
- in foreign currency	15,972	-	-	95,153	-	**111,125**	37,107
Impairment and provisions made	(293,287)	(8,814)	(50,055)	(7,355)	-	**(359,511)**	(243,840)
- in dinars	(293,238)	(8,814)	(50,055)	(4,870)	-	**(356,977)**	(243,741)
- in foreign currency	(49)	-	-	(2,485)	-	**(2,534)**	(99)
Placed deposits	21,071	-	-	-	-	**21,071**	18,961
- in dinars	19,316	-	-	-	-	**19,316**	18,961
- in foreign currency	1,755	-	-	-	-	**1,755**	-
Impairment of placed deposits	(76)	-	-	-	-	**(76)**	(290)
- in dinars	(65)	-	-	-	-	**(65)**	(290)
- in foreign currency	(11)	-	-	-	-	**(11)**	-
Modifications	-	-	(19,815)	-	-	**(19,815)**	(45,016)
Total net	**6,833,227**	**117,277**	**1,517,206**	**106,837**	**7,626**	**8,582,173**	**6,273,298**

All amounts are expressed in thousands of RSD unless otherwise stated

20. LOANS AND RECEIVABLES FROM CUSTOMERS (continued)

The concentration of gross credit risk exposure by sectors is given in the following table:

	31 December 2024	31 December 2023
Accommodation and catering services	55,881	32,372
Administrative and support service activities	685,240	128,602
Agriculture, forestry and fishing	297,963	419,886
Arts, entertainment and recreation	398,105	44,949
Construction	1,544,697	1,012,452
Financial and insurance activities	161,893	131,055
Information and communication	123,501	19,403
Manufacturing industry	1,475,018	1,530,385
Professional, scientific, innovation and technical activities	335,776	78,103
Real estate business	78,978	18,961
Traffic and storage	107,229	169,748
Wholesale and retail trade, repair	1,921,920	1,270,960
Mining	19,443	18,593
Other service activities	23,996	-
Health and social care	9,665	8,187
Water supply	13,950	4,603
Education	10,152	16,894
Electricity supply	-	47,179
Public administration and defence; compulsory social security	-	-
Loans to individuals - housing loans	1,323,965	1,356,732
Placements to individuals - cash and consumer loans	353,847	205,723
Loans to individuals - credit cards	2,209	3,660
Placements to individuals - overdraft	2,884	2,923
Placements to customers, gross	**8,946,312**	**6,521,370**

21. INTANGIBLE ASSETS

	Software	Intangible assets under construction	Total
Opening balance 01.01.2023	**406,122**	**7,767**	**413,889**
Additions	55,970	3,461	59,431
Transfers from item of IA under construction	3,461	(3,461)	-
Balance as of 31.12.2023	**465,553**	**7,767**	**473,320**
Accumulated depreciation			
Opening balance 01.01.2023	**367,125**	**-**	**367,125**
Charges in the year	25,479	-	25,479
Balance as of 31.12.2023	**392,604**	**-**	**392,604**
Opening balance 01.01.2024	**465,553**	**7,767**	**473,320**
Additions	110,369	-	110,369
Write-off	(3,564)	-	(3,564)
Balance as of 31.12.2024	**572,358**	**7,767**	**580,125**
Accumulated depreciation			
Opening balance 01.01.2024	**392,604**	**-**	**392,604**
Charges in the year	36,590	-	36,590
Write-off	(3,248)	-	(3,248)
Balance as of 31.12.2024	**425,946**	**-**	**425,946**
Net book value as of 31.12.2023	**72,949**	**7,767**	**80,716**
Net book value as of 31.12.2024	**146,412**	**7,767**	**154,179**

All amounts are expressed in thousands of RSD unless otherwise stated

22. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment and other fixed assets	Leasehold improvements	Fixed assets in progress	Right to use lease assets	Total
Cost or valuation						
Opening balance as of 01 January 2023	**511,007**	**328,905**	**14,020**	**-**	**87,765**	**941,697**
Additions	-	74,969	56,391	8,801	416,843	557,004
Changes in contract	-	-	-	-	(11,788)	(11,788)
Transfer from item in preparation	-	8,801	-	(8,801)	-	-
Disposals	(6,142)	(13,228)	-	-	-	(19,370)
Balance on 31 December 2023	**504,865**	**399,447**	**70,411**	**-**	**492,820**	**1,467,543**
Accumulated depreciation						
Opening balance as of 01 January 2023	**207,703**	**272,323**	**13,650**	**-**	**58,942**	**552,618**
Depreciation	6,624	27,304	3,704	-	37,294	74,926
Changes in contract	-	-	-	-	(11,788)	(11,788)
Disposals	-	(9,168)	-	-	-	(9,168)
Balance on 31 December 2023	**214,327**	**286,399**	**17,354**	**-**	**84,448**	**602,528**
Net current value 1 January 2023	**303,304**	**56,582**	**370**	**-**	**28,823**	**389,079**
Net current value 31 December 2023	**290,538**	**113,048**	**53,057**	**-**	**408,372**	**865,015**

	Buildings	Equipment and other fixed assets	Leasehold improvements	Fixed assets in progress	Right to use lease assets	Total
Cost or valuation						
Opening balance as of 01 January 2024	**504,865**	**399,447**	**70,411**	**-**	**492,820**	**1,467,543**
Additions	-	51,984	14,017	63,334	151,527	280,862
Changes in contract	-	-	-	-	4,768	4,768
Transfer from item in preparation	-	41,980	20,037	(62,017)	-	-
Disposals	(2,039)	(30,440)	-	-	(40,934)	(73,413)
Valuations	18,297	-	-	-	-	18,297
Balance on 31 December 2024	**521,123**	**462,971**	**104,465**	**1,317**	**608,181**	**1,698,057**
Accumulated depreciation						
Opening balance as of 01 January 2024	**214,327**	**286,399**	**17,354**	-	**84,448**	**602,528**
Depreciation	6,556	41,067	12,660	-	67,309	127,592
Disposals	(2,039)	(16,572)	-	-	(39,967)	(58,578)
Balance on 31 December 204	**218,844**	**310,894**	**30,014**	**-**	**111,790**	**671,542**
Net current value 1 January 2024	**290,538**	**113,048**	**53,057**	**-**	**408,372**	**865,015**
Net current value 31 December 2024	**302,279**	**152,077**	**74,451**	**1,317**	**496,391**	**1,026,515**

There are no registered mortgages over the buildings as collateral for loan repayment.

All amounts are expressed in thousands of RSD unless otherwise stated

22. PROPERTY, PLANT AND EQUIPMENT (continued)

Lease costs amount to RSD 111,579 thousand (2023: RSD 59,902 thousand) and are stated over the cost of depreciation of lease rights in the amount of RSD 67,309 thousand, interest in the amount of RSD 27,758 thousand, VAT costs in the amount of RSD 17,084 thousand and FX gains in amount of RSD 571 thousand. The standard stipulates that total costs during the lease period will be the same as before the application of IFRS 16, but they will be higher in the initial periods and will decrease later.

The table below shows lease summary as of 31 December 2024:

	31 December 2024	31 December 2023
Business premises	437,237	408,372
Vehicles	59,154	-
Total	**496,391**	**408,372**

23. INVESTMENT PROPERTY

	31 December 2024	31 December 2023
Investment property	195,087	268,009
Total	**195,087**	**268,009**

At the end of 2024, the value of all investment properties that were in stock was reduced to the value estimated by authorized FinSelect appraisers. The following table shows movement of investment property item during 2023.

Balance on 1 January 2023	**268,786**
Value correction - appraisals/investment	(777)
Sale	-
Balance on 31 December 2023	**268,009**
Balance on 1 January 2024	**268,009**
Value correction - appraisals	(11,564)
Sale	(61,358)
Balance on 31 December 2024	**195,087**

The costs of property tax, as well as the costs of tax on the transfer of absolute rights, are borne by the Bank. The net income from lease of property classified as investment for the year 2024 is RSD 10,624 thousand (2023: RSD 12,002 thousand), while total income from the lease in 2024 is RSD 14,101 thousand (2023: RSD 17,013 thousand).

All amounts are expressed in thousands of RSD unless otherwise stated

24. OTHER ASSETS

	31 December 2024	31 December 2023
Receivables for computed compensation and commission for other assets	5,539	5,150
Impairment of receivables for commissions	*(3,310)*	*(4,229)*
Advance payments made	107,577	39,889
Receivables for prepaid taxes and contributions	5	-
Receivables from employees	2,641	703
Other receivables from business operations	10,305	13,230
Transition and temporary accounts	(2,162)	(78,727)
Accounts receivable	3,996	4,114
Impairment of other receivables	*(12,558)*	*(5,646)*
Other investments	374	374
Impairment of investments in dinars	*(2)*	*(6)*
Accrued other costs	9,921	9,380
Other accruals	7,561	8,356
Value added tax	1,612	-
Assets acquired by receivable collection	305,519	344,470
Total	**437,018**	**337,058**

Assets acquired through the receivables collection, which on 31.12.2024 amounted to RSD 305,519 thousand (31.12.2023: RSD 344,470 thousand), are result of the sales in the amount of RSD 2,822 thousand and decrease in valuation in the amount of RSD 36,129 thousand.

Carrying amount of acquired assets at the beginning and end of the period:

Balance on 1 January 2023	**517,998**
Value - estimation adjustment	(2,071)
Sales	(171,457)
Balance on 31 December 2023	**344,470**
Balance on 1 January 2024	**344,470**
Value - estimation adjustment	(36,129)
Sales	(2,822)
Balance on 31 December 2024	**305,519**

All amounts are expressed in thousands of RSD unless otherwise stated

25. DEPOSITS AND OTHER LIABILITIES TO BANKS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK

	31 December 2024	31 December 2023
Transaction deposits	**230,417**	**175,404**
- in dinars	130,520	45,841
- in foreign currency	99,897	129,563
Other deposits	**300,000**	**117,640**
- in dinars	300,000	-
- in foreign currency	-	117,640
Other financial liabilities	**261**	**265**
- in dinars	261	265
Liabilities for fees and commissions on loans, deposits and other financial liabilities	**548**	**491**
- in dinars	548	491
- in foreign currency		
Accrued liabilities for accrued interest on loans, deposits and other financial liabilities	**436**	**585**
- in dinars	104	104
- in foreign currency	332	482
Total	**531,662**	**294,385**

Within other deposits in RSD, amount of RSD 300,000 thousand on 31 December 2024 refers to short term deposits of other domestic banks.

All amounts are expressed in thousands of RSD unless otherwise stated

26. DEPOSITS AND OTHER LIABILITIES TO OTHER CUSTOMERS

	31 December 2024	31 December 2023
Transaction deposits	**16,596,813**	**12,158,158**
- in dinars	7,036,946	3,751,754
- in foreign currency	9,559,867	8,406,404
Saving deposits	**10,759,756**	**4,426,498**
- in dinars	1,411,229	921,745
- in foreign currency	9,348,527	3,504,753
Deposits for loans granted	**392,585**	**355,113**
- in dinars	221,475	70,264
- in foreign currency	171,110	284,849
Earmarked deposits	**1,119,488**	**767,725**
- in dinars	77,287	150,728
- in foreign currency	1,042,201	616,997
Other deposits	**1,792,452**	**743,279**
- in dinars	1,660,816	591,351
- in foreign currency	131,636	151,928
Liabilities for interest on loans, deposits and other financial liabilities	**1,350**	**1,286**
- in dinars	1,350	1,286
Accrued interest on loans, deposits and other financial liabilities	**127,523**	**74,009**
- in dinars	58,370	26,187
- in foreign currency	69,153	47,822
Other financial liabilities	**445,346**	**162,315**
- in foreign currency	445,346	162,315
Total	**31,235,313**	**18,688,383**

Transaction deposits are non-interest bearing.
Interest rate on avista deposits in RSD was in range of 1.00% - 3.00%.
Interest rate on short-term deposits in RSD was in range of 1.25% - 6,10%.
Interest rate on long-term deposits in RSD was in range of 3.50% - 4,00%.
Interest rate on avista deposits in EUR was in range of 0.50% - 1.50%.
Interest rate on short-term deposits in EUR was in range of 0.25% - 4,25%.
Interest rate on long-term deposits in EUR was in range of 1,90% - 4.25%.
Interest rates on short-term and long-term deposits in USD, GBP amount to 0.1%.

All amounts are expressed in thousands of RSD unless otherwise stated

26. DEPOSITS AND OTHER LIABILITIES TO OTHER CUSTOMERS (continued)

	Legal entities	Entrepreneurs	Public sector	Retail	Foreign persons	Other customers	Total 2024	Total 2023
Transaction deposits								
- in RSD	4,753,909	300,446	17,214	402,682	1,446,313	116,381	**7,036,945**	**3,751,754**
- In foreign currency	1,058,826	59,030	-	894,843	7,543,219	3,949	**9,559,867**	**8,406,404**
Savings deposits								
Short-term deposits:								
- in RSD	-	-	-	1,145,779	263,329	-	**1,409,108**	**915,076**
- In foreign currency	-	-	-	2,478,932	6,179,617	-	**8,658,549**	**3,054,324**
Long-term deposits:								
- in RSD	-	-	-	2,120	-	-	**2,120**	**6,669**
- In foreign currency	-	-	-	603,504	86,474	-	**689,978**	**450,429**
Deposits on loans								
Short-term deposits:								
- In foreign currency	-	-	-	16493	-	-	**16,493**	**30,402**
Long-term deposits:								
- in RSD	194,000	5,000	-	22,475	-	-	**221,475**	**70,264**
- In foreign currency	29,254	-	-	125,363	-	-	**154,617**	**254,447**
Dedicated deposits								
Short-term deposits:								
- in RSD	18,290	-	-	211	-	-	**18,501**	**40,521**
- In foreign currency	117,237	-	-	-	46,227	-	**163,464**	**13,266**
Long-term deposits:								
- in RSD	58,786	-	-	-	-	-	**58,786**	**110,207**
- In foreign currency	878,737	-	-	-	-	-	**878,737**	**603,731**
Other deposits								
Short-term deposits:								
- in RSD	1,592,681	9,202	1	-	52,933	-	**1,654,817**	**574,770**
- In foreign currency	32,382	-	-	-	63,188	-	**95,570**	**81,365**
Long-term deposits:						-		
- in RSD	6,000	-	-	-	-	-	**6,000**	**16,581**
- In foreign currency	6,812	-	-	-	29,254	-	**36,066**	**70,563**
Total	**8,746,914**	**373,678**	**17,215**	**5,692,402**	**15,710,554**	**120,330**	**30,661,093**	**18,450,773**
Interest liabilities		-	-		-	-		
- in RSD	1,350	-	-	-	-	-	**1,350**	**1,286**
Accrued interest on loans, deposits and other financial liabilities								
- in RSD	34,628	251	-	22,423	1,068	-	**58,370**	**26,187**
- In foreign currency	1,156	-	-	64,053	3,945	-	**69,154**	**47,822**
Other financial liabilities								
- In foreign currency	439,732	-	-	5,614	-	-	**445,346**	**162,315**
Total	**476,866**	**251**	-	**92,090**	**5,013**	-	**574,220**	**237,610**
Total deposits and other liabilities	**9,223,780**	**373,929**	**17,215**	**5,784,492**	**15,715,567**	**120,330**	**31,235,313**	**18,688,383**

27. PROVISIONS

	31 December 2024	31 December 2023
Provisions for litigation	51,848	46,512
Provisions for off-balance sheet assets	59,292	58,359
Provisions for pensions	4,068	3,459
Short term provision for employees	317,315	95,597
Total	**432,523**	**203,927**

All amounts are expressed in thousands of RSD unless otherwise stated

27. PROVISIONS (continued)

Provisions for legal costs in the amount of RSD 51,848 thousand (31 December 2023: RSD 46,512 thousand) refer to the possible liabilities arising from negative outcomes of court cases filed against the Bank. Separate provisions related to lawsuits for fees and NKOSK amount to RSD 29,333 thousand. The bank, similarly, to other banks on the market, is the subject of various court disputes related to certain fees in credit agreements. For such cases, the Bank created a provision (included in the above amount) of RSD 20,185 thousand. Currently, it is not possible to accurately determine the outcome of all these lawsuits. The Bank's management estimates that there will be no materially significant from outcome of ongoing court disputes, above the amount for which the provision was made.

As of 31 December 2024, provisions for pensions in the amount of RSD 4,068 thousand (31 December 2023: RSD 3,459 thousand) were made in accordance with IAS 19. Short term provision for employees refer to provision for unused holiday and bonuses.

Movements on provisioning accounts during 2024:

	Provisions for pensions	Short term provision for employees	Provisions for litigations	Provisions for off-balance sheet assets
Balance on 01.01.2024	**3,459**	**95,597**	**46,512**	**58,359**
Provisions during the year	609	392,622	40,402	162,316
Cancellation provisions/cancellation income	-	(170,904)	(35,066)	(161,383)
Balance on 31 December 2024	**4,068**	**317,315**	**51,848**	**59,292**

Movements on provisioning accounts during 2023:

	Provisions for pensions	Short term provision for employees	Provisions for litigations	Provisions for off-balance sheet assets
Balance on 01.01.2023	**3,107**	**10,484**	**98,189**	**46,520**
Provisions during the year	352	95,597	27,355	98,061
Cancellation provisions/cancellation income	-	(10,484)	(79,032)	(86,222)
Balance on 31 December 2023	**3,459**	**95,597**	**46,512**	**58,359**

28. DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes are calculated on temporary differences using the liability method, using the effective tax rate of 15% (31 December 2023: 15%).

Deferred tax assets and liabilities are "offset" when there is a legally enforceable right to "offset" current tax assets with current tax liabilities and when deferred income tax applies to the same fiscal authority.

	31 December 2024	31 December 2023
Deferred tax assets	21,188	77,459
Deferred tax liabilities	-	-
Net deferred tax assets	**21,188**	**77,459**

All amounts are expressed in thousands of RSD unless otherwise stated

28. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movements on deferred tax assets and liabilities in 2024 are given in the following table:

	Balance on 01.01.2024	Charged/credited to P/L	Charged/credited to OCI	Balance as of 31.12.2024
Provisions for litigation	6,976	801	-	7,777
IAS 19 provision	519	91	-	610
Value decrease of acquired assets	23,576	5,377	-	28,953
Tax depreciation	(13,811)	(4,930)	-	(18,741)
Fair value of securities	69,296	-	(59,294)	10,002
Change in the value of property	(9,097)	-	(2,745)	(11,842)
Unused loan based on a loan in CHF	-	4,429	-	4,429
UKUPNO	**77,459**	**5,768**	**(62,039)**	**21,188**

Movements on deferred tax assets and liabilities in 2023 are given in the following table:

	Balance on 01.01.2023	Charged/credited to P/L	Charged/credited to OCI	Balance as of 31.12.2023
Provisions for litigation	14,728	(7,752)	-	6,976
IAS 19 provision	466	53	-	519
Value decrease of acquired assets	23,397	179	-	23,576
Tax depreciation	(13,511)	(300)	-	(13,811)
Fair value of securities	105,181	-	(35,885)	69,296
Change in the value of property	(9,097)	-	-	(9,097)
UKUPNO	**121,164**	**(7,820)**	**(35,885)**	**77,459**

All amounts are expressed in thousands of RSD unless otherwise stated

29. OTHER LIABILITIES

	31 December 2024	31 December 2023
Liabilities for fees and commissions on other liabilities		
- in RSD	50	8
- in foreign currency	48	36
Liabilities toward suppliers		
- in RSD	32,384	43,650
- in foreign currency	720	1,173
Other liabilities from business operations		
- in RSD	40,798	43,275
- in foreign currency	17,099	20,934
Liabilities accrued		
- in RSD	12,387	14,105
- in foreign currency	15	2,760
Liabilities arising from temporary and occasional work		
- in RSD	-	879
Other liabilities towards employees		
- in RSD	-	2
Liabilities for taxes and contributions	2,742	5,929
Accrued liabilities for other accrued expenses		
- in RSD	3,921	6,933
- in other currency	131,281	56,405
Deferred income		
- in RSD	16,441	13,837
Liabilities for leases in foreign currency	507,680	411,784
Total	**765,566**	**621,710**

Accrued liabilities for other accrued expenses in the amount of RSD 131,281 thousand (2023: RSD 56,405 thousand) relate mostly to accrued liabilities toward referrers in the amount of RSD 105,443 thousand (2023: RSD 56,405 thousand).

Other liabilities from business operations in the amount of RSD 40,798 thousand (31 December 2023: RSD 43,274 thousand) mostly refer to liabilities for calculated costs in the amount of RSD 17,704 thousand (31 December 2023: RSD 22,248 thousand) and liabilities for transferred assets of retail from closed accounts in the amount of RSD 9,036 thousand (31 December 2023: RSD 9,100 thousand).

Lease liabilities are detailed in Note 22.

All amounts are expressed in thousands of RSD unless otherwise stated

30. OFF-BALANCE SHEET

	31.12.2024.	31.12.2023.
Lending under transactions for and on behalf of third parties	31,066	33,983
Guarantees and other commitments	2,588,133	1,582,793
Irrevocable commitments for undisbursed loans and investments	1,209,387	871,820
Other irrevocable commitments	23,325	15,830
Guarantees and other commitments in foreign currency	165,825	116,334
Other irrevocable commitments in foreign currency	234,030	468,717
Other off-balance sheet assets	18,082,586	16,051,709
Written-off financial assets	1,700,810	1,799,648
Total	**24,035,162**	**20,940,834**

Guarantees and other commitments are presented in table below:

	31.12.2024.	31.12.2023.
Payment guarantees	**1,799,137**	**902,300**
- in RSD	1,688,090	815,669
- in foreign currency	111,047	86,631
Performace guarantees	**954,821**	**796,827**
- in RSD	900,043	767,124
- in foreign currency	54,778	29,703
Total	**2,753,958**	**1,699,127**

Irrevocable commitments for undisbursed loans and investments in amount of RSD 1,209,387 thousand (31.12.2023: RSD 871,820 thousand), mostly consist of commitments for undisbursed loans in with foreign currency clause in the amount of RSD 540,884 thousand (31.12.2023: RSD 654,838 thousand).

Other off-balance sheet assets consist of:

	31.12.2024.	31.12.2023.
Received residential properties as collateral in favor of the Bank	4,375,641	4,311,316
Received commercial real estate as collateral in favor of the Bank	7,334,110	6,182,290
Documented Government Securities in the Bank's Portfolio - nominal value of bonds	4,794,402	3,410,480

Structure of written-off receivables is as follows:

	31.12.2024.	31.12.2023.
Corporate	454,790	459,918
Entrepreneurs	168,180	175,752
Retail	1,077,840	1,163,978
Total	**1,700,810**	**1,799,648**

All amounts are expressed in thousands of RSD unless otherwise stated

31. EQUITY

Within the item of equity, the Bank presents share capital, issue premium, accumulated loss, profit reserves, other reserves and revaluation reserves.

On 13 April 2023, the sale of shares was carried out based on the Agreement on the sale of shares outside the regulated market between former shareholders and Alexander Shnaider, which made Aleksander Shnaider the owner of 100% of the value of the shares and the sole shareholder of the Bank.

On 28 December 2023 Shareholders' General Assembly has passed decision to partially cover loss in the amount of RSD 5,586,365 thousand. Previous years loss has been covered from reserves from profit in the amount of RSD 103,228 thousand, from share premium in the amount of RSD 2,877,487 thousand and from share capital in the amount of RSD 2,605,650 thousand.

On 31 December 2024, share capital amounts to RSD 3,065,958 thousand and consists of 11,343,217 ordinary shares with individual value of RSD 270.29.

	31 December 2024	31 December 2023
Share capital - ordinary shares	3,065,958	3,065,958
Share premium	-	-
Profit for the current year	1,659,951	632,389
Profit for the previous years	322,333	-
Loss of previous years	-	(56)
Profit reserves	-	-
Other reserves	48,445	48,445
Revaluation reserves	267,938	(85,501)
Total	**5,364,625**	**3,661,235**

In 2024, the Bank paid a dividend to the sole shareholder in the gross amount of RSD 310,000 thousand.

Other reserves relate to special reserves from profit for estimated losses on balance sheet assets in the amount of RSD 38,782 thousand and off-balance sheet items in the amount of RSD 9,663 thousand which were formed in the earlier period.

Positive revaluation reserves in the amount of RSD 267,938 thousand (31 December 2023: negative RSD 85,501 thousand) were generated by negative effect of change in fair value from financial assets in the amount of RSD 58,145 thousand (31 December 2023: RSD 455,328 thousand). Also, within the revaluation reserves are shown reserves from change in value of fixed assets in the amount of RSD 332,045 thousand (31 December 2023: RSD 313,748 thousand), loss from calculation of deferred tax for increase in value of fixed assets through revaluation reserves in the amount of RSD 11,842 thousand (31 December 2023: RSD 9,098 thousand), actuarial loss in the amount of RSD 4,122 thousand (31 December 2023: RSD 4,119 thousand), and gain from calculation of deferred tax for the fair value of property in the amount of RSD 10,002 thousand (31 December 2023: RSD 69,296 thousand).

Ownership structure is presented below:

	As of 31.12.2024		As of 31.12.2023	
	Share capital	% of equity	Share capital	% of equity
Mr. Alexander Shnaider	3,065,958	100.00	3,065,958	100.00
Total	**3,065,958**	**100.00**	**3,065,958**	**100.00**

All amounts are expressed in thousands of RSD unless otherwise stated

32. COMPLIANCE WITH INDICATORS OF THE NATIONAL BANK OF SERBIA

The bank is obliged to conduct its operations in accordance with the provisions of the Law on Banks and other regulations of the National Bank of Serbia. According to the annual account for 2024, the Bank achieved the following indicators:

Business indicators	Prescribed	Actual in 2024
Equity	Min. EUR 10,000,000	27,464,178
Bank investments	Maks. 60%	38.02%
The sum of the Bank's large exposures, including:	Maks 400%	
- sum of large exposures to one person or group of related parties		290.15%
- sum of exposures to persons related to the Bank		290.15%
Average monthly liquidity ratio:		
- in the first month of the reporting period	Min. 1.00	5.14
- in the second month of the reporting period	Min. 1.00	4.78
- in the third month of the reporting period	Min. 1.00	5.72
Foreign exchange risk indicator	Max 20%	5.86%

As of 31 December 2024, the Bank had all indicators harmonized.

33. RECONCILIATION OF RECEIVABLES AND LIABILITIES

The provisions of Article 22 of the Law on Accounting prescribe the obligation to reconcile mutual claims and obligations with customers. Reconciliation is performed at least once a year, before preparing financial statements. In accordance with the Bank's internal procedures, 31 October of the current year is set as the date for reconciling receivables and liabilities with customers.

As of 31 October 2024, there were no materially significant disputed liabilities and receivables. The Bank sent 2,493 IOS to legal entities, 1,321 IOS to Entrepreneurship, 44 banks and financial institutions and 136 non-residents, to confirm the Bank's claims and liabilities. The effect of sending is as follows:

	Number of sent IOS's	Receivable	Liability
Total sent receivables/liabilities:	1,249	29,677,590	3,594
Confirmed	119	16,025,190	385
Not returned/moved/unknown address	1,120	13,155,159	3,200
Disputed	10	497,241	9

All amounts are expressed in thousands of RSD unless otherwise stated

34. RELATED PARTY TRANSACTIONS

	31 December 2024		31 December 2023	
Assets	**Bank shareholders**	**Other related parties**	**Bank shareholders**	**Other related parties**
Foreign currency accounts	-	484,675	-	-
Fee receivables on loans and deposits	-	-	-	5
Housing loans	95,153	1,765	-	4,512
Cash loans	-	-	-	5
Other loans	-	-	1	3
Deferred interest receivables calculated on the basis of loans, deposits and other placements	82	1	-	13
Total assets	**95,235**	**486,441**	**1**	**4,538**

Housing loans in the amount of RSD 1,765 thousand (31 December 2023: RSD 4,512 thousand) are loans given to employees who are considered related parties under the applicable Law on Banks. The approved loans were given on market terms.

	31 December 2024		31 December 2023	
	Bank shareholders	**Other related parties**	**Bank shareholders**	**Other related parties**
Liabilities				
Transaction deposits in dinars	2,035	6,406	-	2,261
Transaction deposits In foreign currency	7,021	101,529	270	18,948
Savings deposits and RSD	252,304	1	-	-
Savings deposits In foreign currency	-	2,362	-	21
Deposits based on loans in RSD	-	-	-	-
Other deposits	-	-	-	117,640
Accruals for liabilities	-	2	-	91
Other liabilities in foreign currency	-	-	-	3,736
Total liabilities	**261,360**	**110,300**	**270**	**142,697**

Revenues and expenses from related party relations were:

	31 December 2024		31 December 2023	
	Bank shareholders	**Other related parties**	**Bank shareholders**	**Other related parties**
Expenses				
Interest costs from deposits	3,625	10	-	694
Interest costs from loans in foreign currency	-	-	-	-
Interest costs from deposits in foreign currency	-	11,884	-	1,889
Fees costs and other expenses	-	189	16,294	-
Expenses from FX transactions	-	10,137	-	-
Total	**3,625**	**22,220**	**16,294**	**2,583**

All amounts are expressed in thousands of RSD unless otherwise stated

34. RELATED PARTY TRANSACTIONS (continued)

	31 December 2024		31 December 2023	
	Bank shareholders	**Other related parties**	**Bank shareholders**	**Other related parties**
Income				
Interest income for loans granted	2,484	150	2,274	255
Fees income	1	3,535	29	3,542
Other income	-	-	-	-
Income from FX transactions	-	429,729	25,010	-
Total	**2,485**	**433,414**	**27,313**	**3,797**

The above tables show balances of assets, liabilities on 30.09.2024 and income and expenses in 2024 incurred in transactions with the following other related parties: M Aleksandr Shnaider, Adriatic Bank ad Podgorica, members of Managing Board, as well as part of the Bank's management (Executive Board and members of other boards).

As of 31 December 2024, the Bank granted the following loans to management and Directors:

	31 December 2024	31 December 2023
Credits to directors and management		
At the beginning of the year	11,492	14,466
Impairment due to changes in management	(1,241)	(578)
Loans approved during the year	-	-
Repayments during the year and revaluation of placements	(8,486)	(2,396)
Interest income	370	675
Interest charged	(370)	(675)
At the end of the year	**1,765**	**11,492**

During 2024, in accordance with the Methodology for calculating the impairment, impairment in the amount of RSD 9 thousand (2023: RSD 10 thousand) has been allocated for these loans.

Management earnings

During 2024, members of the Executive Board and other key management personnel earned gross earnings in the amount of RSD 367,994 thousand (2023: RSD 165,885 thousand).

During 2024, members of the Management Board and Audit Committee received gross compensation in the amount of RSD 33,978 thousand (2023: RSD 18,901 thousand).

All amounts are expressed in thousands of RSD unless otherwise stated

36. FOREIGN CURRENCY EXCHANGE RATE

The exchange rates of the most significant currencies used in the conversion of balance sheet items include:

	31 December 2024	31 December 2023
EUR	117.0149	117.1737
USD	112.4386	105.8671
CHF	124.5237	125.5343
RUB	1.0557	1.1764

37. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period that would require disclosure in the notes to the financial statements of the Bank for the year 2024.

Signed on behalf of Adriatic Bank A.D. Beograd:

Marko Ćorić Member of the Executive Board	Đorđe Lukić Chairman of the Executive Board

ADRIATIC BANK A.D. BEOGRAD
ADRIATIC BANK
1

Adriatic Bank a.d. Beograd

Annual report
2024

February 2024

CONTENT

1. ABOUT US

1.1 Bank's ID

1.	Business name:	**Adriatic Bank a.d. Beograd**
2.	Seat and address:	**Beograd, Dalmatinska 22**
3.	Registration number:	**07534183**
4.	TIN:	**100003148**
5.	Web-site:	**https://www.adriaticbank.rs/index.php/sr/**
6.	e-mail:	**office@expobank.rs**
7.	No. and date of Decision of registering in the register of business entities:	**BD 498 of 14.02.2005**
8.	Activity:	**6419 – Other monetary intermediaries**
9.	Number of employees:	**143**
10.	Number of shareholders:	**1 shareholder**
11.	Place of insight into the Shareholder Register:	**Central Securities, Depository and Clearing**
12.	Code of activity:	**House of the Republic of Serbia, www.crhov.rs**
13.	Social networks:	
14.	Auditor for 2024:	MOORE

1.2 Adriatic Bank timeline

December 1990

Founded as Centrobanka a.d. Belgrade, for 15 years we have operated as a local commercial bank for small and medium enterprises and individuals

February 2006

Laiki Popular Bank Public Co Ltd (Cyprus) acquired 90.4% of Centrobanka a.d. Belgrade and changed its name to Laiki Bank

March 2008

Bank changed its name to Marfin Bank Joint-Stock Company Beograd

February 2017

Expobank CZ has acquired 100% of the shares of the Bank and has become the sole shareholder

April 2023

The Bank has sold 100% of its shares. On September 1st, it was renamed Adriatic Bank a.d

1.3 Ownership structure of the Bank

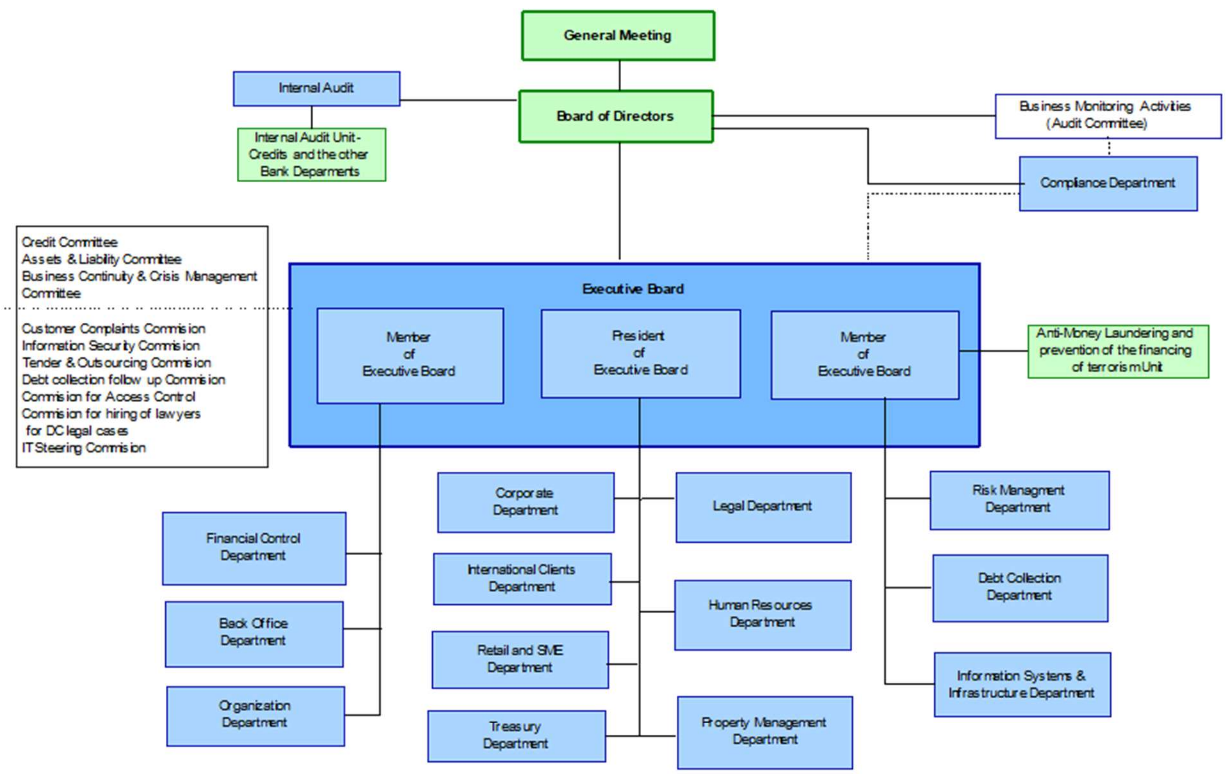
The ownership structure is presented in the table below:

No.	Shareholder	Number of shares	% of ownership
1	SHNAIDER ALEXANDER	11,343,217	100%
	Total	**11,343,217**	**100%**

** data as of 31. december 2024.*

Value of share capital (in thousands of dinars):	3,065,958
Number of issued shares (ordinary and preference shares, with ISIN number and CFI code):	Ordinary shares: ISIN:RSCEBAE31481 CFI:ESVUFR, 11,343,217 shares
Business name, registered office and business address of the auditing company that audited the last financial report:	MOORE STEPHENS Revizija i računovodstvo d.o.o. Beograd, Studentski trg 4/V, 11070 Beograd, Srbija

1.4 Organizational structure of the Bank



During 2024, the Executive Board was further strengthened with new members bringing diverse experiences and competencies to ensure a comprehensive approach to strategic decision-making, which is a key component of the Bank's corporate governance. With a clearly defined division of responsibilities among the Executive Board members, functional and organizational separation of risk management activities and support activities from risk-taking has been ensured.

The Bank's business policy in 2024 focused on the development, diversification, and further strengthening of commercial activities within the corporate banking segment, retail banking, small and medium-sized enterprises, as well as international client services. Across all organizational units, efforts are continually made to develop teams of highly qualified professionals dedicated to providing the Bank's broad range of products and services.

To create a sustainable and competitive business model, the Bank has recognized the need for a new organizational unit – the Organization Sector. Introducing the Organization Sector represents a crucial step towards enhancing corporate governance by enabling a clear division of responsibilities and tasks within the institution. This sector aims to efficiently optimize business processes, reducing operational costs and increasing productivity. Project implementation becomes more systematic as organizational strategies ensure better coordination and monitoring of goal realization. Through improved data management, the Bank can make faster and more accurate decisions, enhancing service quality and minimizing the risk of errors. Additionally, these changes enable better compliance with regulations and standards, thereby strengthening corporate governance and increasing client trust. In this way, the Bank not only improves its internal processes but also lays the foundation for long-term competitive advantage in the market.

In December 2024, the Bank opened its third branch in Belgrade, located at Skyline on Kneza Miloša Street, with the primary goal of providing clients with top-quality service, emphasizing speed and a personalized approach tailored to meet the specific needs of each customer.

2. CORPORATE GOVERNANCE

Corporate governance is organized through the activities of the Supervisory, Executive, Credit, and other committees defined by the Law on Banks and the Bank's Statute.

All relevant provisions of the Law on Banks and internal regulations defining the composition and operation of the Supervisory and Executive Board are fully implemented.

The Bank's operations are also supported by other committees:

1 Asset and Liability Management Committee (ALCO Committee)
2 Bank Business Monitoring Committee (Audit Committee)
3 Credit Committee
4 Crisis Management and Business Continuity Committee.

In addition to the above-mentioned committees, the Executive Board has established Commissions to support the performance of its duties prescribed by the Law on Banks, the purpose, composition, scope of work, and manner of work of which are regulated by internal regulations.

2.1_Supervisory Bord

The Supervisory Board of the Bank consists of five members, including the Chairman of the Supervisory Board, of whom three members are individuals independent of the Bank:

1 Name, surname and place of residence:	Wolfgang Mitterberger
Education:	Master of Business Administration, Master of Social and Economic Sciences
Current employment (company's business name and position):	Member of the board of Adriatic Bank AD Podgorica; Managing Director in companies: MERU Holding GmbH Vienna, MERU KaW Projektentwicklungs GmbH Vienna, MERU Velden Hills Projektentwicklungs GmbH Vienna, MERU Real Prime Service GmbH Vienna
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company
2 Name, surname and place of residence:	**Fraser Eliot Marcus, US**
Education:	Bachelor - English Language and Mathematics
Current employment (company's business name and position):	Global director at Ormonde Capital Partners London and Dallas, board member of Adriatic Bank AD Podgorica and Adriatic LLC Capital Management Dallas
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company
3 Name, surname and place of residence:	**Bassem Snaije, France**
Education:	Master of economy
Current employment (company's business name and position):	SciencesPo – Paris University, Associate Professor of Economics, Finance and Geopolitics
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company
4 Name, surname and place of residence:	**Milovan Popović,Serbia**
Education:	Master of economy
Current employment (company's business name and position):	Auditing company "BDO" d.o.o. Belgrade, member and representative
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company
5 Name, surname and place of residence:	**Dragiša Lekić, Serbia**
Education:	Bachelor of Economics
Current employment (company's business name and position):	/
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company

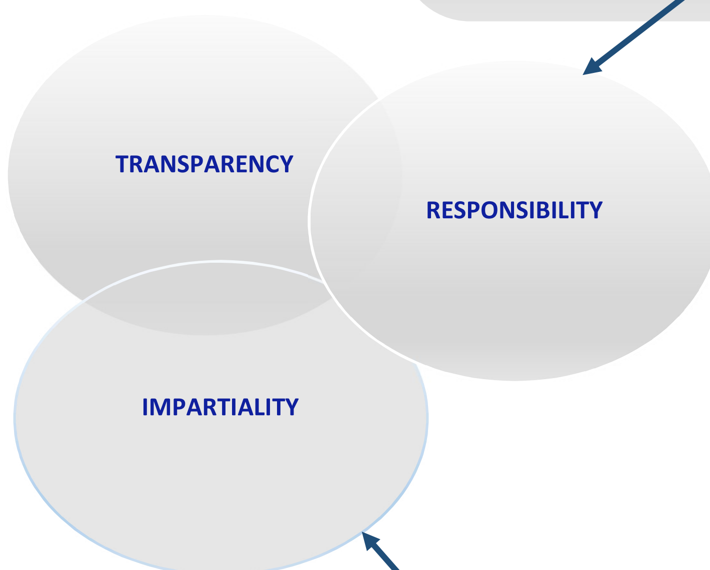
2.2 Executive Bord

The Executive Board of the Bank consists of three members, including the President of the Executive Board:

1 Name, surname and place of residence:	Đorđe Lukić, Serbia
Education:	Bachelor of Economics
Current employment (company's business name and position):	Adriatic Bank JSC Belgrade, CEO
Number and percentage of shares possessed in the joint stock compar	There is no share capital in the company
2 Name, surname and place of residence:	**Marko Ćorić, Serbia**
Education:	Bachelor of Economics
Current employment (company's business name and position):	Adriatic Bank JSC Belgrade, Member of executive board
Number and percentage of shares possessed in the joint stock compar	There is no share capital in the company
2 Name, surname and place of residence:	**Andrija Crnogorac, Serbia**
Education:	Bachelor of Economics
Current employment (company's business name and position):	Adriatic Bank JSC Belgrade, Member of executive board
Number and percentage of shares possessed in the joint stock compar	There is no share capital in the company

2.3 Corporate governance principles

Responsibility is one of the most important ethical principles, and it implies that the Bank's boards are responsible, and answer to the shareholders for their decisions and acts. The respective Boards of the Bank are responsible for strategies, plans and actions, management of the Bank through practice, but also for the introduction of new changes when necessary.



The Bank implements comprehensive, truthful and timely disclosure of information on all important issues concerning financial condition, profitability, ownership and management structure.

The applied corporate governance framework protects the rights of shareholders.

3. MACROECONOMIC ENVIRONMENT

The economic performance of the Republic of Serbia in 2024 reflects stability and resilience, despite global challenges and uncertainties in international markets. Serbia has continued to build trust among domestic and foreign investors, maintaining its credit rating at BB+ with a stable outlook, affirming consistent and responsible economic policies.

Gross Domestic Product (GDP) recorded a growth of 3.9%, with the total value of economic activities exceeding expectations for the year. This result was driven by a dynamic export sector, revitalized domestic consumption, and stable investments in key sectors. Additionally, the current account deficit significantly decreased to €0.8 billion, highlighting the increased competitiveness of the domestic economy in global markets.

Inflation, a key challenge in previous years, was reduced to 6.8% by the end of 2024. This trend is a result of proactive measures by the National Bank of Serbia, including raising the key policy rate to 6.75% to stabilize the domestic currency and ensure confidence in the financial system.

The labor market has also seen further improvements. The unemployment rate dropped to 8.1%, while the employment rate reached a record 51.9%. These indicators underscore the vitality of the domestic economy and the labor market's ability to respond to increased demand for workers.

Foreign trade dynamics show positive shifts. Exports grew by 6.2%, while imports decreased by 3.9%, further improving the coverage of imports by exports to 82.5%. These results were partly driven by the diversification of export structures and increased productivity of domestic producers.

Fiscal policy remained aligned with sustainable frameworks. The general government budget deficit for the first eleven months amounted to 56.5 billion dinars, in line with projections, indicating disciplined public finance management. Foreign exchange reserves reached a record €23 billion, providing additional security amid unpredictable global developments.

Beyond economic performance, Serbia has continued to enhance its institutional framework and investment climate, further attracting foreign investor interest. These positive trends lay the foundation for continued growth and development in the coming years, ensuring macroeconomic stability and an improved standard of living for its citizens.

Serbia concludes 2024 with a clear perspective for further economic strengthening, building on achieved results and strategic plans focused on sustainable development.

4. STRATEGY

Adriatic Bank is dedicated to enhancing its market position and delivering premium services to its clients through a strategic focus on sustainable growth, innovation, and long-term stability. The new strategy for the 2025–2027 period builds on past successes and defined priorities, placing clients at the center of all activities.

This strategy aims to achieve an optimal balance between providing high-quality financial services, modernizing operations, and responsibly managing resources. The Bank strives to create added value for its clients and partners through innovation, efficient risk management, and strategic investments in technology.

Key Strategic Goals:

1. Support for Small and Medium Enterprises (SMEs):

Adriatic Bank recognizes the importance of small and medium enterprises as drivers of economic growth. Through tailored products and services, the goal is to provide flexible financial solutions that meet their investment needs. The Bank will expand its client base through active marketing initiatives and by improving the quality of services to meet the increasingly complex demands of the SME sector.

2. Services for Corporate Sector Employees:

We are developing specialized financial solutions tailored for employees of our corporate clients. This initiative aims to provide comprehensive support for managing their finances, strengthening cooperation with the corporate sector, and enhancing client satisfaction and loyalty.

3. Development of Private Banking:

Recognizing the unique needs of clients with high financial standards, the Bank continues to develop private banking with a strong focus on personalized services. This segment contributes to increasing deposits and investments while offering clients a unique banking experience.

4. Technological Innovations and Process Modernization:

The Bank is heavily investing in the modernization of business processes and technology, including the development of digital channels such as Google and Apple Pay, the enhancement of mobile banking, and the modernization of branches. These initiatives aim to increase operational efficiency and client satisfaction through faster and more accessible services.

5. Risk Management and Asset Quality:

Maintaining stable operations and financial security remains a key priority for Adriatic Bank. Through integrated risk management and a focus on asset quality, the goal is to retain and gradually reduce the level of non-performing assets while adhering to regulatory requirements and ensuring long-term business stability.

5. FINANCIAL RESULT

5.1 Balance Sheet as at 31. December, 2024

	Note	31 December 2024	31 December 2023
ASSETS			
Cash and balances with Central Bank	17	14,742,205	6,661,193
Securities	18	5,105,752	3,981,530
Loans and receivables from banks and others financial organizations	19	8,221,578	4,925,362
Loans and receivables from customers	20	8,582,173	6,273,298
Intangible assets	21	154,179	80,716
Property, plant and equipment	22	1,026,515	865,015
Investment property	23	195,087	268,009
Deferred tax assets	28	21,188	77,459
Other assets	24	437,018	337,058
TOTAL ASSETS		**38,485,695**	**23,469,640**
LIABILITIES			
Deposits and other liabilities due to banks, other financial institutions and Central Bank	25	531,662	294,385
Deposits and other financial liabilities due to customers	26	31,235,313	18,688,383
Provisions	27	432,523	203,927
Current tax liabilities	16	156,006	
Other liabilities	29	765,566	621,710
TOTAL LIABILITIES		**33,121,070**	**19,808,405**
EQUITY			
Share capital	31	3,065,958	3,065,958
Profit for the period	31	1,982,284	632,389
Previous years losses	31	-	(56)
Reserves /(unrealised loss)	31	316,383	(37,056)
TOTAL CAPITAL		**5,364,625**	**3,661,235**
TOTAL LIABILITIES AND EQUITY		**38,485,695**	**23,469,640**

** All amounts are expressed in 000 RSD unless otherwise indicated*

ASSETS

In 2024, total assets increased by 63.98%, from RSD 23,469,640 thousand to RSD 38,485,695 thousand. The most significant changes in the Bank's assets in 2024, compared to 2023, relate to a substantial increase in loans and receivables from banks and other financial institutions by 66.92% (RSD 3.296.216 thousand), as well as an increase in loans and receivables from clients by 36,8% (RSD 2.308.875 thousand).

The following table shows changes in loans and receivables from clients by sector:

SECTOR	31.12.2024	%	31.12.2023	%
Corporate	6.833.226	79.62%	4,603,442	73,38%
Entrepreneurs	117.277	1.37%	121,295	1,93%
Retail	1.517.207	17.68%	1,519,543	24,22%
Non residents	106.837	1.24%	20,027	0,32%
Other	7.626	0.09%	8,991	0,14%
Ukupno:	**8.582.173**	**100%**	**6,273,298**	**100%**

Loans and receivables from banks and other financial institutions recorded the highest growth, driven by increased activity in the financial market.

In 2024, compared to the previous year, there were significant changes in sectoral exposure. The largest increase in exposure was recorded in the corporate sector, with a growth of 48.5% (RSD 2,229,784 thousand), increasing the corporate sector's share in total receivables from 73.38% to 79.62%. At the same time, exposure to individuals slightly declined by 0.15% (RSD 2,336 thousand), reducing their share from 24.22% to 17.68%.

Exposure to foreign entities achieved the highest relative growth, increasing by 433.6% (RSD 86,810 thousand), while its share grew from 0.32% to 1.24%. On the other hand, exposure to entrepreneurs decreased by 3.32% (RSD 4,018 thousand), reducing their share from 1.93% to 1.37%.

The "other" category recorded a decline of 15.18%, while its share in total receivables remained at 0.09%.

Loans granted to individuals were predominantly long-term consumer loans with a maturity of over one year in RSD, with an average weighted annual interest rate of 7.76%. The average weighted interest rate for newly approved housing loans was 5.35%.

Among newly approved corporate loans, long-term investment loans with a currency clause had the largest share. The average weighted approved interest rate for corporate loans in 2024 was 7.60%.

Additionally, securities increased by 28.24% (RSD 1,124,222 thousand), while real estate, plants, and equipment recorded growth of 18.67% (RSD 161,500 thousand). Investment properties decreased by 27.21% (RSD 72,922 thousand).

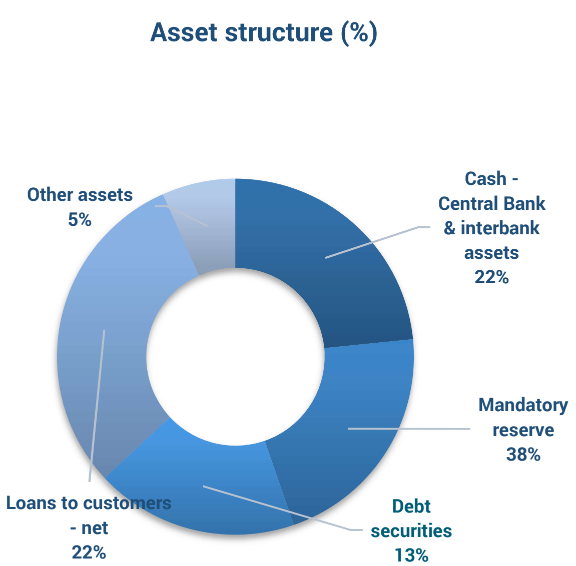
LIABILITES

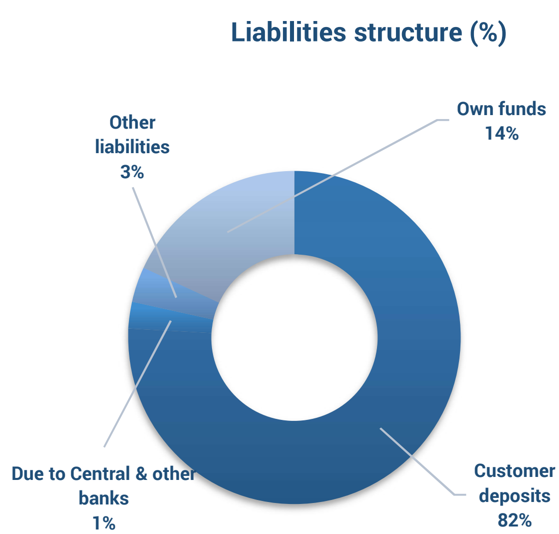
The Bank's liabilities increased by 67.21%, rising from RSD 19,808,405 thousand to RSD 33,121,070 thousand. The most significant changes in the liability structure were driven by a 67.14% increase in client deposits (RSD 12,546,930 thousand), while deposits and other liabilities to banks, other financial institutions, and the central bank grew by 80.60% (RSD 237,277 thousand).

Provisions increased by 112.1% (RSD 228,596 thousand), mainly due to provisions for legal disputes and employee-related obligations. The Bank remains exposed to various legal proceedings related to certain fees in credit agreements. For such cases, the Bank has created additional provisions, currently amounting to RSD 51,848 thousand.

In the structure of client deposits, household deposits account for 56%, while corporate deposits make up 44%. In both segments, the majority of term deposits were placed in foreign currencies with maturities of up to one year.

Throughout 2024, interest rates on newly placed term deposits ranged from 0.01% (for short-term and long-term deposits in USD and GBP) to 4.25% (for short-term and long-term deposits in EUR).





5.2 Income statement for the year ended 30 December 2024

(in thousands of dinars)

	Note	2024	2023
Interest income	6	1,373,150	824,341
Interest expenses	6	(331,261)	(215,800)
Net interest income		**1,041,889**	**608,541**
Fee and commission income	7	3,268,919	1,316,681
Fee and commission expense	7	(434,752)	(159,538)
Net fee and commission income		**2,834,167**	**1,157,143**
Net foreign exchange gains/(loss) and currency clause effects	8	(106,367)	(21,713)
Net loss from impairment of financial assets that are not valued at fair value through profit and loss	9	(111,978)	(18,564)
Net gains from derecognition of investments in associated undertakings and joint ventures	10	-	429
Other operating income	11	23,902	17,013
TOTAL NET OPERATING INCOME		**3,681,613**	**1,742,849**
Salaries, compensations and other personal expenses	12	(991,895)	(509,190)
Depreciation expenses	13	(164,182)	(100,404)
Other income	14	34,423	77,460
Other expenses	15	(749,770)	(570,506)
PROFIT BEFORE TAX		**1,810,189**	**640,209**
Income tax	16	(160,435)	-
Gains from deferred taxes	16	10,197	-
Loss from deferred taxes	16	-	(7,820)
PROFIT AFTER TAX		**1,659,951**	**632,389**

All amounts are expressed in 000 RSD unless otherwise indicated

During 2024, net interest income recorded a significant growth of 71.2%, increasing from RSD 608,541 thousand to RSD 1,041,889 thousand.

Interest income rose by 66.6%, from RSD 824,341 thousand to RSD 1,373,150 thousand, primarily due to higher interest rates on loans, partially driven by an increase in the benchmark interest rates and income from RS bonds and deposits with other banks. The bank generated a substantial interest income from government bonds, amounting to RSD 164,357 thousand, representing 19.94% of total interest income (2023: RSD 178,528 thousand or 29.98%).

Interest expenses also recorded an increase of 53.5%, rising from RSD 215,800 thousand to RSD 331,261 thousand, mainly due to higher costs associated with corporate deposits and transactions with banks and securities.

Net fee and commission income posted a significant increase of 144.9%, from RSD 1,157,143 thousand to RSD 2,834,167 thousand. The majority of fee income was generated from banking services for foreign exchange transactions, totaling RSD 550,809 thousand (2023: RSD 333,008 thousand), as well as foreign exchange trading fees, which amounted to RSD 2,494,901 thousand (2023: RSD 826,903 thousand). Together, these sources accounted for 93.2% of total fee income.

Fee income from payment services increased by 60.11% compared to the previous year, primarily driven by growth in domestic payment services, reaching RSD 77,910 thousand (2023: RSD 62,577 thousand). Additionally, foreign payment service fees surged from RSD 24,079 thousand to RSD 60,832 thousand, reflecting an increase in foreign exchange transactions.

Net impairment expenses on financial assets increased by 503.2%, rising from RSD 18,564 thousand to RSD 111,978 thousand, reflecting portfolio adjustments and a more conservative approach to credit risk management.

Within other income, rental income saw a slight decrease, amounting to RSD 14,101 thousand (2023: RSD 17,013 thousand). Meanwhile, compensation-related income reached RSD 9,801 thousand, which was not recorded in the previous year.

Other income declined by 55.5%, from RSD 77,460 thousand to RSD 34,423 thousand, mainly due to lower income from the release of provisions for legal disputes, which stood at RSD 2,228 thousand compared to RSD 58,992 thousand in 2023. However, income from the sale of investment properties amounted to RSD 9,828 thousand, which was not present in the previous year.

Other expenses increased by 31.4%, rising from RSD 570,506 thousand to RSD 749,770 thousand, with the largest portion of this increase attributed to higher operational and administrative costs.

Profit before tax reached RSD 1,810,189 thousand as of December 31, 2024, marking an increase of 182.7% compared to RSD 640,209 thousand in the previous year. Net profit after tax stood at RSD 1,659,951 thousand, reflecting a growth of 162.5% year-on-year.

5.3 Business events after the reporting period

As of the date of this report, there have been no significant events after the end of the reporting period that would require separate disclosure in the attached financial statements of the Bank for the year 2024.

6. BUSINESS WITH CLIENTS

6.1 Corporate Department

During 2024, the Corporate Department directed its resources towards enhancing its market position by achieving growth in various areas of activity. This was accomplished by providing outstanding support and services to all our clients, employing innovative approaches to enhance business operations, processes, and product range. The Bank took additional steps to assist our clients in overcoming the economic challenges arising from the Russian-Ukrainian crisis, aiming to offer personalized services tailored to each partner's business needs, all aimed at fostering their business growth.

Special attention during this period was focused on intensifying collaboration with our existing clients and attracting new clients from sectors that have experienced growth or have high growth potential. Our mission was to expand the client base, including both large corporations and small and medium-sized enterprises. We continuously worked on building and strengthening long-term partnerships based on mutual respect and trust. One of the key aspects of our strategy was focused on improving pricing policies that match the level of risk, aiming to achieve satisfactory returns. Client satisfaction remains a fundamental indicator of the success of our partnerships.

6.2 Retail and SME Department

At the beginning of 2024, the Bank established a new organizational structure that includes the Retail and Small and Medium Enterprises (SME) Division. This division is built on the foundations of innovation and strategic planning, with clearly defined goals and activities, which include:

- Developing and implementing a business strategy focused on the SME segment and individual clients.
- Expanding and modernizing the branch network, as well as professional development for branch employees.
- Creating and executing business plans for product and service sales, with effective monitoring of the performance of the sales team and branches.
- Ensuring profitability and high-quality client services through regular branch meetings focusing on performance, visits to branches, and key clients.
- Initiating campaigns and special offers to encourage cross-selling and strengthen client loyalty.
- Managing human resources, including employee motivation, education, recruitment, and defining and managing employee goals in line with the division's strategy.

The strategic goal of this Division is to primarily position itself in the SME segment, aiming for the Bank to become the first choice for top-tier clients by offering a complete set of products and services for successful business operations. Through a flexible, proactive approach and quick responses, the Bank seeks to expand its client base, using active marketing strategies and continuously improving the quality of its services.

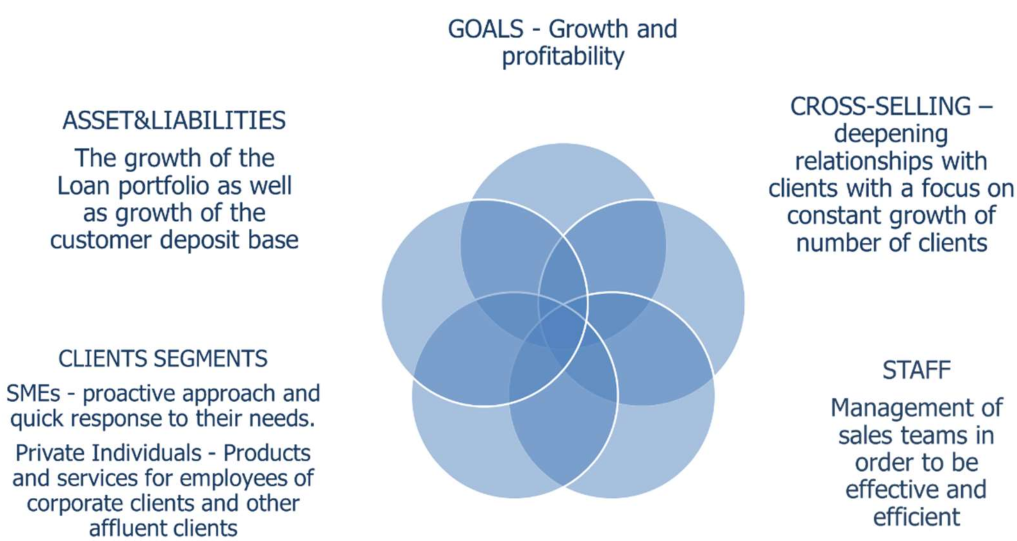
Alongside the development of the SME segment, the Bank has also defined strategies to enhance cooperation with individual clients, modernizing its offering to meet high-quality standards. The focus is on creating products and services that cater to the needs of SME employees and corporate clients, thus enabling cross-selling and strengthening loyalty. Through these efforts, the Bank is committed to developing new products and optimizing existing processes and internal procedures.

In an effort to better respond to the needs and expectations of its clients, in 2024 the Bank opened a new branch at the Skyline location, on Kneza Miloša Street in Belgrade, with the goal of providing clients with high-quality services, including fast service and a personalized service model.

Driven by a clear commitment to placing satisfied clients at the center of our business, in 2024 the Bank invested in a new, modernized Contact Center, prioritizing client needs for faster and more convenient communication methods.

The new organizational structure of the Division, which includes the branch network, the Bank's central sales team, and the Contact Center, is designed to support this dynamic business environment and ensure the Bank's recognition in the field of innovation and services within the banking sector

Objectives of Retail and SME Department:



6.3 International Clients Department

The International Clients Department at Adriatic Bank comprises a team of highly qualified professionals dedicated to providing exceptional services to both individual and corporate clients worldwide. At the heart of our service is the personal banker, a key figure who collaborates with expert teams within our bank to provide you with the very best our Bank has to offer. Our offer includes a wide range of products and services for different types of clients, from account opening, international transfers, online and mobile banking and other specific services. At Adriatic Bank, we aim to create a unique synergy between our talented individuals, innovation, and a wide range of opportunities to support you in achieving your business goals.

Clients are always our top priority. Your personal banker accompanies you every step of your financial journey – whether it's analyzing specific issues, providing insights into the broader picture of your finances, or analyzing potential opportunities and risks. Our mission is to deeply understand your needs, build a relationship based on mutual trust and privacy, and lay the foundation for a long-term strategy together. Our imperative is to provide tailored advice, with a guarantee of quick and efficient response to all the changes life may bring you.

7. FINANCIAL RISK MANAGEMENT

7.1 Risk Management System

The Bank continuously identifies, assesses, monitors and controls risks in accordance with national and international banking and accounting regulations, ensuring an integrated, prudent and consistent risk management system. By its acts, the Bank's Managing Board has established an adequate risk management system and internal control system, which includes various corporate bodies and management committees: Managing Board, Executive Board, Audit Committee, Assets and Liabilities Management Committee (ALCO), Credit Committee.

The functioning of the system is regulated by policies and procedures adopted individually for each materially significant type of risk.

In accordance with the adopted strategic goals of the Bank's operations and the bases for their realization, the Bank has defined the goals for the needs of continuous risk management (credit, market, interest rate, currency, operating), as follows:

- ✓ Achieving and maintaining the status of a stable and reputable financial institution, specialising in supporting the population, small and medium enterprises,
- ✓ Maintaining the trust of its clients and ensuring the security and profitability of their investments,
- ✓ Providing assistance to clients in their business, development, business projects,
- ✓ Achieving stable growth,
- ✓ Strengthening its market position,
- ✓ Maintaining the stability of the Bank's financing sources,
- ✓ Ensuring liquid, economical and successful operations, in order to prevent any kind of instability

In order to improve the level of capital and improve the portfolio, the Bank focuses on:

- ✓ Targeted lending to higher-quality clients.
- ✓ Strengthened monitoring of credit activities.
- ✓ Tracking the structure of assets to minimize the risk of new NPL formation.

The comprehensiveness and reliability of the risk management system, as well as the Bank's risk appetite, are based on:

- ✓ Active participation of the Bank's Executive Board and Managing Board in the risk management process (the Executive Board and the Managing Board regularly review reports on the Bank's exposure to risks, as well as measures to manage and mitigate these risks; the Audit Committee versees the implementation and adequate enforcement of adopted risk management strategies and policies)

- ✓ Establishment and operation of the Bank's Credit Committee
- ✓ Establishment of the Bank's Assets and Liabilities Management Committee (ALCO)
- ✓ Adoption of the Business Continuity Plan (BCP) and the Disaster Recovery Plan (DRP)
- ✓ Adopted methodologies for risk identification and measurement
- ✓ Adopted measures to mitigate certain types of risks and rules for the application of these measures
- ✓ Established limit system
- ✓ Calculation and distribution of internal capital

The long-term goal of the Bank in risk management is to minimise the negative effects on the financial result and capital of the Bank due to exposure to all potential risks.

In accordance with its strategic and long-term commitment, the Bank has defined the following objectives regarding risk management:

- avoiding or minimising risks in order to maintain operations within acceptable risk levels, in accordance with the Bank's defined risk appetite;
- minimising risks within the acceptable level of the Bank's exposure in dinars with a currency clause and in foreign currency, both at the portfolio level and by type of exposure;
- minimising negative effects on the Bank's capital;
- maintaining the Bank's capital adequacy ratio at a level that covers all identified risks;
- increasing the share of exposure to companies with the aim of diversifying the portfolio of placements;
- increasing the source of financing in order to improve the structure and level of the deposit base;
- adequate placement management in order to timely identify potentially problematic placements;
- establishing an adequate system of prevention against misuse of the Bank for money laundering and terrorist financing, which would minimise the possibility of using the business relationship, transaction, service or products of the Bank for money laundering and terrorist financing, as well as raising employee awareness regarding this risk
- ensuring constant harmonisation of the Bank's operations with the law, regulations and internal acts, especially in the field of money laundering and terrorist financing, namely mutual harmonisation of the Bank's internal acts.
- ensuring the continuous development of IT support in order to adequately monitor and manage all risks.

In the long term, the Bank must maintain risks within the prescribed limits (each risk individually up to the level prescribed by law or up to the level of limits defined by the Bank's internal acts).

The basic principles of risk management are defined by the Risk Management Policy. Based on the Risk Management Strategy and the Risk Management Policy, the Bank's Executive Board adopts and implements risk management procedures that describe individual risk management processes.

Risk management policies and procedures prescribe the manner of organising the Bank's individual risk management process, methods and methodologies for identifying, measuring or assessing, mitigating and monitoring specific risks, as well as the principles of functioning of the internal control system.

7.2 Credit risk

The process of assessing and monitoring credit risk at the level of an individual client and a group of related persons is carried out in accordance with the adopted policies and procedures that establish the rules and criteria for approving new placements, defining the activities that are undertaken, as well as the obligations and responsibilities of the persons involved in the monitoring process.

The process of identification, assessment, measurement and management of credit risk is carried out on a continuous basis and includes the total portfolio of the bank that is subject to credit risk.

The impairment methodology under IFRS 9 was further enhanced in 2024 with the implementation of new PD models, while the annual calculation of the Loss Given Default (LGD) parameter is conducted.

7.3 Liquidity and Interest Rate Risk

The liquidity risk management system is based on measures and criteria prescribed by the National Bank of Serbia and is focused on short-term and structural liquidity.

The Bank's liquidity risk management activities in 2024 were aimed at measuring, monitoring and reporting on projections of liquidity inflows and outflows, liquidity reserves in various scenarios of regular operations and potential liquidity crises, as well as monitoring and regular reporting to the bank's authorities and the ALCO board on the dynamics of regulatory liquidity indicators (liquidity indicator, narrower liquidity indicator, Liquidity Coverage Ratio - LCR), as well as other liquidity indicators according to the Bank's internal methodology. During 2024, all liquidity indicators, both regulatory and indicators defined by internal acts, related to liquidity risk management were aligned and above the prescribed limits.

The Bank's interest rate risk management system is based on the principles prescribed by the National Bank of Serbia with a focus on analysis, measurement, monitoring and reporting on interest rate risk from the banking book. In the course of 2024, the Bank introduced additional metrics, namely delta NII. This additional metrics as well as already existing delta EVE within the risk tolerance prescribed within Risk appetite statement.

7.4 FX Risk

In accordance with the Decision of the National Bank of Serbia on the adequacy of the bank's capital, the Bank is obliged to maintain the indicator of FX risk, as the ratio between the total net open FX position and the capital at the end of each working day, shall not exceed 20% of its capital. Throughout 2024, the Bank experienced one brief exceedance of the established limit due to technical issues, which were promptly resolved.

7.5 Operational risk

As a result of exposure to operational risks during 2024, the largest number of recorded events in the loss data base relates to lawsuits against the Bank in connection with the collection of a one-time loan processing fee. During 2024, Bank recognized potential loss of EUR 1.8 mio based on one client's lawsuit which the bank does not consider grounded.

During 2024, the bank continued to assess the operational risks that may arise when introducing new products and from activities entrusted to third parties, as well as assessment of the risk system and internal controls in the bank's key processes.

8. BANKING SUPPORT

8.1 Human Resources

After the changes in ownership structure and management in 2023, a significant HR challenge was integrating different business cultures and developing a unified corporate culture at Adriatic Bank a.d. Belgrade. Throughout 2024, we continued to foster diversity and a commitment to creating a safe, positive, and professional work environment. We are dedicated to being a driving force for social progress for our employees, our clients, and the community in which we operate.

Given the Bank's development plans, the Human Resources Division in 2024 focused on providing strategic support to achieve the planned business activities of the Bank, overcoming challenges, and achieving goals and results through appropriate support. This was accomplished by improving organizational culture and competencies in the areas of skills and knowledge, teamwork, communication, digital transformation, and innovation.

Human resource management is structured and implemented in the following manner:

- **Workforce management and planning, determining compensation and benefits** in line with market conditions and the state of the banking sector, supporting core principles of mutual respect and fair business practices, transparent operations, and open communication. Automation and digitization of business processes are a priority for improving efficiency and cost optimization, while also emphasizing the importance of employee selection and development.
- **Mapping individual expert skills** and fostering a work environment that motivates continuous learning and knowledge sharing, participation in consultations, conferences, and training sessions where there is an opportunity to exchange experience and best practices with professionals from the banking sector.
- **Improving the operational model through simplifying the structure**, streamlining processes with a particular focus on reducing employee turnover, and improving the organization of the work model and the organization as a whole. The aim is to have less hierarchy in roles and responsibilities, more direct and effective communication, fewer unnecessary procedures, and more room for a qualitative approach and quicker decision-making, enabling the Bank to respond swiftly to new opportunities and challenges.
- **Fairness,** gender equality, and the promotion and cultivation of a culture of equality and respect for others.

In an effort to adequately empower and support employees in achieving their business goals and improving their performance, the Human Resources Division continuously supports employees in enhancing their expert and social skills through participation in various trainings, conferences, and consultations organized by both regulators and recognized experts in relevant fields. Notably, a new collaboration has begun with the School of Computing in Belgrade, where selected employees recognized by the Bank will have the opportunity to attend the Master in Computational Finance (MCF) program. This will allow them to combine knowledge of quantitative analysis, finance, and IT, while also serving as ambassadors of Adriatic Bank.

Through continuous internal training, particularly in the areas of information security, anti-money laundering, and payment services, the Bank strives to enhance the expertise of its employees. The focus is on elevating their knowledge and emphasizing the importance of adhering to sound business practices and ethical principles. At the same time, the Bank is especially committed to preserving the dignity and integrity of its clients, respecting their needs and rights.

A notable highlight is the initiation of a collaboration with the School of Computing in Belgrade, where three of the Bank's employees have the opportunity to attend the Master in Computational Finance (MCF) program. This program enables them to integrate knowledge in quantitative finance, financial analysis, and IT, while also serving as ambassadors of Adriatic Bank, promoting our values among the students of this institution.

Starting in February 2024, the Bank provided all employees with private health insurance, ensuring comfortable, efficient, reliable, and high-quality medical care for all staff.

8.2 Strengthening the Adriatic Bank Brand

As part of its efforts to expand and enhance its business network, the Bank initiated and executed key brand-strengthening projects during 2024, including:

- The opening of a new branch within the prestigious Skyline residential and business complex in Belgrade, covering 125 m². In addition to offering standard products and services, this branch also provides safe deposit box rental services for clients.
- The final phase of a new branch location project in Niš, within the Planet Residence complex, spanning 188 m². This branch will serve as the Bank's regional center, with operations set to commence on February 24, 2025.

Additionally, during 2024, the Bank carried out several adaptation and refurbishment projects across its business premises in the Skyline complex and its headquarters in Dalmatinska Street, achieving the following benefits:

- Creation of additional offices and increased workspace capacity.
- Enhanced functionality and modernization of interiors.
- Development of a luxurious VIP lounge in the conference area for VIP clients and business partners.
- Installation of modern "video conference and room booking" systems in the conference area.

In December 2024, the Bank successfully completed the planned project of installing a large illuminated 3D sign on the top technical floor of Tower C in the Skyline complex, oriented toward "Belgrade Waterfront." The design and positioning of the sign ensure excellent visibility and promotional impact. This signage will significantly contribute to the continuous and long-term strengthening of the Adriatic Bank brand, boosting its prestige and market recognition in Serbia.

8.3 Research and Development

The Bank's development is based on the continuous improvement of its product offerings and the integration of modern technologies into daily processes. At the heart of this development lies comprehensive market research, which serves as a key foundation for creating innovative products. This approach enables the Bank not only to respond to changes in client needs but also to anticipate future trends, ensuring a competitive advantage

As part of its significant advancements, the Bank plans to integrate popular digital payment systems, such as Google Pay and Apple Pay, during 2025. This implementation will enable clients to use their mobile phones for fast, secure, and convenient payments, further enhancing their overall experience.

In the card segment, the Bank is working on introducing the Visa Infinite card, which belongs to the premium segment of the Visa card portfolio and offers the highest possible benefits provided by the Visa network. The card, available in both plastic and metal versions, will offer travel insurance, concierge services, lounge access, and numerous other perks from Visa partners.

All these initiatives are part of the Bank's broader digital transformation strategy, aimed at offering innovative and practical solutions. The Bank is committed to creating customer-oriented services that align with modern trends and standards in the banking industry. Through this process, the Bank not only raises the standard of its services but also strengthens customer trust, positioning itself as a leader in providing banking solutions on the market.

8.4 Digitalisation

At the end of 2024, the Bank introduced enhanced versions of its mobile and web applications for Retail clients, further strengthening its digital offerings. These upgrades significantly optimized the user experience, particularly for clients who hold both Corporate and Retail accounts. The new integrated approach provides a seamless and unified access to all services through a single application, increasing efficiency and convenience while eliminating the need for multiple applications and improving client satisfaction.

The Bank continues to work on enhancing its digital channels with the goal of delivering a secure, efficient, and intuitive user experience tailored to the needs of all clients.

In the last quarter of 2024, communication was further improved with the introduction of a modern contact center, enabling clients to easily and quickly access information. Additionally, the WhatsApp application was launched as an additional communication channel, allowing clients to ask questions, receive support, and resolve requests in real time through one of the most popular messaging apps. This enhancement improved accessibility and convenience, providing clients with greater flexibility and more options for interacting with the Bank.

8.5 Compliance

Compliance with legal and regulatory requirements is a fundamental obligation and an integral part of the Bank's business strategy, permeating all levels of its operations. The goal is to achieve full alignment with regulatory frameworks, thereby strengthening the stability and integrity of the Bank's business. This is accomplished through the strong commitment of the Bank's senior management, who collectively play a key role in establishing and implementing effective procedures and systems.

The risk of non-compliance, which could negatively impact the Bank's financial results and capital, is present in various segments of its operations, particularly in operational areas. It has been identified as a risk of potential sanctions, financial losses, and reputational damage due to non-adherence to regulatory requirements, professional standards, sound business practices, and ethical norms.

To manage this complex risk properly and continuously, the Bank has established a systematic and comprehensive approach, applying the highest level of professional care. The compliance policy is based on the principle that all the Bank's activities are conducted with integrity, transparency, and in accordance with the law. Management and governing bodies are committed to ensuring that every employee is informed about the regulatory requirements relevant to their area of work and acts accordingly.

The compliance function is organized as a separate department, the Compliance Control Department, tailored to the size and specificities of the Bank's operations.

During 2024, the Bank faced numerous legal and regulatory changes that directly and substantially impacted its operations. Consequently, the Compliance Function made additional efforts to adequately and promptly analyze the changes and present them to the management and other organizational units of the Bank to ensure timely compliance. The banking sector is undergoing a transformation of its regulatory framework concerning systemic laws, and this trend is expected to continue in 2025.

The Compliance Function dynamically supports the Bank's operational segments, continuously adapting its control mechanisms in line with the development of the Bank's business and strategy, ensuring ongoing compliance across all organizational levels..

8.6 Environmental Protection

In 2024, the Bank continued its efforts focused on environmental protection and the conservation of natural resources. As part of these efforts, additional initiatives were implemented for the rational use of energy, along with the optimization of business processes to reduce the ecological footprint. The introduction of digital solutions and the reduction of paper usage in daily operations represent another step toward sustainable business practices. Additionally, the Bank actively supports renewable energy projects and sets a high standard in applying environmental principles across all its activities.

Belgrade, February 2024

Signed on behalf of Adriatic Bank a.d. BEOGRAD

ADRIATIC BANK A.D. BEOGRAD
ADRIATIC BANK
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Marko Ćorić
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