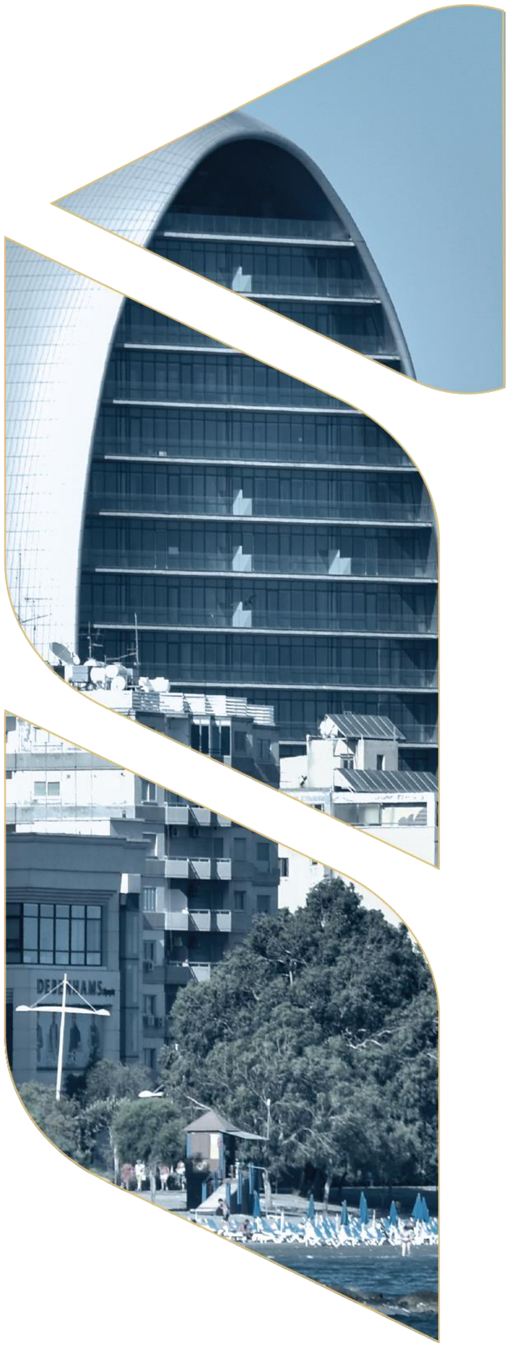
AGRI EUROPE

DISCLOSURE REPORT 2021



AGRI EUROPE

AGRI EUROPE CYPRUS GROUP

DISCLOSURE OF ADDITIONAL INFORMATION FOR 2021

30 April 2022

Contents

Introduction

According to Article 13 of the Regulation No. 575/2013 of the European Parliament (hereinafter referred to as the Capital Requirements Regulation/ CRR), this Disclosure Report of Agri Europe Cyprus Limited Group based on figures as of 31 December 2021 is published.

Agri Europe Cyprus Limited Group (hereinafter refered to as the AEC Group or Group) consists of the following members:

- AGRI EUROPE CYPRUS LIMITED, Cyprus (AEC) as a parent company and
- NORD AGRI N.V., Netherland as subsidiary
- M&V INVESTMENTS a.d. Beograd, Serbia as subsidiary
- AIK BANKA a.d. Beograd, Serbia as credit institution subsidiary
- GORENJSKA BANKA d.d. Kranj, Slovenia as credit institution subsidiary
- GB Leasing d.o.o. Ljubljana, Slovenia, as a subsidiary.

The Disclosure Report of Group (Report) meets the disclosure requirements of Part Eight of the CRR and is in accordance with Articles 431 to 455 CRR. With the introduction of Regulation (EU) 2019/876 (CRR2) of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013, Group has taken into account changes in the area of disclosures when compiling this Disclosure Report.

Report is also in accordance with requirements set in relevant technical standards, the guidelines on disclosure requirements under Part Eight of CRR. The Group has adopted Group Policy for Disclosure for compliance with disclosure requirements under Part Eight of CRR.

Since AEC Group is assessed as large, non listed institution, the main document is published annually, and Disclosure of key metrics and overview of risk-weighted exposure amounts, in accordance with Article 447 of CRR, is published semi-annualy. Pursuant to Article 434 (1) CRR, the Group publishes the Report annualy on the website https://www.gbkr.si/ and on https://www.agrieurope.com.cy/. Pursuant to Article 434 (2) of CRR, the Group makes available on its website an archive of Disclosure Reports for previous dates.

The disclosures of AEC Group is confirmed by AEC Group Board of Directors (in further text “AEC BoD”).

Overview of non-applicable disclosures

Disclosure Report does not contain disclosures not relevant for AEC Group. AEC Group does not operate with credit derivatives, does not use on-balance-sheet netting, IRB approach for calculating the capital requirements for credit risk, internal models for calculating capital requirements for market risk, does not calculate capital requirements for operational risk according to advanced approach and does not performe securitisation transactions.

AEC Group is not a global systemically important institution, so the disclosures of the indicators of the general systemic importance are not relevant (Article 441 of the CRR regulation).

Disclosures in other published reports

Some of disclosure requirements are already contained in AEC Group Notes to the Consolidated Financial Statements (Audited Financial Statements). For that matter, under respective point of This Disclosure, article of CRR and corresponding AEC Group Notes to the Consolidated Financial Statements paragraph is clearly mentioned.

1. Risk Management Objectives and Policies

(Article 435.1 a,b,c,d,e and f of the CRR Regulation)

Details regarding risk types and risk managements within AEC Group are described in Notes to the Consolidated Financial Statements of AEC Group, as of 31.12.2021. The Notes are available at the web site of AEC Group: https://agrieurope.com.cy/, within section “Annual Reports”.

1.1. General information on risk management strategies and policies

The Group defines its risk strategy and risk appetite through the annual strategic planning process, encompassing business strategy and strategic guidelines, to ensure appropriate alignment of risk, capital, liquidity and performance targets.

The Group defines risk management strategy which sets out the Group's objectives in managing risks on a long-term basis and determines the Group's relation to the risks it is exposed to or may be exposed, including the risks arising from the macroeconomic environment in which the Group and each group member is operating.

With Risk Management Strategy, as part of a comprehensive risk management system, the Group:

- defines all risks that the Group is exposed to or may be exposed to in its business;
- determines the Group-wide principles of risk management;
- defines the Group risk management governance;
- defines the main principles of the Group risk culture;
- determines the obligation of regular reporting on risk management.

The basic principles of risk taking are:

- establishing clear rules for managing individual types of risk, with accompanying procedures for managing each individual type of risk with clearly defined objectives;
- making business decisions based on qualitative and/or quantitative analysis of risk parameters, in order to timely detect changes in the risk profile;
- collecting complete, timely and accurate data important for risk management and providing adequate technical and information resources for data storage and processing;
- the principle of caution in assuming risk, with continuous monitoring and control of exposure to certain types of risks and respect for the established system of limits;
- using a number of methods for identifying and measuring risk - in risk management, besides the regulatory framework and risk management approaches, as well as internal methods.

The basic principles of management of risks that the Group is or may be exposed to in its operations are set on the Group level. Group Risk Management Policy provides guidelines for the risk management process that the subsidiaries apply in accordance with the nature, scope and complexity of their business activities.

Group members define in more details the principles of risk management according to its specifics but following to Group Risk Management Policy. Each Group member has locally defined risk management policies and procedures that prescribe the responsibilities, method of individual risk management process, the method and methodology for identifying, measuring, evaluating, mitigating and monitoring these risks and the principles of the internal control system.

In order to satisfy the principle of risk taking, each subsidiary follow principles of risk management:

- continuous work on identifying, measuring, assessing and controlling risks,
- maintaining such an internal organization or organizational structure through which the front office functions are separated from the activities of the middle office, back office and risk control activities with a clearly defined division of jobs and duties employees preventing conflict of interest,
- familiarizing employees with their jobs and tasks and continuously involving employees at all levels in the risk management process, which means that employees at all levels have basic knowledge and understand the risks from the domain of personal responsibility and act in accordance with the internal regulations,
- adequate communication, information flow and cooperation at all organizational levels, as defined in the Group Risk Management Strategy;
- the comprehensiveness of the risk management system - risk management should include all business activities and all the risks that the each subsidiary is exposed to in its operations. Establishing a comprehensive framework for risk management as well as a comprehensive and effective internal control system requires a prerequisite for the long-term success;
- developing a risk management system as a strategic commitment - risk management will be continually improved and aligned with the Group's business activities, changes in external and internal regulations;
- mandatory monitoring of changes in the amount of capital and active capital management with emphasis on the fulfilment of the obligation that capital must be sufficient to amortize all risks;
- risk management is part of the business culture - awareness of the importance of risk management is present at all levels of the organizational structure of the Group.

The Group regularly, at least once a year, assesses the risks to which it is exposed to. The risk is the possibility of adverse effects on the capital, liquidity and financial result of the Group as a result of transactions that the Group performs and the macroeconomic environment in which it operates.

The Group establishes a comprehensive and reliable risk management system that is fully integrated into business activities of each Group member and ensures that the Group's risk profile is in line with the Group's risk appetite. In the long run, the Group must maintain risk exposure within the prescribed limits, i.e. in accordance with the defined risk tolerance.

The ICAAP and ILAAP is integrated into the business, strategic decision-making and risk management process of the Group.

The Group conducts the internal capital adequacy assessment process (in further text “ICAAP”) on a continuous basis, in accordance with Group Risk Management Strategy and Group ICAAP and ILAAP Framework, while respecting the regulatory framework.

The ICAAP is a formalized and documented process that meets the following criteria:

- it is based on the process of identification and measurement, i.e. risk assessment;
- provides a comprehensive risk assessment and measurement, as well as monitoring of significant risks that the Group is exposed to or may be exposed to in its business;
- provides adequate internal capital in accordance with the risk profile of the Group;
- it is adequately involved in the Group's risk management process and decision-making process;
- is subject to regular analysis, monitoring and verification by the Group's governing bodies.

Key ICAAP/ILAAP inputs are a business strategy, risk identification, risk appetite, capital, and financial plans. Business strategy is formed through a formal and rational decision-making process. The key stage of the process is an identification of material risks, including selection of key risk drivers to create a limit system. Limits have been articulated through the establishment of the Risk Appetite, where it is clearly defined to what extent the Group is willing to take risks. Business strategy and risk appetite limits form basis for financial and capital plans which are prepared for the 3-year period. The key part of financial planning is to keep portfolio risks within limits.

ICAAP/ILAAP process is integral part of risk management framework, and it is aligned with the Group’s risk appetite which is consistent with the business model and approved by the AEC BoD. The process covers not only current capital and liquidity situation, but it also applies a forward-looking approach.

Based on the Risk Appetite, the Group prepares a business plan and financial forecasts which are crucial for defining internal capital needs (ICAAP process) on the risk-based capital assessment approach and internal liquidity assessment (ILAAP process). Both processes are conducted from the normative and economic perspectives and supplemented by the stress testing program.

Stress testing is one of the most important tools in forward looking risk management. Stress testing is designed to support senior management to uncover possible vulnerabilities when taking a forward looking view on the Group’s risk profile as well as its strategic, business, capital and liquidity planning. Group performes various types of stress testing:

- sensitivity analysis, measuring potential impact of a specific single risk factor affecting capital or liquidity on a portfolio, subsidiary or Group-wide level; it is used under ICAAP and for ad-hoc stress testing,
- scenario analysis, assessing the Group’s resilience towards a specified macroeconomic scenario; it is used under ICAAP and Recovery Plan,
- reverse stress testing, as form of scenario analysis where the goal is to identify a scenario or a combination of scenarios that lead to an outcome in which the Group’s business model might become unviable. It is used as a starting point in developing scenarios which would bring the Group “near default” in the recovery plan and would deem the Group’s business non-viable unless the recovery action is implemented,
- liquidity stress testing.

Results of stress tests are presented in Risk Reports on both Group and local entity levels and discussed by the relevant management bodies. Mitigating management actions, if deemed necessary, place attention on effectiveness, timeline and feasibility of such actions. The planning process, limit steering process and stressed risk appetite metrics all use stress testing result as an input. Vulnerabilities identified are also considered in the context of business strategy and risk strategy. Capital planning performed within the ICAAP process includes adverse scenario.

List of risks identified as the risks to which the Group is or might be exposed to in its operations is as follows:

1) **Credit risk** comprises several risk types, listed below:
   a) **Credit default risk** – possibility of occurrence of adverse effects on the financial result and capital of the Group due to debtor’s failure to fulfil its obligations towards the Group;

b) **Residual risk** – which presents the risk that the applied credit risk mitigation techniques are less effective than expected, or that their application does not have a sufficient effect on the mitigation of the risks to which the Group is exposed;
c) **Settlement/delivery risk** – possibility of adverse effects on the financial result and equity of the Group based on transactions related to debt or equity securities (except for repurchase and reverse repurchase agreements and contracts for issuance and withdrawal of securities) where there is a mismatch between the moment of payment and delivery, as well as on the basis of outstanding transactions as a result of non-performance of the obligation of the other contractual party for transactions of free delivery on a pre-contracted date;
d) **Counterparty risk** – possibility of adverse effects on the financial result and the Group's capital due to default of the other party's obligation in the transaction before the final settlement of the cash flows of the transaction, i.e. the settlement of monetary liabilities under that transaction.
e) **FX lending risk** - is the risk arising from the impact of the change in the domestic currency's exchange rate on financial position and creditworthiness of the borrower due to the currency mismatch between the borrower`s receivables and his obligations towards a group member.
f) **Credit risk induced by interest rate risk** - Credit risk induced by interest rate risk is the risk of loss due to changes in the reference interest rates to which the repayment of the loan is related, which may adversely affect the client's creditworthiness or client´s ability to settle liabilities in a timely manner.
g) **Dilution risk -** is the possibility of occurrence of adverse effect on the banks financial result and capital due to reduced value of purchased receivables as a result of cash or non-cash liabilities of the former creditor to the borrower,
h) **Credit Valuation Adjustment risk (CVA risk)** means a risk of loss arising from a change in the amount of the CVA due to the change in the credit margin of the other counterparty, on account of a change in the counterparty's credit quality.

2) Concentration risk – the risk that directly or indirectly arises from the Group's exposure to the same or similar source of risk, or the same or similar type of risk. The concentration risk refers to:
a) Large exposures / Individual concentration risk
b) Groups of exposures with the same or similar risk factors, such as: economic sectors, branches, geographical areas, product types, etc. MVI/AIK and GB-industry concentration
c) Credit protection instruments, including maturity and currency mismatch between large exposures and credit protection instruments for these exposures.

3) Market risks – the possibility of adverse effects on the financial result and the Group's capital based on changes in the value of balance sheet items and off-balance sheet items due to the price volatility on the market. Market risks include following risk types:
a) Foreign exchange risk is the risk of adverse effects on the financial result and the Group's capital due to the change in the foreign exchange rate. The Group is exposed to the it in the whole balance sheet;
b) The position risk is the risk of adverse effects on the financial result and the Group's capital due to the change in the value of the portfolio of financial instruments (debt and equity securities) in the Trading book. Position risk includes general and specific price risk:
   - General position risk is the risk of price fluctuation as a consequence of the general situation and changes in a particular market;
   - The specific position risk is the risk of a change in the price of securities as a result of a change in the factors related to its issuer.
c) The commodity risk is the possibility of adverse effects on the financial result and the equity of the Group on the basis of losses in the commodity risk positions in the whole balance sheet due to the movement of the prices of commodities on the market.

4) Interest rate risk in the banking book (IRRBB) – is the risk of possible negative effects on the financial result and the Group's capital based on positions in the Banking book due to changes in interest rates.

Credit Spread Risk from non-trading book activities (CSRBB) - Reduction of value of securities due to increase in the levels of market interest rates and required returns; any kind of asset/liability spread risk of credit-risky instruments that is not explained by IRRBB and by the expected credit/jump to default risk.

5) Liquidity risk – the possibility of adverse effects on the financial result, ability to maintain the business and the Group's capital due to the Group's inability to fulfill its due obligations. Below are defined all material liquidity and funding risk types under economic and normative perspective, according to Principle 4 of the ECB Guide to the ILAAP:

a) Short-Term Liquidity Risk - Represents the risk that is unable to meet all its payment obligations in short term (up to 1 year);
b) Long-Term Liquidity Risk - The risk that cannot generate sufficient long-term funding to refinance its business activity;
c) Market Liquidity Risk - The risk that the bank cannot sell, repo or borrow funds against its assets as planned or cannot do so without incurring significant haircuts. Usually caused by insufficient market depth after a market disruption;
d) Funding Concentration Risk - Funding concentration risk arises from an insufficient level of diversification of liquidity sources in terms of term, product type or creditor. The leads to a significant weight (relative to all funding sources) of either individual creditors, specific maturities or funding products (e.g. overnight deposits) or other funding characteristics; and
e) Funding Cost Risk - Funding cost risk arises from potential increases of cost of funds (funding spreads) in combination with liquidity gaps. For any given maturity bucket, if refinancing costs rise it will be more expensive to close gaps, thereby reducing profit.

6) **Operational risk** - the risk of possible negative effects on the financial result and capital of the Group due to omissions (inadvertent and intentional) in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems in the Group, and the occurrence of unpredictable external events. Operational risk includes legal risk, information and model risk.
   a) Legal risk is the risk of adverse effects on the financial result and the Group's capital based on court or off-court procedures related to the Group's operations (obligatory relations, labour relations, etc.). Legal risk is the risk of losses due to inadequate or untimely perception and consequently taking account of changes in the legal and regulatory environment and the risk of losses due to legal deficiencies or discrepancies in contractual acts and other banking documents
   b) Information technology or IT risk is basically any threat to business data, critical systems and business processes. It is the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an organization
   c) Model risk - probability of loss resulting from the weaknesses in the financial model used in assessing and managing a risk.

7) **Country risk** – risk relating to the country of origin of the entity to which the Group is exposed, or the risk of the possibility of adverse effects on the financial result and capital of the Group due to the inability of the Group to collect cash flows from that entity for reasons arising from political, economic or social situation in the country of origin of debtor. Country risk includes the following risks:
   a) Political and economic risk which implies the likelihood of a loss due to the Group's inability to collect receivables due to restrictions established by the acts of the state and other authorities of the country of origin of the debtor, as well as the general and systemic circumstances in that country;
   b) Transfer risk which implies the likelihood of a loss due to the inability to collect receivables denominated in a currency other than the official currency of the country of origin of the debtor, due to the limitation of the payment of obligations towards creditors from other countries in a specific currency as determined by the acts of state or other authorities of the debtor country.

8) **Compliance risk** –possibility of adverse effects on the financial result and the Group's capital due to failure to align its operations with law and other regulations, operating standards, procedures for the prevention of money laundering and terrorist financing and other procedures, as well as other acts regulating the operations of Groups, in particular, includes the risk of sanctions of the regulatory body, the risk of financial losses and reputation risk.

9) **The risk of money laundering and terrorist financing** – the risk that a contractual party will misuse a business relationship, a transaction for money laundering or terrorist financing activities, the risk of possible negative effects on the financial result, capital or reputation of the Group due to the use of the Group (direct or indirect use of a business relationship with the Group, transaction, service or product of the Group) for money laundering and/or terrorist financing.

10) **Reputational risk** - the possibility of adverse effects on the financial result and the Group's capital due to the failure to harmonize the Group's operations with legal acts, bylaws, internal acts of the Group, as well as with the rules of profession, good business practices and business ethics of the Group and as

a consequence possible loss of public confidence, that is, the unfavourable attitude of the public towards the Group's operations, regardless of whether there is a basis for it or not.

11) **Strategic risk** –the possibility of adverse effects on the financial result and/or the Group's capital due to the lack of appropriate policies and strategies, their inadequate implementation, as well as due to changes in the environment in which the Group operates or lack of adequate Group reactions to these changes.

Details regarding risk management process in the Group, including identification, measurement and assessment, mitigation, monitoring, control and reporting of risks the Group is or might be exposed to in its operations, are described in the Group Risk Management Policy. In addition to the umbrella documents from the field risk management on Group level, each credit institution subsidiary also has policies and procedures for managing individual risks types which define in detail the procedures and methodology for assessing risks when approving placementes, procedures for risk measurment, the system of limits, risk mitigation techniques determining the required internal capital, the procedures for internal reporting and mechanisms of internal controls for operations. At the third and lowest level, there are also instructions, methodologies for carrying out individual activities or procedures in the process of assuming and managing risks, prescribed forms, and records.

1.2. The Structure and Organisation of the Relevant Risk Management Functions

For the purpose of adequate risk management, at the Group level as well as on each subsidiary an appropriate organizational structure has been established. The organisational structure on the subsidiary level corresponds to the scope, type and complexity of the tasks it performs and in order to prevent the conflict of interest, the separation of the functions of taking risks (front office) from the function of risk management (middle office) and activities of support (back office).

The organizational structure of the Group enables realization of established goals and principles of risk management. Overview of AEC Group risk management structure is given in the table below:

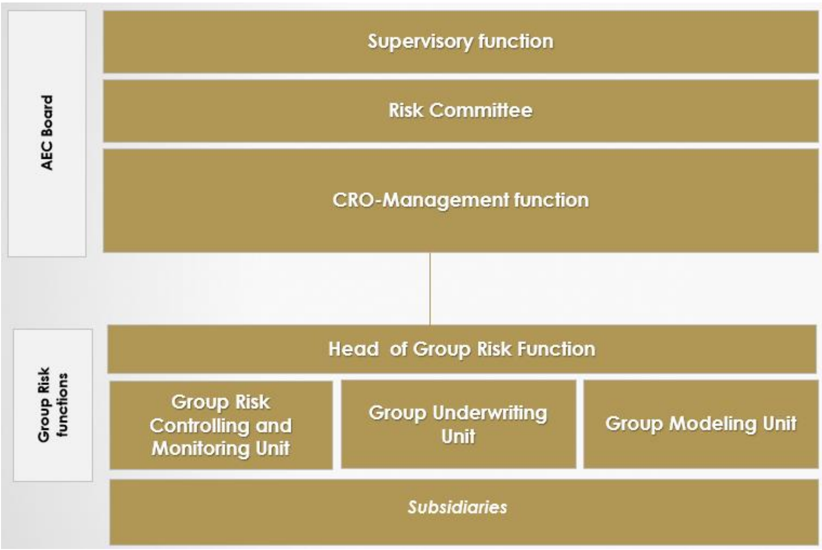


Figure 1_AEC Group risk management structure

Risk Committee advises and supports Supervisory function regarding the monitoring of the Group's overall risk profile, taking into account all types of risks, to ensure that they are in line with the Group Risk strategy objectives and Group Risk Appetite. Risk Committee session is held before the Board of Directors sessions. Risk Committee analyzes, discusses and approves all risk related matters before presented to the BoD.

CRO is responsible for setting up comprehensive risk management framework on the Group level, oversees and manages Group Risk Function and coordinates the preparation of Group Risk Strategy and Group Risk appetite statement.

Group Risk function is internal control function. It has direct access to Supervisory function and the Risk Committee and to all business lines and other internal units that have the potential to generate risk, as well as to subsidiaries. The structure and organization of Group Risk function is set to ensure implementation of risk strategy, effective risk management processes in place, as well as identification and adequate assessment of risks they pose to the Group.

For the purpose of identifying and more specifically managing and mitigating risks to which the Group is exposed, each subsidiary has organized its functions following the “3 lines of defence” rules:

First line of defence is on the level of business and operational units of subsidiaries being responsible for:
- Identification and implementation of the process control mechanisms,
- Development and implementation of independent monitoring of control mechanisms at the level of the First Defence Line to reduce the risk level,
- Identification of risk in business activity
- Implementation and independent monitoring of control mechanisms and reporting of its results in case of detection any significant / critical irregularities.

Second line of defence is on the level of Risk Management functions on subsidiaries’ level as well as Group Risk Management Function being responsible for:
- Effective risk management due to the ownership of particular risks
- Organizational separation and independence of units from the First Defence Line,
- Implementation of testing or ongoing verification in order to conduct an independent assessment of the risk profile against the accepted level of risk and the effectiveness of independent monitoring,
- Reporting the results of independent monitoring along with recommendations for remediation actions in case of irregularities detected,
- Monitoring of the implementation of remediation plans.

Finally the third line of defence is on the level of Internal audit functions of subsidiaries as well as Group Internal audit being responsible for:
- Independent and objective assessment of the effectiveness and adequacy of the internal control system based on performed audits.

1.3. The Scope and Nature of Risk Reporting and Measurement Systems

Risk reporting process in AEC Group includes two segments:
- Internal reporting and
- Regulatory reporting.

Internal reporting

Internal risk reporting on Group level includes a set of reports submitted to the AEC BoDin its Supervisory and in its Management function and to Group Risk Committee, in accordance with the defined deadlines. It also comprises reporting from subsidiaries to Group Risk function.

Regulation of process of identifying, managing and monitoring the risks within the Group, line of communication of subsidiaries with Group Risk functions is described in Group Risk Management Policy. Group Risk function is in charge of coordination of the overall process of collecting the necessary data from subsidiaries, calculating and reporting selected risk indicators and values on the Group level and monitoring of the loan portfolio on the Group level. Each subsidiary is responsible for the accuracy of data and timely submission to the Group Risk function. Dependant on type of risk and/or monitoring purpose, reporting frequency is defined on daily, monthly, quarterly and annual basis, or ad hoc for specific analysis. The exchange of data is performed in accordance with the prescribed interfaces.

Group risk function is responsible for reporting all the risk the Group is exposed to the Risk Committee and to AEC BoD through Group Risk Report, coordination of the Group ICAAP and Group Recovery Plan update. It reports on monthly basis to Group Management Function and on quarterly basis to Group Supervisory Function.

Regulatory reporting

The regulatory reporting is submitted to the regulator on consolidated level in the forms and within the deadlines prescribed by the regulator.

1.4. The Policies for Hedging and Mitigating Risk, and the Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges and Mitigants

AEC Group uses various types od risk mitigation techniques. Details are described under subtitles for each specific risk type in this Disclosure Report. AEC Group does not apply any form of hedge accounting according to IFRS accounting standards.

1.5. *A Declaration Approved by the Management Body on the Adequacy of Risk Management Arrangements of the Bank*

AEC BoD declares that risk management process on the Group level is adequate and that implemented risk management is adequate with regard to Group business strategy and model, complexity and risk profile of the Group framework.

AEC BoD for the purpose of Article 435 (e) CRR declares that Group risk management arrangements are adequate with regard to Group risk profile and strategy.

1.6. *Risk statement approved by the management body succinctly describing the relevant Group's overall risk profile associated with the business strategy*

AEC BoD approves, for the purpose of point 435.1 of CRR, Statement succinctly describing Group's overall risk profile associated with the business strategy.

Risk appetite statement represents the articulation of the Group attitude towards risk taking in order to achieve strategic goals defined in Risk and Business Strategy. It is quantified through set of indicators and limits based on risk types or subtypes. The values of key risk indicators that are used to monitor Group risk profile, are set as either hard limits or targets, and are produced from the current and expected risks of the Group as well as from best practices and the general known criteria of the business, taking into consideration the regulatory requirements.

Overview of Group risk profile as of 31.12.2021 is presented in the table below. Calculation and values of the indicators were discussed and reported to Risk Committee and AEC BoD. All indicators were within defined limits.

Key Risk Indicator	31.12.2021
Total capital ratio/ TCR	24.25%
NPE ratio	1.55%
NPL ratio	2.94%
Cost of Risk ratio	-0.32%
Single Name Concentration ratio	17.79%
Liquidity Coverage Ratio/ LCR	270.15%
Net Stable Funding Ratio/ NSFR	156.22%
F/X risk indicator	2.47%
Sum of all exposures in trading book	40.39 mEUR / 6%
Impact of +/- 200 bp interest rate change on capital	-6.51%
Impact of +100bp change in interest rates on net interest income over a one year period	7.31%
Number of internal fraud cases	0

*LCR indicator calculated as weighted average according to Article 451a(2) CRR

Additional risk indicators and figures are included in templete EU KM1 - Key metrics template presented in point 5.2 in this Group Disclosure Report, and also under the various risk type specific paragraph.

2. Governance Arrangement

(Article 435.2 a, b, c, d and e of the CRR Regulation)

AEC BoD has adopted Group Policy on Internal Governance. The key purpose of the Group Policy on internal governace is to define the general principles of internal corporate governance.

Each subsidiary has adopted on local level its own internal governance policy which is alligned to the maximum extent permitted under applicable local law, with the principles and rules set out in Group Policy on Internal Governance.

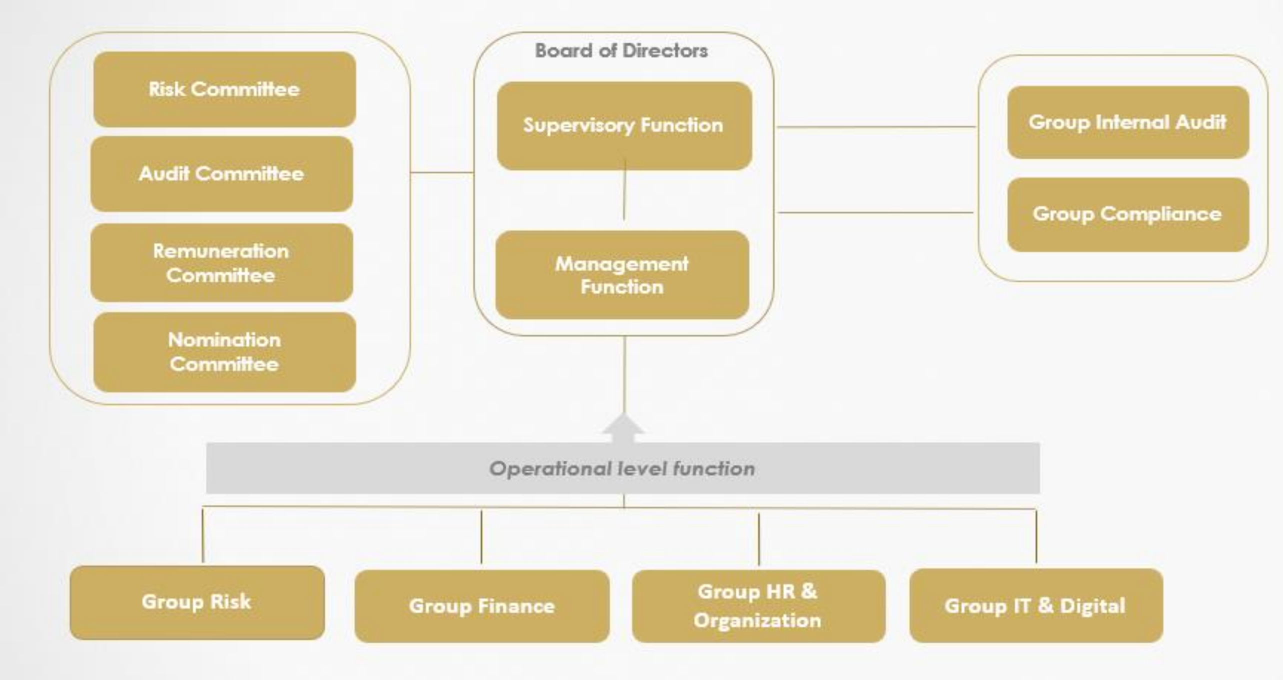
The Group promotes the following key values:

- responsibility to clients, employees and the society at large;
- commitment to keeping promises and meeting targets,
- open communication and cooperation;
- a creative approach to problem-solving, with the mutual consideration of different views, and
- efficiency in everyday work and while meeting the commitments.

The Group is committed to developing a client-focused culture, risk awareness, integrity, efficient organization and social responsibility.

The long-term goal of the Group is to devote great effort to maximizing its value. With the aim of long-term sustainable performance, the Group takes into account the interests of employees, clients, creditors, stakeholders and the Group as a whole, while devoting attention to the environmental and social aspects of operations in order to ensure sustainable development.

Group governance structure is presented in the figure below:



The figure above presents Group governance structure that is valid as of 1.1.2022. In 2021, there were three committees, since Remuneration and Nomination Comitee was joined in one committee and from the beginning of 2022 they have been divided into two separate committees.

As of 31.12.2021, AEC BoD has 4 members, out of which 1 is executive BoD member in the capacity of management function and 3 are non-executive BoD members in the capacity of supervisory function. In addition, AEC received regulatory approval on apointment of four more BoD members within ECB Decision on the approval of Agri Europe Cyprus Limited as a financial holding company in December 2021. Based on this approval, the new directors commenced their duities within the BoD on 1st of January 2022.

2.1. Supervisory function

The supervisory function:

- oversees and monitors management decision-making and actions and provides effective oversight of the management function, including monitoring and scrutinizing its individual and collective performance and the implementation of the institution's strategy and objectives;
- constructively challenges and critically reviews proposals and information provided by members of the management function, as well as its decisions;
- ensures and periodically assesses the effectiveness of the institution's internal governance framework and take appropriate steps to address any identified deficiencies;
- oversees and monitors the institution's strategic objectives, organizational structure and risk strategy, including its risk appetite and risk management framework, as well as other policies (e.g. remuneration policy) and the disclosure framework are implemented consistently;
- monitors that the risk culture of the institution is implemented consistently;
- oversees the implementation and maintenance of a code of conduct or similar and effective policies to identify, manages and mitigates actual and potential conflicts of interest;
- oversees the integrity of financial information and reporting, and the internal control framework, including an effective and sound risk management framework;

- ensures that the heads of internal control functions are able to act independently and, regardless the responsibility to report to other internal bodies, business lines or units, can raise concerns and warn the supervisory function directly, where necessary, when adverse risk developments affect or may affect the institution; and
- monitors the implementation of the internal audit plan, after the prior involvement of the risk and audit committees, where such committees are established.

2.2. Management function

The management function is responsible for the implementation of the strategies and discusses regularly the implementation and appropriateness of those strategies. The operational implementation performed by the institution's management.

The management function comprehensively reports and informs regularly and where necessary without undue delay of the relevant elements for the assessment of a situation, the risks and developments affecting or that may affect the institution, e.g. material decisions on business activities and risks taken, the evaluation of the institution's economic and business environment, liquidity and sound capital base, and assessment of its material risk exposures.

2.3. Directorship of Board members

The table below provides information about the number of directorships held by members of the Management and Supervisory Board of the Group as of 31 December 2021:

	GROUP Directorships (all count as 1)		Other Directorships		Other functions
Group Supervisory function					
	Executive directorships	Non-Executive directorships	Executive directorships	Non-Executive directorships	Other functions
Mr. Miodrag Kostić		AEC-President of Board of Directors	1	2	-
Mr. Aleksandar Kostić		AEC- Member of Board of Directors	1	2	-
Mr. Nicos Anastasis Neophytou		AEC- Member of Board of Directors	-	7	-
	GROUP Directorships (all count as 1)		**Other Directorships**		**Other functions**
Group Management Function					
	Executive directorships	Non-Executive directorships	Executive directorships	Non-Executive directorships	Other functions
Mr. Andrew Moustras	AEC-Management function		-	-	-

In line with new BoD structure as of 1.1.2022, below is presented information about the number of directorships held by members of the Management and Supervisory Board of the Group that is currently valid:

	GROUP Directorships (all count as 1)		Other Directorships		Other functions
Group Supervisory function					
	Executive directorships	Non-Executive directorships	Executive directorships	Non-Executive directorships	Other functions
Mr. Miodrag Kostić		AEC-President of Board of Directors	1	2	-
Mr. Aleksandar Kostić		AEC- Member of Board of Directors	1	2	-
Mr. Nicos Anastasis Neophytou		AEC- Member of Board of Directors	-	4	-
Mr.Andrew Moustras		AEC- Member of Board of Directors	-	-	-
Mr. Richard Sharko		AEC- Member of Board of Directors	-	-	-
Mr.Lambros Papadopoulos		AEC- Member of Board of Directors		3	

	GROUP Directorships (all count as 1)		Other Directorships		Other functions
Group Supervisory function					
	GROUP Directorships (all count as 1)		Other Directorships		Other functions
Group Management Function					
	Executive directorships	Non-Executive directorships	Executive directorships	Non-Executive directorships	Other functions
Ms. Jelena Galić	AEC- Member of Board of Directors AIK banka- Member of Management Board	Gorenjska banka – Member of the Supervisory Board	-	-	-
Mr.Georgios Syrichas	AEC- Member of Board of Directors		-	1	-

2.4. Audit Committee

In accordance with section 5.5. of the EBA Guidelines on Internal Governance and Article 8 of Group Policy on Internal Governance, the Board of Directors of the Agri Europe Cyprus Ltd formed the Audit Committee, composed of at least three members, who are also members of the Board of Directors in it's Supervisory function.

The tasks performed by the Audit Committee in accordance with the section 5.5. of the EBA Guidelines on Internal Governance and Article 9 of the Policy on Internal Governance of the Agri Europe Cyprus Ltd, are the following:

- monitors the effectiveness of the institution's internal quality control and risk management systems and, where applicable, its internal audit function, with regard to the financial reporting of the audited institution;
- oversees the establishment of accounting policies by the institution;
- monitors the statutory audit of the annual and consolidated financial statements;
- reviews the audit scope and frequency of the statutory audit of annual or consolidated accounts;
- informs the administrative or supervisory body of the audited entity of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;
- monitor any other aspects of business operations within the Group;
- perform other tasks provided by Policy on Internal Governance or a decision of the Board of Directors, cooperating with the auditor in auditing the Group`s annual report, in particular by exchanging.

2.5. Risk Committee

In accordance with section 5.1. of the EBA Guidelines on Internal Governance and Article 9 of Group Policy on Internal Governance, the Board of Directors of the Agri Europe Cyprus Ltd. formed the Risk Committee, composed of at least three members, who are also members of the Board of Directors in its Supervisory function.

The responsibilities of the Risk Committee are the following:

- advise and support the Board of Directors in its Supervisory function regarding the monitoring of the Group's overall actual and future risk appetite and strategy, taking into account all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the credit institution;
- assist the Board of Directors in its Supervisory function in overseeing the implementation of the Group's risk strategy and the corresponding limits set;
- oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks of an Group, such as market, credit, operational (including legal and IT risks), and reputational risks, in order to assess their adequacy against the approved risk appetite and strategy;

- provide advice on the appointment of external consultants that the Supervisory function may decide to engage for advice or support;
- review a number of possible scenarios, including stressed scenarios, to assess how the Group's risk profile would react to external and internal events;
- oversee the alignment between all material products and services offered, and the business model and risk strategy of the Group. The risk committee should assess the risks associated with the offered products and services within the Group and take into account the alignment between the the profit generation and risk undertaking;
- assess the recommendations of internal or external auditors and follow up on the appropriate implementation of measures taken;
- perform other tasks provided by Policy on Internal Governance or a decision of the Board of Directors.

Group Risk Committee meets regularly.

2.6. Remuneration and Nomination Committee

The Remuneration and Nomination Committee carries out the responsibilities of the Remuneration Committee and Nomination Committee as stipulated by Article 95 and Article 88 of Directive 2013/36 EU of the European Parliament and of the Council. In accordance with Article 95 and Article 88 of Directive 2013/36 EU of the European Parliament and of the Council and Article 10 of Group Policy on Internal Governance, the Board of Directors of the Agri Europe Cyprus Ltd constitutes the Remuneration and Nomination Committee, composed of at least three members, who are also members of the Board of Directors in its Supervisory function.

Responsibilities of the Committee are:

- identify and recommend, for the approval of the management body or for approval of the general meeting, candidates to fill the Board of Directors vacancies, evaluate the balance of knowledge, skills, diversity and experience of the management body and prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment expected;
- have to decide on a target for the representation of the underrepresented gender in the Board of Directors and prepare a policy on how to increase the number of the underrepresented gender in the Board in order to meet that target;
- periodically, and at least annually, assess the structure, size, composition and performance of the Board of Directors and make recommendations to the Board with regard to any changes;
- periodically, and at least annually, assess the knowledge, skills and experience of individual members of the Board of Directors and of the management body collectively, and report to the Board accordingly;
- periodically review the policy of the Board of Directors for selection and appointment of senior management (key function holders) and make recommendations to the Board of direcotrs;
- preparation of decisions on remuneration to be taken by the supervisory function, in particular regarding the remuneration of the members of the Board of Directors in its management function as well as of other key function holders;
- provide its support and advice to the Supervisory function of the Board on the design of the Group's Remuneration Policy;
- support the Supervisory function of the Board in overseeing the Remuneration Policies, practices and processes and the compliance with the Remuneration Policy;
- check whether the existing Remuneration Policy is still up to date and, if necessary, make proposals for changes;
- review the appointment of external remuneration consultants that the Supervisory function may decide to engage for advice or support;
- ensure the adequacy of the information provided to shareholders on Remuneration policies and practices, in particular on a proposed higher maximum level of the ratio between fixed and variable remuneration;
- assess the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels and that the overall Remuneration Policy is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values and the long-term interest of the institution;
- assess the achievement of performance targets and the need for ex post risk adjustment, including the application of malus and clawback arrangements;
- review a number of possible scenarios to test how the remuneration policies and practices react to external and internal events, and back-test the criteria used for determining the award and the ex ante risk adjustment based on the actual risk outcomes;

- perform other tasks provided by Policy on Internal Governance or a decision of the Board of Directors.

As of 1.1.2022, Remuneration and Nomination Committee was divided into two separate committees, as presented in the figure above.

2.7. Recruitment policy for the selection of members of the management body

On the Group level, the main principles on selection of members of the management body has been defined in Group Internal governance Policy. Members of the management body must have professional (theoretical) knowledge, skills and (practical) experience, including personal integrity, to independently exercise their judgement in taking decisions in the best interest of the subsidary. Members must be competent to exercise a comprehensive and objective judgement on the relevant matters at all times.

Members of the management body must hold at least a university degree and possess professional theoretical knowledge, skills and practical experience in banking and financial services or other relevant areas (e.g. economics, law, administration and financial regulations, mathematics, statistics) and at least 5 years of recent experience in the areas related to banking or financial services.

When selecting members of the management body, the Group considers the professional standards (knowledge, experience) and ethical standards (reputation, collective suitability, conflict of interests), as well as other professional standards (the obligation of diligent, loyal and independent behaviour) of the management body's members.

Members of the AEC BoD have enough experience for the purpose of ensuring constructive and critical reviews of the Management function decisions and an efficient supervision over the Management function, of effectively exercising their role in accepting policies and decisions, the responsibility of which falls on AEC BoD in its Supervisory function, especially regarding the supervision of implementing strategic goals of the Group, of determining, accepting and regularly inspecting the strategy of assuming and managing risks, as well as effectively participating in BoD'sCommittees.

In line with abovementiond internal policy, as well as a Fit & Proper procedure imposed by the regulator, all candidates for the BoD membership are assessed in terms of their individual suitability, as well as collectively, in terms of collective suitability of the BoD as a whole.

All subsidiaries are required to define in local governance policies the professional standards and ethical standards, as well as other professional standards (the obligation of diligent, loyal and independent behaviour) of the management body's members.

2.8. Policy on diversity with regard to the selection of members of the management body, the objectives and targets set out in that policy, and the extent to which they have been achieved

Group is pursuing the principle of a balanced gender representation in a sense that the management body has at least 20% of each gender. Currently, BoD is represented by one gender. Intention is to have diversified gender structure (at least 20% female).

On management level (Board and B-1 levels) there is 31% of underrepresented gender. Regarding the other aspects of diversity, the Group is well balanced in its main structures meaning that there are devercity in formal education, skills, working experience, age, nationality, etc.

AEC BoD in its Supervisory function has independent members who have no conflicts of interest and who act independently and objectively when making decisions, and who have no tighter economic ties with the Group.

2.9. The Information Flow on Risk to the Management Body and meeting frequency

Effective steering requires involvement of different Group functions and Group bodies. Transparent communication of the current risk profile and exposure is provided through the regular risk reporting.

Internal reports provide the comprehensive view of the Group risk position, compliance with Group risk appetite, warning signals in case of increase in exposure to certain risks beyond the Group risk tolerance. Reports include also forward-looking component and present development of the risk exposure in order to ensure prompt reaction and setting up the mitigation measures to prevent potential breach.

Internal risk reporting includes a set of reports to which the sectors in charge of management and risk control are submitted to the relevant bodies on the subsidiary level and to Group Risk Committee and Group Management body in its Management function and in its Supervisory function in accordance with the deadlines defined by the Group Risk Management Policy.

As a general principle, reporting to the AEC BoD in its Management Function is done on a monthly basis and to the AEC BoD in its Supervisory Function on a quarterly basis or more often if necessary and as defined by relevant policies and frameworks.

3. Scope of Application

(Article 436 a, b, c, d, f, g of the CRR Regulation)

Agri Europe Cyprus Limited (hereinafter “AEC”) is a legal entity incorporated and domiciled in Cyprus Cyprus and is ultimate financial holding of banking Group. Its parent is Agri Holding AG, Switzerland. Its ultimate controlling party is Mr. Miodrag Kostić. The Parent Company’s registered office is at Street Krinou 3, The Oval, Flat 502, 4103 Agios Athanasios, Limassol, Cyprus.

Prudential consolidation is done on level of AEC level as the AEC is subject to the CRR. In accordance with Articles 11 and 18 CRR, a prudential consolidation includes AEC as the parent company, and all other institutions, financial institutions and ancillary services undertakings that are its subsidiaries within the meaning of Article 4 (1) (16) CRR, or are jointly managed together with other parties within the meaning of Article 18 (4) CRR. Subsidiaries are fully consolidated, while companies which are not subsidiaries but consolidated according to Art. 18 (4) CRR are subject to proportional consolidation.

AEC Group does not qualify as a financial conglomerate and is not subject to the respective supplementary supervisions.

AEC Group is obliged to publish disclosures on consolidated level, as required by the Regulation 575/2013. Group members are listed in the Introduction part of this Disclosure.

The Group’s ownership structure with percentage of ownershipis shown in the figure below:

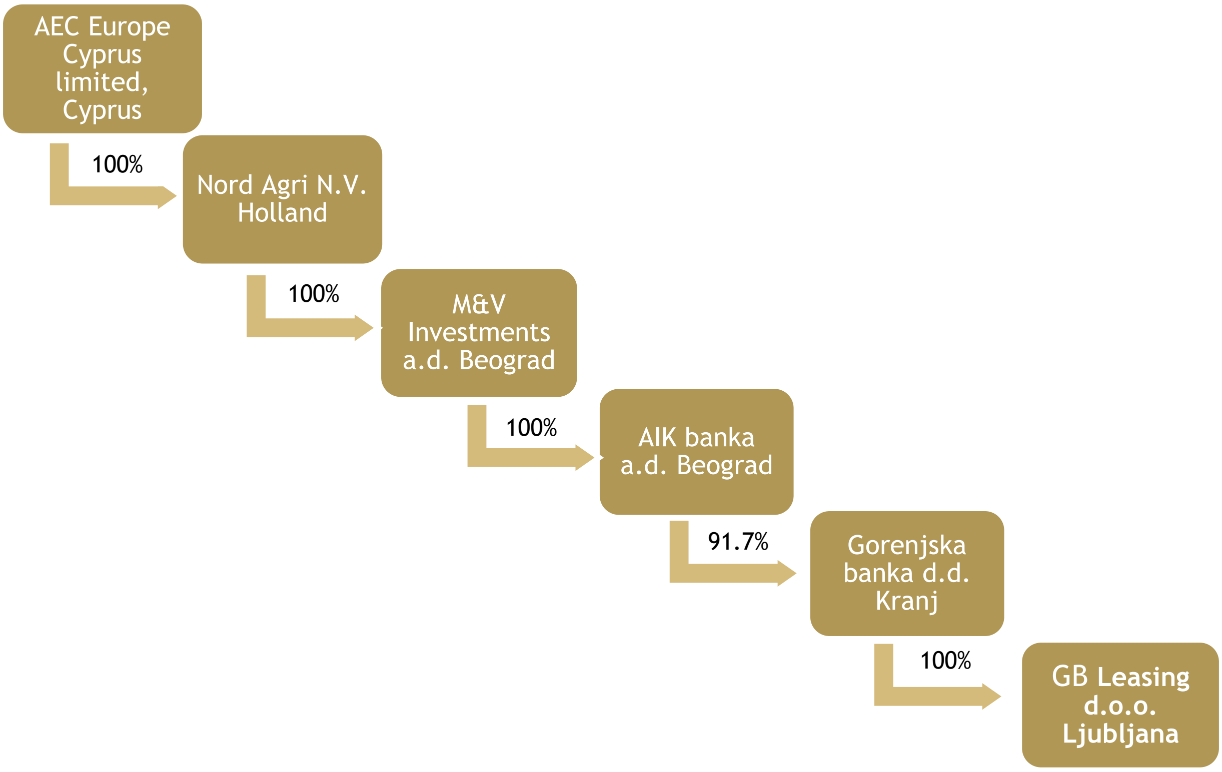


Figure 2_AEC Group ownership structure

3.1. Differences in the scopes of consolidation

The principles of prudential consolidation are not identical to those applied for Group financial statements. Nonetheless, the majority of subsidiaries included in the prudential consolidation are also fully consolidated in accordance with IFRS in Group consolidated financial statements.

The main differences between prudential and accounting consolidation as of December 31, 2021 are:

- Subsidiaries and associates outside the banking and financial sector are not consolidated within the regulatory group of institutions but are included in the consolidated financial statements according to IFRS (subsidiary – Imobilia - GBK, d.o.o., Kranj and associates: Sveti Stefan Hoteli a.d., Budva and Hotels Group Budvanska Rivijera a.d., Budva) and
- Subsidiary which according to CRR Article 19 can be excluded due to immateriality (Hypo Alpe Adria leasing, d.o.o., Ljubljana).

As of year-end 2021, prudential consolidation includes 5 entities, excluding the parent Agri Europe Cyprus Limited, where all entities were consolidated with full consolidation approach (100% ownership). The classification applied for these entities is in accordance with CRR. The regulatory group comprised: 2 credit institutions, 2 holding companies, 1 Broker company and 1 Leasing company.

Table EU LI3 below illustrates the differences in the scopes of consolidation for financial accounting and regulatory purposes for the Group. It considers all entities for which the method of the accounting consolidation is different from the method of the regulatory consolidation. On an entity-by-entity level the table presents the method of accounting consolidation and then in the following columns whether and how – under the regulatory scope of consolidation – the entity is recognized. This is then finally supplemented by a short description of the entity.

EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full	Proportional	Equity method	Neither consolidated nor deducted	Deducted	
Agri Europe Cyprus Ltd, Cyprus	Full consolidation	X					Holding company
NordAgri NV, Netherlands	Full consolidation	X					Holding company
M&V Investments a.d., Beograd	Full consolidation	X					Broker company
AIK Banka a.d., Beograd	Full consolidation	X					Credit institution
Gorenjska Banka d.d., Kranj	Full consolidation	X					Credit institution
GB Leasing d.o.o., Ljubljana	Full consolidation	X					Leasing company
Imobilia - GBK d.o.o., Kranj	Full consolidation				X		Real estate activities
Hypo Alpe Adria Leasing d.o.o., Ljubljana	Full consolidation				X		Leasing company
Sveti Stefan hotels a.d., Budva	Equity method				X		Hotels and similar accommodation
Hotels Group Budvanska Rivijera a.d., Budva	Equity method				X		Hotels and similar accommodation

3.2. Reconciliation of regulatory own funds to the IFRS balance sheet

The table EU LI1 below provides a comparison between the consolidated balance sheet for accounting and prudential purposes as of December 31, 2021.

The regulatory balance sheet is split further into the parts subject to credit risk, counterparty credit risk, securitization positions in the regulatory banking book, market risk as well as the part which is not subject to capital requirements or relevant for deduction from capital. The market risk framework in column (f) includes our trading book exposure, our banking book exposure which is booked in a currency different from Euro as well as securitization positions in the regulatory trading book. Specific assets and liabilities may be subject to more than one regulatory risk framework. Therefore the sum of values in column (c) to (g) may not equal to the amounts in column (b). Moreover the allocation of positions to the regulatory trading or banking book, as well as the product definition, impacts the allocation to and treatment within a regulatory framework and might be different to the product definition or trading classification under IFRS.

Differences between carrying values on the regulatory balance sheet in column (b) and amounts deducted from CRR/CRD capital are explained further below the table “EU CC1 Composition of regulatory own funds” as referenced in the last column of this table.

EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

		a	b	c	d	e	f	g	
				Carrying values of items					
	In 000 EUR	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds	References*
1	**Breakdown by asset classes**								
2	Cash, cash balances at central banks and other demand deposits	705,491	705,701	705,701	-	-	150,269	-	
3	Receivables under derivatives	168	168	-	168	-		0	A
4	Securities	768,484	768,555	728,167	-	-	363,587	40,388	B
5	Loans and receivables due from banks and other fin.institutions	456,610	457,270	405,884	51,386	-	138,217	-	
6	Loans and receivables due from customers	2,238,308	2,239,635	2,239,635	-	-	300,557	-	
7	Investments into associates	16,467	20,218	20,218	-	-		0	
8	Intangible assets	8,211	8,216	-	-	-		8,216	C
9	Property, plant and equipment	38,729	38,614	38,614	-	-		0	
10	Investment property	95,977	92,297	92,297	-	-		0	
11	Current tax assets	9,928	9,940	9,940	-	-		0	
12	Deferred tax assets	7,792	7,306	3,019	-	-		4,287	D
13	Non-current assets held for sale and assets from discontinued operations	11,042	9,021	9,021	-	-		0	
14	Other assets	22,453	22,732	22,732	-	-	1,319	-	
	Total assets	4,379,660	4,379,673	4,275,228	51,554	-	953,949	52,891	
	Breakdown by liability classes								
1	Deposits and other liabilities due to banks, other financial institutions and the central bank	208,913	209,126	-	-	-	9,556	-	
2	Deposits and other liabilities due to customers	3,325,035	3,325,678	-	-	-	651,140	-	
3	Provisions	8,725	8,731	-	-	-	4,281	-	
4	Current tax liabilities	892	903	-	-	-	-	-	
5	Deferred tax liabilities	2,897	2,519	-	-	-	-	-	
6	Other liabilities	34,028	33,546	-	-	-	11,652	-	
7	**Total liabilities**	**3,580,490**	**3,580,503**	-	-	-	**676,629**	-	
8	**Breakdown by shareholders' equity classes**								
9	Capital	1	1	-	-	-	-	-	E
10	Reserves	213,728	218,484	-	-	-	-	-	F
11	Retained earnings	505,222	501,145	-	-	-	-	-	G
12	Profit or loss attributable to owners of the parent	75,911	75,227	-	-	-	-	-	H
13	Non-controlling interests	4,308	4,313	-	-	-	-	-	
14	**Total shareholders' equity**	**799,170**	**799,170**	-	-	-	-	-	
	Total liabilities and equity	4,379,660	4,379,673	-	-	-	676,629	-	

**References provide the mapping of regulatory balance sheet items used to calculate regulatory capital as reflected in the column "References" in "EU CC1- Composition of regulatory own funds". Where applicable, more detailed information are provided.*

The main difference between data which are shown in columns (a) and (b) within Template EU LI1 is the scope of consolidation ie number of entities within scope. There is no other differencies.

Total difference is EUR 1,695 for asset and EUR 312 for liabilities. The main differencies are on following categories:

- Financial assets at amortised cost
- Investments in subsidiaries, joint ventures and associates
- Tangible assets
- Financial liabilities measured at amortised cost
- Other liabilities.

Detail breakdown and composition of each amount presented under separate line items reported in published financial statements, presented in the table above, is included in Notes to audited consolidated financial statements of AEC (Note 20 to 36).

Table EU LI2 as of December 31, 2021 presents a description of the differences between the financial statements' carrying value amounts under the regulatory scope of consolidation and the exposure amounts used for regulatory purposes.

EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		a	b	c	d	e
			Items subject to			
	In 000 EUR	Total	Credit risk framework	Securitization framework	CCR framework	Market risk framework
1	Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	4,379,673	4,275,396	-	51,554	953,949
2	Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	3,580,503	-	-	-	676,629
3	Total net amount under the scope of prudential consolidation	799,170	4,275,396	-	51,554	277,320
4	Off-balance-sheet amounts	821,321	821,321	-	-	-
5	Differences in valuations	(454)	(454)	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(36,225)	(36,225)	-	-	-
9	Differences due to credit conversion factors	(602,586)	(602,586)	-	-	-
10	Differences due to Securitisation with risk transfer	-	-	-	-	-
11	Other differences	(2,490)	(2,490)	-	-	-
12	Exposure amounts considered for regulatory purposes	4,381,368	4,347,748	-	51,554	-

3.3. Impediments to fund transfers

The Group entities within the scope of prudential consolidation are subject to local regulatory and tax requirements as well as potentially exchange controls. During 2021 the Group did not have capital distributions.

There are no material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the Parent company and its subsidiaries. Also, in the foreseen future we do not see any material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the Parent and its subsidiaries.

3.4. Potential capital shortfalls in unconsolidated subsidiaries

Group subsidiaries which were not included in prudentialconsolidation due to their immateriality did not have to comply with own regulatory minimum capital standards in 2021.

There are no circumstances under which use is made of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR.

4. Own Funds

(Article 437 a , b,c,d and e of the CRR Regulation)

4.1. Own Funds composition, prudential filters and deduction items

Group`s capital is comprised of elements of the total capital, additionally reduced by deductibles.

Among instruments of common equity capital, the Group includes common shares that meet the terms and conditions from Article 28 of the CRR regulation. Among the important terms and conditions of instruments of common equity capital are constancy, flexibility regarding payments and availability for covering loss.

The Group does not have capital instruments of additional Tier 1 capital and Tier 2 capital.

In line with regulatory requirements, the Group must meet the Common Equity Tier 1 capital ratio of 4.5%, Tier 1 capital ratio of 6% and the total capital ratio of 8%. At the end of 2021, Common Equity Tier 1 capital exceeded the requirements for EUR 577,860 thousand, the Tier 1 capital for EUR 533,974 thousand, the total capital for EUR 475,458 thousand.

The table below shows the composition of regulatory own funds with reference and additional explanations below the table regarding the source from balance sheet under regulatory scope of consolidation.

EU CC1 - Composition of regulatory own funds

	In 000 EUR	(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1	E
	of which: Instrument type 1 (ordinary shares)	1	
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	453,772	G
3	Accumulated other comprehensive income (and other reserves)	218,484	F
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	50,700	H
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**722,957**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(454)	A, B
8	Intangible assets (net of related tax liability) (negative amount)	(8,216)	C
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(4,287)	D
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a	-	

In 000 EUR		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	(480)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(13,437)**	
29	**Common Equity Tier 1 (CET1) capital**	**709,520**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	N/A	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	N/A	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	
44	Additional Tier 1 (AT1) capital	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**709,520**	
Tier 2 (T2) capital: instruments			

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In 000 EUR		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	N/A	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	N/A	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	-	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	-	
58	Tier 2 (T2) capital	-	
59	**Total capital (TC = T1 + T2)**	**709,520**	
60	**Total Risk exposure amount**	**2,925,774**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	24.25%	
62	Tier 1 capital	24.25%	
63	Total capital	24.25%	
64	Institution CET1 overall capital requirements	8.56%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.01%	
67	of which: systemic risk buffer requirement	-	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	-	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.55%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**19.75%**	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	15,904	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	2,606	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	4,020	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	

In 000 EUR		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	N/A	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A	
82	Current cap on AT1 instruments subject to phase out arrangements	N/A	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N/A	
84	Current cap on T2 instruments subject to phase out arrangements	N/A	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	N/A	

From total retained earnings as per regulatory consolidation in the amount of EUR 501,145 thousand (table EU CC2) in the calculation of regulatory own fuds in table EU CC1 is included EUR 453,772 thousand. The difference represent retained earnings of subsidiaries for which the exact future usage is not still determined.

Independently reviewed interim profits net of any foreseeable charge or dividend in the amount of EUR 50,700 represent year-end profits of AIK Banka and GB Leasing for 2021 which are recognised as retained earnings under Article 26(1) CRR. In that respect the Group corrected and resubmitted the figures in C 01.00 for reporting date December 31st in accordance with Article 3(5) of Commission Implementing Regulation (EU) 680/2014 (ITS on Reporting).

Additional value adjustments as of December 31, 2021 in the amount of EUR 454 thousand relate to 0.1% of:

- Receivables under derivatives amounting to EUR 168 thousand and
- following types of Securities
  - equity instruments held for trading amounting to EUR 40,388 thousand,
  - equity instruments non-trading mandatorily at FVtPL amounting to EUR 58,756 thousand and
  - equity instruments FVtOCI amounting to EUR 15,061 thousand
  - debt instrumets FVtOCI amounting to EUR 339,461 thousand

The difference to total amount presented under the table EU CC2 relate to debt instruments at amortized cost amounting to EUR 322,046 and for one part of equity instruments FVtOCI which are for FS consolidation presented under other assets.

Deferred tax assets that rely on future profitability excluding those arising from temporary differences in the amount of EUR 4,287 thousand fully relate to DTA on tax loss carryforwards, as presented in Note 29, of Audited consolidated financial statements.

In accordance with the Decision of the capital adequacy issued by regulation body in Serbia – National Bank of Serbia, the financial institutions are obliged to calculate and include in total CET 1 following deductions:

- for certain type of loans where DTI is higher of 60% and
- for retail loans where the contractual maturity exceeds prescribed number of days from perspective of the exact day of calculations.

Those deductions are presented within the line “Other regulatory adjustments” and amounts to EUR 480 thousand as of December 31, 2021.

4.2. Reconciliation of regulatory own funds to the balance sheet according to IFRS

The table below highlights the difference in the basis of consolidation for accounting and prudential purposes as it compares the carrying values as reported under IFRS with the carrying values under the scope of the regulatory consolidation. References in the last column of the table provide the mapping of regulatory balance sheet items used to calculate regulatory capital. The reference-columns presented below reconcile to the references-columns as presented in the template “EU CC1– Composition of regulatory own funds”.

EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

In 000 EUR	a Carrying values as reported in published financial statements	b Carrying values under scope of prudential consolidation	c References*
Breakdown by asset classes			
Cash, cash balances at central banks and other demand deposits	705,491	705,701	
Receivables under derivatives	168	168	A
Securities	768,484	768,555	B
Loans and receivables due from banks and other financial institutions	456,610	457,270	
Loans and receivables due from customers	2,238,308	2,239,635	
Investments into associates	16,467	20,218	
Intangible assets	8,211	8,216	C
Property, plant and equipment	38,729	38,614	
Investment property	95,977	92,297	
Current tax assets	9,928	9,940	
Deferred tax assets	7,792	7,306	D
Non-current assets held for sale and assets from discontinued operations	11,042	9,021	
Other assets	22,453	22,732	
Total assets	**4,379,660**	**4,379,673**	
Breakdown by liability classes			
Deposits and other liabilities due to banks, other financial institutions and the central bank	208,913	209,126	
Deposits and other liabilities due to customers	3,325,035	3,325,678	
Provisions	8,725	8,731	
Current tax liabilities	892	903	
Deferred tax liabilities	2,897	2,519	
Other liabilities	34,028	33,546	
Total liabilities	**3,580,490**	**3,580,503**	
Breakdown by shareholders' equity classes			
Capital	1	1	E
Reserves	213,728	218,484	F
Retained earnings	505,222	501,145	G
Profit or loss attributable to owners of the parent	75,911	75,227	H
Non-controlling interests	4,308	4,313	
Total shareholders' equity	**799,170**	**799,170**	
Total liabilities and equity	**4,379,660**	**4,379,673**	

**References provide the mapping of regulatory balance sheet items used to calculate regulatory capital as reflected in the column "References" in "EU CC1-Composition of regulatory own funds". Where applicable, more detailed information are provided*

4.3. Description of the Main Features of the Instruments of Individual Categories of Capital Issued by the Bank

A description of the main features of the Common Equity Tier 1capital instruments issued by Agri Europe Cyprus Limited is presented within following table.

AGRI EUROPE

EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

		a
Capital instruments' main features template		
1	Issuer	Agri Europe Cyprus Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
2a	Public or private placement	N/A
3	Governing law(s) of the instrument	Cyprus
3a	Contractual recognition of write down and conversion powers of resolution authorities	
Regulatory treatment		
4	Transitional CRR rules	N/A
5	Post-transitional CRR rules	N/A
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-)consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	0.001 mEUR
9	Nominal amount of instrument	EUR 1.00
9a	Issue price	Seen Note (1)
9b	Redemption price	N/A
10	Accounting classification	Shareholder's equity
11	Original date of issuance	Seen Note (1)
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specifiy instrument type convertible into	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	
EU-34b	Ranking of the instrument in normal insolvency proceedings	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all liabilities of the Company
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	

Note (1)

Issue Date:	No of share issued	Par Value, EUR	Premium Amount par value, EUR	Issue Price, EUR	Premium Amount, EUR
16.03.2011	1000	1		1	
26.07.2013	100	1	48	49	4,762
13.09.2013	72	1	694,437	694,438	49,999,428
07.11.2017	41	1	560,975	560,976	22,999,959
Total	**1,213**				**73,004,149**
31.12.2019	**Demerger of AEC, transfer of share premium to other part of split institution**				**(73,004,149)**

Agri Europe core activities up to the December 2019 included agricultural business, banking business and hotel business:

- NordAgri N.V. (holding company for subsidiaries operating in the banking sector);
- AEC Agrinvestment Limited (holding company for subsidiaries operating in the agriculture sector);
- Oseane Holding Limited (holding company for subsidiaries operating in the real estate sector); and
- AEC Hotels Limited (holding company for subsidiaries operating in the hotel sector);

As of December 2019 the split was finalized and 3 out of 4 subsidiaries (all except NordAgri N.V.) were transferred to the newly established company Erythrina Limited (hereinafter "Erythrina"), whereas both AEC and Erythrina are 100% owned by the common owner- Agri Holding AG. The primary aim of this transfer was to separate the subsidiaries operating in different business sectors, whose activities, operations and functions are subject to different regulatory requirements. Share premium is transferred to newly established company.

5. Capital Requirements

(Article 438 a c, and f of CRR regulation, Article 447 of CRR regulation)

5.1. A Summary of the Approach to Assessing the Adequacy of Internal Capital to Support Current and Future Activities

The Group has established an internal capital adequacy assessment process (hereinafter: ICAAP) in accordance with its Risk Management Strategy i.e. in accordance with its risk profile. The Group conducts ICAAP on continuous basis, while respecting the regulatory framework.

Within Pillar 1, the Group calculates its capital requirements for the credit, market, operational risk and credit valuation adjustment (CVA) risks. Group uses the standardised approach for credit and CVA risk and basic indicator approach for calculation of capital requirements for operational risk, as defined within CRR. Within Pillar 1, the Group calculates the minimum capital requirements for FX risk and position risk in trading book positions in equities.

Additional risk types are defined within Pillar 2, and for them the Group calculates internal capital requirements.

Group's Internal capital equals own funds calculated in accordance with CRR. Available internal capital means the amount of capital available to cover all risks that the Group is or might be exposed to in its operations. The Group is obliged to determine the available internal capital and distribute it among identified risk types. Total internal capital requirements indicate the amount of capital needed to cover all risks the Group is or might be expose to in its operations, while the internal capital requirement for an individual risk indicates the amount of capital required to cover the individual risk to which the Group is or might be exposed to.

The Group implements internal capital adequacy assessment process in accordance with:

- Group Risk Management Strategy and Group Risk Management Policy;
- Group ICAAP and ILAAP Framework
- Additionally, all Group members define in their internal procedures for conducting the internal capital adequacy assessment process, all in accordance with the framework defined at the Group level.

By planning available internal capital, the Group also ensures the maintenance of the level of capital that can support further growth of placements, employ future sources of funds and ensure continuity in the implementation of business policy. Planning of regulatory and internal capital is carried out for a period of three years.

ICAAP is a formalized and documented processes that meets the following criteria:

- is based on the process of identification and measurement i.e. risk assessment;

- provides a comprehensive risk assessment and measurement, as well as monitoring of significant risks that the Group is exposed to or may be exposed to in its business;
- provides adequate level of available internal capital in accordance with risk profile of the Group;
- it is adequately involved in the Group's management system and decision-making in the Group;
- is subject to regular analysis, monitoring and verification by the Group's governing bodies.

ICAAP process is performed on consolidated level and includes the following stages:

- determination of materially significant risks;
- calculation of the amount of internal capital requirements for individual risks;
- calculation of total internal capital requirements;
- calculation of total internal capital requirements in stressed conditions
- calculation of risk bearing capacity utilization.

The Group defines in the Group ICAAP and ILAAP Framework quantitative and qualitative criteria based on which material risks are determined, that are further included in the internal capital adequacy assessment process. This takes into account the type, scope and complexity of the Group`s operations, as well as the specificities of the markets in which the Group and its members operate.

The Group uses following approaches and models for calculation of internal capital requirements for each of the materially significant risks identified:

- Credit default risk incl.Counterparty risk - Standardized approach;
- Concentration risk - Internal model based on the Herfindahl-Hirschman Index (HHI);
- FX lending risk - Internal model;
- Residual risk – Internal model;
- Credit risk induced by interest rate risk – Internal model;
- Country risk – Internal model;
- Market risks - Standardized approach;
- Operational risk - Basic indicator approach;
- Liquidity risk - Assessment of the liquidity buffers amount and adequacy through severe stress scenarios;
- Interest rate risk in the banking book and Credit Spread risk - EVE Interest rate shock scenarios and internal model, respectively;
- CVA risk – Standardized approach;
- Other risks – internal approach.

Group conducts stress testing for all material risks and calculates internal capital requirements in stress conditions.

Total internal capital requirements are calculated as a simple sum of internal capital requirements for each of the risk type for which capital requirements is calculated, plus the effects of stress tests performed for certain risks. This approach is considered conservative because it does not take into account the effects of diversification between different types of risks.

AEC Group constantly monitors RBC utilization throughout the year and reports it to the AEC BoD. Annually ICAAP Report is created and Capital Adequacy Statement with BOD approval is submitted to the Regulator.

The result of the internal capital adequacy assessment process as of 31.12.2021 shows total internal capital requirements that are 47% surpass the regulatory capital requirements.

5.2. Additional own funds requirements based on the supervisory review process

In the template EU KM1 the Group shows following items as of 31.12.2021 and as of previous disclosure period, 30.6.2021:

- own funds,
- risk-weighted exposure amounts,
- buffer and
- own funds requirements as well as
- important ratios related to capital,
- leverage,
- liquidity coverage and
- net stable funding.

EU KM1 - Key metrics template

in 000 EUR

		a	b
		31.12.2021	30.6.2021
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	709,520	582,251
2	Tier 1 capital	709,520	582,251
3	Total capital	709,520	582,251
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	2,925,774	2,740,871
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	24.25%	21.24%
6	Tier 1 ratio (%)	24.25%	21.24%
7	Total capital ratio (%)	24.25%	21.24%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.75%	2.75%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.55%	1.55%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.06%	2.06%
EU 7d	Total SREP own funds requirements (%)	10.75%	10.75%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
9	Institution specific countercyclical capital buffer (%)	0.01%	0.01%
EU 9a	Systemic risk buffer (%)		
10	Global Systemically Important Institution buffer (%)		
EU 10a	Other Systemically Important Institution buffer		
11	Combined buffer requirement (%)	2.51%	2.51%
EU 11a	Overall capital requirements (%)	13.26%	13.26%
12	CET1 available after meeting the total SREP own funds requirements (%)	577,860	458,912
	Leverage ratio		
13	Total exposure measure	4,578,241	4,312,007
14	Leverage ratio (%)	15.50%	13.50%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU 14b	of which: to be made up of CET1 capital (percentage points)		
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1,066,925	924,632
EU 16a	Cash outflows - Total weighted value	659,912	630,213
EU 16b	Cash inflows - Total weighted value	256,652	228,690
16	Total net cash outflows (adjusted value)	403,260	401,523
17	Liquidity coverage ratio (%)	270%	231%
	Net Stable Funding Ratio		
18	Total available stable funding	3,585,174	3,343,073
19	Total required stable funding	2,295,011	2,273,344
20	NSFR ratio (%)	156.22%	147.06%

5.3. Risk-weighted exposure amounts and minimum capital requirement

The Group considered Credit default risk as the material significant risk. In order to assess the internal capital requirement for credit risk, the Group uses Standardized approach as defined in Capital Requirements Regulations (CRR). The Group's credit risk weighted assets are the sum of the exposure of balance sheet assets and off-balance sheet items multiplied by the appropriate credit risk weights, as defined in Article 113 of the CRR regulation. Credit risk weight for each individual position of the balance sheet assets and for each off-balance sheet itemis determined on the basis of the class of exposure and the level of its credit quality.

Additionally, credit risk for off-balance exposures is calculated by applying regulatory prescribed credit conversion factors (CCFs) to the different types of off-balance transaction. The capital requirement for credit risk is calculated by multiplying risk-weighted assets by 8%.

To calculate the capital requirement for market risks, Group uses methods prescribed by the regulation (more on that in point 11 of this Disclosure Report). Capital requirement for operational risks are calculated by applying basic indicator approach (more on that in point 12 of this Disclosure Report).

EU OV1 – Overview of total risk exposure amounts

in 000 EUR

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		31.12.2021	30.6.2021	31.12.2021
1	**Credit risk (excluding CCR)**	**2,523,840**	**2,311,585**	**201,907**
2	Of which the standardised approach	2,523,840	2,311,585	201,907
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which: slotting approach	-	-	-
EU 4a	Of which: equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**8,109**	**9,366**	**649**
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	809	801	65
9	Of which other CCR	7,299	8,566	584
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**-**	**-**	**-**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250%/ deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**99,133**	**97,449**	**7,931**
21	Of which the standardised approach	99,133	97,449	7,931
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**94,693**	**286,351**	**23,575**
EU 23a	Of which basic indicator approach	294,693	286,351	23,575
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	**16,565**	**17,731**	**1,325**
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	**Total**	**2,925,774**	**2,704,750**	**234,062**

6. Exposure to Counterparty Credit Risk

(Article 439 of the CRR Regulation)

The Group controls and mitigates counterparty credit risk to the extent possible given the investment strategy, ensuring lending is carried out in a prudent, secure and consistent manner and that major risks relating to lending are identified and assessed. The Group ensures segregation of duties so that the requestor and approver of new counterparties and limits are separated. Approved counterparties are listed per market and instrument, the list is easily accessible for the subsidiary trading functions. The Group selects and use counterparties with the aim of achieving cost efficient execution over time and has diversified counterparty strucuture to reduce concentration risk. An independent risk management function identifies, measures, monitors and reports counterparty risk and ensures sufficient restrictions and collateral are in place to mitigate counterparty credit risk.

Methodology used for the purpose of assigning the limits are based on credit ratings, two approaches are used - the use of an external credit rating of Fitch, Moody's or S&P if available or - in the event that the external credit rating is not available, the country rating will be used as well as key financial and non-financial operating parameters. Credit rating codes and classes of the proved ECAIs are grouped into broader classes and transformed into determining the limit to financial institution.

Individual agreement between the counterparty and AEC Group is the basis for the collateral management. Basis for the market valuation is close of business market data. All received or paid collaterals are documented in the respective systems.

The steering of the risk mitigation techniques is situated in the Group Risk Controlling and Monitoring unit. The counterparty credit risk is assessed as part of the RWA calculation in Pillar 1.

The Group Risk Report which contains the counterparty credit risk is reported monthly to the Group management function Furthermore a credit limit for counterparties at individual customer level is requested and approved according to theGroup underwriting framework. Netting is not used for regulatory purposes in AEC Group. No further collateral is considered to mitigate counterparty credit risk for regulatory purposes under Pillar 1.

Contractual clauses concerning dependencies between collateral management and the credit rating of AEC are not applicable as the Group is yet to be rated.

AEC Group applies the Original Exposure Method (OEM) calculated in accordance with Article 282 CRR (Chapter 6 of Title II Part Three, Section 5) as alternative approach to the Standardised Approach for counterparty credit risk (SA CCR).

6.1. Segregated and unsegregated collateral received and posted per type of collateral

EU CCR5 – Composition of collateral for CCR exposures

		a	b	c	d	e	f	g	h
	In 000 EUR	Collateral used in derivative transactions				Collateral used in SFTs			
	Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash - domestic currency	-	-	-	-	-	-	-	-
2	Cash - other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	9,261	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	Total	-	-	-	-	-	9,261	-	-

6.2. Derivative and securities financing transactions

AEC Group has no relevant values to show since CCP exposures are excluded from the template, so all values in template "EU CCR 1_Analysis of CCR exposure by approach" are equal to zero.

6.3. Transactions subject to own funds requirements for CVA risk

Table EU CCR2 provides an overview of the exposures subject to CVA capital charges in accordance with Part three, Title VI, Article 382 of CRR. Capital requirement are calculated in accordance with Standardized approach.

EEU CCR2 – Transactions subject to own funds requirements for CVA risk

	In 000 EUR	a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	12,600	809
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**12,600**	**809**

6.4. Exposure value to central counterparties and the associated risk exposures

AEC Group has no exposure value to central counterparties and associated risk exposures.

6.5. Notional amounts and fair value of credit derivative transaction

AEC Group does not have any single name CDS in the portfolio as of 31.12.2021.

6.6. CCR exposures by regulatory exposure class and risk weights

EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

In 000 EUR

	Exposure classes	Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	42,577	-	-	-	-	-	-	-	-	-	-	42,577
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	6,626	-	-	-	4,463	-	-	11,088
7	Corporates	-	-	-	-	-	-	-	-	1,511	-	-	1,511
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	42,577				6,626	-	-	-	5,974	-	-	5,177
11	**Total exposure value**	**42,577**	**-**	**-**	**-**	**6,626**	**-**	**-**	**-**	**5,974**	**-**	**-**	**55,177**

7. Capital Buffers

(Article 440 of the CRR Regulation)

By introducing Basel III regulation, European legislation on capital introduced a system of capital buffers which are an additional requirement for determining the required amount of capital. Besides requirements that arise from the 1st and 2nd Basel pillar risks, the highest quality capital of banks (CET1) must also fulfil the capital buffer requirements. Failure to comply with the requirements regarding capital buffers results in restrictions in distributing the operating result with the purpose of strengthening the bank's capital base.

The table below contains the geographical distribution of the Group's credit exposure relevant for calculating the countercyclical capital buffer, as at 31 December 2021.

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

	a	b	c	d	e	f	g	h	i	j	k	l	m
(in 000 EUR)	General credit exposures	Relevant credit exposures - Market risk			Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements			Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of TB exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book				
United Arab Emirates	11	-	-	-	-	11	1	-	-	1	8	-	-
Albania	0	-	-	-	-	0	0	-	-	0	0	-	-
Austria	4,938	-	-	-	-	4,938	380	-	-	380	4,748	-	-
Bosnia and Herzegovina	7,491	-	-	-	-	7,491	353	-	-	353	4,410	0.00%	-
Belgium	1,401	-	-	-	-	1,401	113	-	-	113	1,407	0.00%	-
Bulgaria	61	-	-	-	-	61	4	-	-	4	46	-	0.01%
Bermuda	5	-	-	-	-	5	0	-	-	0	5	-	-
Brazil	9	-	-	-	-	9	1	-	-	1	7	-	-
Belarus	0	-	-	-	-	0	0	-	-	0	0	-	-
Germany	2,094	-	597	-	-	2,691	160	95	-	255	3,193	0.00%	-
Denmark	0	-	-	-	-	0	0	-	-	0	0	-	-
Egypt	0	-	-	-	-	0	0	-	-	0	0	-	-
Spain	2	-	-	-	-	2	0	-	-	0	2	-	-
United Kingdom	7,253	-	16,195	-	-	23,448	557	2,591	-	3,148	39,352	0.02%	-
Gibraltar	146	-	-	-	-	146	9	-	-	9	110	-	-
Greece	35	-	-	-	-	35	3	-	-	3	33	-	-
Hong Kong	16	-	-	-	-	16	1	-	-	1	12	-	0.01%
Croatia	115,282	-	-	-	-	115,282	10,015	-	-	10,015	125,183	0.05%	-
Hungary	3,448	-	-	-	-	3,448	274	-	-	274	3,429	0.00%	-
Italy	11,576	-	1,538	-	-	13,115	905	246	-	1,151	14,392	0.01%	-
Korea DPR	0	-	-	-	-	0	0	-	-	0	0	-	-
Kuwait	0	-	-	-	-	0	0	-	-	0	0	-	-
Kazakhstan	0	-	-	-	-	0	0	-	-	0	0	-	-
Lebanon	0	-	-	-	-	0	0	-	-	0	0	-	-
Lithuania	9	-	-	-	-	9	1	-	-	1	7	-	-
Luxembourg	19,589	-	-	-	-	19,589	2,348	-	-	2,348	29,351	0.01%	0.01%
Libya	0	-	-	-	-	0	0	-	-	0	0		
Montenegro	49,094	-	-	-	-	49,094	4,197	-	-	4,197	52,458	0.02%	-
North Macedonia	141	-	-	-	-	141	8	-	-	8	106	-	-
Mali	0	-	-	-	-	0	0	-	-	0	0	-	-
Malta	0	-	-	-	-	0	0	-	-	0	0	-	-

(in 000 EUR)	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures	Relevant credit exposures - Market risk			Securitisation exposures		Own fund requirements						
Breakdown by country:	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of TB exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Malaysia	0	-	-	-	-	0	0	-	-	0	0	-	-
Netherlands	9,598	-	39	-	-	9,637	572	6	-	578	7,229	0.00%	-
New Zealand	0	-	-	-	-	0	0	-	-	0	0	-	-
Philippines	0	-	-	-	-	0	0	-	-	0	0	-	-
Poland	1,997	-	-	-	-	1,997	160	-	-	160	1,997	0.00%	-
Romania	2,138	-	-	-	-	2,138	144	-	-	144	1,799	0.00%	-
Serbia	1,389,694	-	19,629	-	-	1,409,324	78,755	3,141	-	81,896	1,023,696	0.44%	-
Russian Federation	1,004	-	-	-	-	1,004	80	-	-	80	995	0.00%	-
Sweden	200	-	-	-	-	200	16	-	-	16	200	0.00%	-
Slovakia	5,335	-	-	-	-	5,335	427	-	-	427	5,334	0.00%	0.01%
Syrian Arab Republic	0	-	-	-	-	0	0	-	-	0	0	0.00%	-
Turkey	33	-	-	-	-	33	2	-	-	2	25	-	-
Ukraine	3,251	-	-	-	-	3,251	101	-	-	101	1,262	0.00%	-
United States of America	1,776	-	354	-	-	2,130	110	57	-	166	2,079	0.00%	-
Virgin Islands (British)	11	-	-	-	-	11	1	-	-	1	11	-	-
Zimbabwe	0	-	-	-	-	0	0	-	-	0	0	-	-
Slovenia	1,686,748					1,686,748	76,822			76,822	960,275	0.42%	
Switzerland	10,367		4			10,371	821	1		821	10,267	0.00%	
Canada	235					235	18			18	228	0.00%	
Cyprus	5,959					5,959	475			475	5,940	0.00%	
Czechia	4,496					4,496	360			360	4,496	0.00%	0.01%
France	1,169		2,032			3,202	93	325		419	5,233	0.00%	
Total	3,346,611	-	40,388	-	-	3,386,999	178,284	6,462	-	184,746	2,309,323		

The level of the Group's own countercyclical capital buffer is a weighted average of the applicable levels of countercyclical buffers for countries where the Group has relevant credit exposures. The level of the Group's own countercyclical buffer at the end of 2021 was 0.01%.

The table below presents the calculation of the amount of the Group's own countercyclical capital buffer, as at 31 December 2021.

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

In 000 EUR

		a
1	Total risk exposure amount	2,925,774
2	Group specific countercyclical capital buffer rate	0.01%
3	Group specific countercyclical capital buffer requirement	293

8. Exposures to Credit Risk

(Article 442 a,b,c,d,e,f and g of the CRR Regulation)

8.1. Definitions for Accounting Purposes of "Past Due" and "Impaired" and "past Due" and "Default"

Where any material amount of principal, interest or fee has not been paid at the date it was due, the Group recognizes this as the credit obligation past due. Where there are modifications of the schedule of credit obligations, the Group counting of days past due is based on the modified schedule of payments..

The Group defines default in accordance with the Article 178 CRR regulation. Default is defined as a delay of at least 90 days, in materially significant amount, at the level of exposure of the client.

The default status may be identified even before the 90 day delay if other quantitative or qualitative criteria are identified that indicate the existence of objective evidence of impairment of a financial asset:

- Non-accrued status
- Specific credit risk adjustment (SCRA)
- Sale of credit obligations
- Significantly changed the terms of the repayment of placements due to the financial difficulties of the borrower (Distressed restructuring)
- Initiating bankruptcy proceedings or initiating another type of financial reorganization
- Additional indicators of UTP -(Detail list of UTP triggers is defined in Group Default Detection Methodology)

Materially significant amount is defined in accordance with relevant ECB regulations for EU based credit institution subsidiaries.

Impaired items for accounting purposes are all items that are classified as Stage 3 according to IFRS 9.

8.2. Description of the Approaches and Methods Adopted for Determining Credit Risk Adjustments

In accordance with IFRS 9, Group monthly:

- assesses the quality of receivables, determines whether there is objective evidence of impairment,
- assesses whether there has been a significant increase in credit risk in relation to the date of initial recognition and
- calculates the amount of impairment on the basis of expected losses.

Group Impairment Framework in accordance with IFRS 9 (IFRS 9 Framework) is adopted by AEC BoD and all credit institution subsidiaries align with this Framework as well as any regulatory requirements on local levels. Group recognizes impairment in accordance with IFRS 9 Framework for all financial instruments that are measured at amortized cost.

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

- Stage 1 includes all financial assets without a significant increase in credit risk since initial recognition at the reporting date;
- Stage 2 includes financial assets with a significant increase in credit risk since initial recognition, but without objective evidence of impairment; and

- Stage 3 includes financial assets with objective evidence of impairment at the reporting date.

Calculation of Impairment – Stage 1

For the purpose of calculating the impairment in Stage 1, the expected twelve-month credit losses are part of the expected credit losses over the entire term of the financial asset and represent cash shortages over the term that will result if default occurs within 12 months after the reporting date, weighted by the likelihood of such non-execution.

Calculation of Impairment – Stage 2

The expected loss represents the probability weighted assessment of credit losses (i.e., the present value of all cash shortages) over the expected life of financial instrument, while the cash shortage itself is the difference between cash flows that belong to the Group and under the contract and cash flows that the Group expects to receive. Expected Credit Loss here represent probability-weighted estimates of credit losses (i.e., the present value of all cash shortages) that will arise over the expected life of a financial instrument, while the cash shortage itself is the difference between cash flows that belong to the Group under the contract and cash flows that the Group expects to receive.

Calculation of Impairment – Stage 3

For impairment allowance calculation, all exposures in Stage 3 entail:
- all exposures with identified default status; and
- all financial instruments meeting the definition of POCI assets under IFRS 9.

In Stage 3, assessment of impairment could be done on individual and group basis depending on the individual significance of the exposure.

Expected credit losses represent the probability weighted assessment of expected credit loss and the Group recognizes several possible collection scenarios when assessing expected future cash flows. Individual assessment is performed for individually significant clients.

The scenarios that are taken into account are:
- realization of collateral,
- restructuring,
- bankruptcy,
- sale of receivables,
- collection from cash and
- Other that is considered relevant.

When defining the scenario, Group takes into account the collection strategy defined for particular client.

For all other exposures, impairment is calculated on the group level, which implies the grouping of the remaining financial instruments in Stage 3 by the sub-segments depending on the portfolio structure.

The impairment value is calculated by using the residual LGD (PD is 100%). Residual LGD is calculated based on the number of months in default and recovery that has been discounted with EIR. LGD residual is applied to unsecured part of the exposure. When calculating the secured part of the exposure, only part of the exposure covered with hard collateral is taken into account.

Detailed overview on impaired exposures, risk adjustments as well as information on changes in value adjustment due to credit risk are disclosed in the Consolidated Financial Statements for December 31, 2021 of AEC Group Note 4.1 “Credit risk”.

8.4. Overview of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures

EU CR1- Performing and non-performing exposures and related provisions

(in 000 EUR)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposure
	Total	Of which stage 1	Of which stage 2	Total	Of which stage 2	Of which stage 3	Total	Of which stage 1	Of which stage 2	Total	Of which stage 2	Of which stage 3			
005 Cash balances at CBs and other demand deposits	**847,002**	**847,002**	**-**	**-**	**-**	**-**	**(184)**	**(184)**	**-**	**-**	**-**	**-**	**-**	**6,691**	**-**
010 Loans and advances	**2,461,274**	**2,164,670**	**296,603**	**74,442**	**-**	**74,442**	**(33,562)**	**(23,503)**	**(10,059)**	**(18,756)**	**-**	**(18,756)**	**-**	**1,276,462**	**41,035**
020 Central banks	42,577	42,577	-	-	-	-	(0)	(0)	-	-	-	-	-	-	-
030 General governments	40,157	40,157	-	70	-	70	(424)	(424)	-	(59)	-	(59)	-	687	-
040 Credit institutions	154,208	154,208	-	217	-	217	(60)	(60)	-	(21)	-	(21)	-	5	-
050 Other fin. corporations	38,963	38,594	369	8	-	8	(443)	(439)	(4)	(8)	-	(8)	-	8,213	-
060 Non-fin.corporations	1,589,418	1,379,126	210,292	58,875	-	58,875	(28,646)	(20,729)	(7,918)	(12,510)	-	(12,510)	-	852,299	34,460
070 Of which: SMEs	887,417	765,813	121,604	29,958	-	29,958	(12,716)	(8,291)	(4,425)	(3,850)	-	(3,850)	-	553,453	21,877
080 Households	595,950	510,008	85,942	15,272	-	15,272	(3,989)	(1,851)	(2,138)	(6,158)	-	(6,158)	-	415,258	6,575
090 Debt Securities	**660,562**	**660,562**	**0**	**941**	**-**	**941**	**(1,127)**	**(1,127)**	**(0)**	**(941)**	**-**	**(941)**	**-**	**16,944**	**-**
100 Central banks	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	567,297	567,297	-	366	-	366	(773)	(773)	-	(366)	-	(366)	-	-	-
120 Credit institutions	25,946	25,946	-	-	-	-	(38)	(38)	-	-	-	-	-	10,968	-
130 Other fin. corporations	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-
140 Non-fin. corporations	67,318	67,318	0	575	-	575	(316)	(316)	(0)	(575)	-	(575)	-	5,976	-
150 Off-balance sheet exposures	**820,607**	**811,878**	**8,728**	**716**	**-**	**716**	**2,524**	**2,357**	**167**	**135**	**-**	**135**		**60,039**	**3**
160 Central banks	0	0	-	-	-	-	-	-	-	-	-	-		-	-
170 General governments	10,447	10,447	-	-	-	-	3	3	-	-	-	-		-	-
180 Credit institutions	2,584	2,584	-	-	-	-	0	0	-	-	-	-		-	-
190 Other fin. corporations	4,415	4,415	-	-	-	-	6	6	-	-	-	-		-	-
200 Non-fin. corporations	725,197	717,447	7,749	635	-	635	2,479	2,315	164	131	-	131		57,398	0
210 Households	524	488	36	-	-	-	1	1	-	-	-	-		64	-
220 Total	4,789,444	4,484,113	305,332	76,099	-	76,099	(32,349)	(22,457)	(9,892)	(19,562)	-	(19,562)	0	1,360,136	41,038

EU CQ1- Credit quality of forborne exposures

(in 000 EUR)		a	b	c	d	e	f	g	h
		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	89,686	40,438	40,438	40,438	(2,836)	(8,061)	83,513	24,646
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	127	0	0	0	(0)	0	119	0
060	Non-financial corporations	86,324	38,533	38,533	38,533	(2,627)	(6,677)	82,453	24,350
070	Households	3,235	1,905	1,905	1,905	(209)	(1,384)	941	296
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	1,368	-	-	-	-	-	1,368	-
100	Total	91,054	40,438	40,438	40,438	(2,836)	(8,061)	84,881	24,646

8.5. *Overview of EU CQ7: Collateral obtained by taking possession and execution processes*

In 000 EUR		a	b
		Collateral obtained by taking possession accumulated	
		Value at initial recognition	Accumulated negative changes
010	Property Plant and Equipment (PP&E)	180	(86)
020	Other than Property Plant and Equipment	81,330	(28,006)
030	Residential immovable property	2,114	(575)
04	Commercial Immovable property	67,109	(24,982)
050	Movable property (auto, shipping, etc.)	169	-
060	Equity and debt instruments	-	-
070	Other	11,938	(2,449)
080	Total	81,510	(28,092)

8.6. *Ageing analysis of accounting past due exposures*

EU CQ3- Credit quality of performing and non-performing exposures by past due days

	(in 000 EUR)	a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or past-due < = 90 days	Past due > 90 days <= 180 days	Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at CBs and other demand deposits**	847,002	847,002	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**	2,461,274	2,441,594	19,680	74,442	58,893	2,912	1,428	3,907	3,122	1,003	3,177	74,442
020	Central banks	42,577	42,577	-	-	-	-	-	-	-	-	-	-
030	General governments	40,157	40,157	0	70	48	0	0	3	16	1	3	70
040	Credit institutions	154,208	154,178	30	217	205	-	5	-	0	-	7	217
050	Other financial corporations	38,963	38,963	0	8	-	-	0	0	0	0	7	8
060	Non-financial corporations	1,589,418	1,579,890	9,529	58,875	48,107	1,383	540	3,429	2,286	598	2,533	58,875
070	*Of which: SMEs*	887,417	878,345	9,073	29,958	25,323	311	386	2,633	1,129	130	45	29,958
080	Households	595,950	585,830	10,121	15,272	10,534	1,529	882	476	820	404	626	15,272
090	**Debt Securities**	660,562	660,562	-	941	0	-	-	-	-	-	941	941
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	567,297	567,297	-	366	-	-	-	-	-	-	366	366
120	Credit institutions	25,946	25,946	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	0	0	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	67,318	67,318	-	575	0	-	-	-	-	-	575	575
150	**Off-balance sheet exposures**	820,607	-	-	716	-	-	-	-	-	-	-	716
160	Central banks	0	-	-	-	-	-	-	-	-	-	-	-
170	General governments	10,443	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	2,584	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	4,415	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial corporations	725,197	-	-	635	-	-	-	-	-	-	-	635
210	Households	77,965	-	-	81	-	-	-	-	-	-	-	81
220	Total	4,789,444	3,949,158	19,680	76,099	58,893	2,912	1,428	3,907	3,122	1,003	4,118	76,099

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8.7. *Gross carrying amounts defaulted and non-defaulted exposures, accumulated specific and general credit risk adjustments, accumulated write-offs taken against those exposures and net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures;*

EU CQ5- Credit quality of loans and advances to non-financial corporations by industry

	(in thousands of EUR)	a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on NPE
			Of which: non-performing		Of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing	11,907	517	517	11,907	(250)	-
020	Mining and quarrying	3,320	2	2	3,320	(17)	-
030	Manufacturing	340,255	9,875	9,875	340,255	(6,883)	-
040	Electricity, gas, steam and air conditioning supply	41,028	9	9	41,028	(503)	-
050	Water supply	5,928	72	72	5,928	(88)	-
060	Construction	163,877	927	927	163,877	(3,228)	-
070	Wholesale and retail trade	257,862	10,913	10,913	257,862	(14,134)	-
080	Transport and storage	98,649	2,660	2,660	98,649	(2,077)	-
090	Accommodation and food service activities	99,291	24,413	24,413	99,291	(2,784)	-
100	Information and communication	49,056	15	15	49,056	(445)	-
110	Real estate activities	317,904	25	25	317,904	(4,769)	-
120	Financial and insurance actvities	17,085	3	3	17,085	(462)	-
130	Professional, scientific and technical activities	60,089	585	585	60,089	(704)	-
140	Administrative and support service activities	68,284	173	173	68,284	(2,015)	-
150	Public administration and defense, compulsory social security	211	-	-	211	(3)	-
160	Education	8,280	5,273	5,273	8,280	(14)	-
170	Human health services and social work activities	7,336	0	0	7,336	(41)	-
180	Arts, entertainment and recreation	20,418	2,879	2,879	20,418	(1,222)	-
190	Other services	77,514	535	535	77,514	(1,517)	-
200	Total	1,648,293	58,875	58,875	1,648,293	(41,157)	-

EU CQ4- Quality of non-performing exposures by geography

(in 000 EUR)	a	b	c	d	e	f	g
	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
On-balance sheet exposures	1,746,224	46,140	46,140	1,746,224	(35,677)		-
Italy	21,696	436	436	21,696	(161)		-
Luxembourg	19,947	-	-	19,947	(358)		-
Austria	16,658	1	1	16,658	(15)		-
Poland	12,630	-	-	12,630	(7)		-
Netherlands	12,105	0	0	12,105	(103)		-
Spain	11,181	-	-	11,181	(7)		-
Portugal	10,439	-	-	10,439	(11)		-
Ireland	10,134	-	-	10,134	(6)		-
United Arab Emirates	7,960	-	-	7,960	(2)		-
Romania	7,482	0	0	7,482	(181)		-
United Kingdom	5,679	0	0	5,679	(67)		-

(in 000 EUR)	a Gross carrying/nominal amount	b Of which non-performing	c Of which defaulted	d Of which subject to impairment	e Accumulated impairment	f Provisions on off-balance-sheet commitments and financial guarantees given	g Accumulated negative changes in fair value due to credit risk on non-performing exposures
Israel	4,829	0	0	4,829	(3)		-
United States of America	4,814	7	7	4,814	(13)		-
Hungary	3,199	-	-	3,199	(15)		-
Ukraine	1,977	-	-	1,977	(2)		-
Germany	1,560	59	59	1,560	(45)		-
Egypt	1,356	0	0	1,356	(11)		-
Belgium	1,304	-	-	1,304	(5)		-
Serbia	1,427,030	42,498	42,498	1,427,030	(31,957)		-
Croatia	114,341	1	1	114,341	(1,927)		-
Montenegro	31,446	3,054	3,054	31,446	(685)		-
Slovenia	10,134	-	-	10,134	(6)		-
Bosnia and Herzegovina	7,140	29	29	7,140	(33)		-
Republic of North Macedonia	141	1	1	141	(1)		-
Other countries	1,041	55	55	1,041	(57)		-
Off-balance sheet exposures	**476,512**	**146**	**146**			**1,372**	
Serbia	433,916	146	146			1,254	
Croatia	14,716	-	-			99	
Montenegro	11,877	-	-			-	
Bosnia and Herzegovina	1,775	-	-			2	
Republic of North Macedonia	13	-	-			0	
Slovenia	1	-	-			0	
Italy	3,855	-	-			3	
Ukraine	2,556	-	-			0	
Russian Federation	2,131	-	-			1	
Germany	1,369	-	-			3	
Hungary	1,195	-	-			2	
Austria	1,134	-	-			6	
Romania	526	-	-			1	
Netherlands	373	-	-			-	
Slovakia	273	-	-			1	
United Kingdom	77	-	-			0	
Bulgaria	7	-	-			0	
Greece	6	-	-			0	
Luxembourg	5	-	-			0	
Belgium	3	-	-			-	
United States of America	688	-	-			-	
Other countries	19	-	-			-	

8.8. Breakdown of loans and debt securities by residual maturity

CR1A- Maturity of exposures

	(in 000 EUR)	a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	-	477,359	1,072,138	863,037	69,068	2,481,602
2	Debt securities	-	37,475	167,051	181,954	270,244	1,313,449
3	**Total**	**-**	**514,834**	**1,239,189**	**1,044,991**	**339,312**	**3,138,326**

9. Encumbered and Unencumbered Assets
(Article 443 of the CRR Regulation)

Asset encumbrance presents part of liquidity risk management. Group regularly monitors and reports on asset encumbrance. The increase in the volume of encumbered assets contributes to higher liquidity risk and the risk of financing, since an institution with encumbered assets has fewer available assets for pledging, used as liquidity reserve for unexpected liquidity needs. Group must ensure that it has at every moment enough high-quality liquid assets, so it is able to meet all liquidity needs. According to Group Liquidity Risk Management and Liquidity Stress Testing Framework, the unencumbered assets represent a liquidity buffer, which includes cash, money market placements and high-quality ECB eligible debt securities. The Group holds high amount of liquidity buffer which can be used for filling funding gaps between cash inflows and outflows at any time during 30 days stress period.

Group's asset encumbrance are monitored and reported regularly on Group and subsidiaries level, and quarterly reports are submitted to the regulator. All assets that are pledged are reported as encumbered assets and relates to Gorenjska banka d.d. Regarding a transparent way of reporting, Group has no example of giving the pledge which then would not be included in reporting. There is also no difference between the regulatory consolidation scope and liquidity requirements on an IFRS consolidated basis. Liquidity remains sound with regulatory liquidity ratios materially above minimum requirements. According to Basel III, Group monthly assures that its LCR ratio is higher than 100% (270% as of 31 December 2021 calculated according to Article 447(f)(i) CRR) which indicates that the Group does not need any additional liquidity to withstand cash outflows during sever 30 days stress. Group has a strong liquidity position; all internal liquidity risk indicators are stable and within prescribed limits defined by Group Liquidity Risk Management and Liquidity Stress Testing Framework.

In 2021, the Group had its assets encumbered:

- due to the security of received sources of cash operations of the central bank (TLTRO);
- due to placed deposits which represents obligatory reserves;
- due to ensuring liquid assets of the bank resolution fund;
- due to security with cash assets paid in clearing systems, central counterparties and other institutions for infrastructures as a prerequisite to access services (guarantee scheme SEPA) and
- due to security for claims of foreign commercial banks, based on the bank-provided counter guarantees and credits.

Assets encumbered consist of debt securities and placed deposits. The amount of encumbered assets is denominated in EUR currency. There are no other significant currencies of asset encumbrance to be reported.

The values in tables EU AE1, EU AE2 and EU AE3 represents the median values for 2021, in accordance with the Regulation AE, calculated using the median quarterly data reported over the last twelve months.

The Group does not have any encumbered collateral received or own debt securities issued.

Among the unencumbered assets from template EU AE1, 7.2% items are not available for encumbrance in regular operations. These are cash in the cash register, intangible assets, deferred assets, tangible fixed assets, investment property, equity investments in affiliated companies, non-current assets available for sale and other non-finance assets (such items are included among other assets in template EU AE1)

In case of secured receivables of foreign commercial banks on the basis of the counter-guarantees and letters of credit assured by the bank, the bank is ensuring insurance to foreign commercial banks in the value of at least 100% of the value of a receivable, provided the receivable is in domestic currency or, respectively, of at least 125% of the value of a receivable in case the receivable is in foreign currency. Maturity of insurance must be longer than maturity of receivables of foreign commercial banks.

EU AE1 - Encumbered and unencumbered assets

	(in 000 EUR)	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the disclosing institution**	**119,630**	**76,578**			**4,078,524**	**219,378**		
030	Equity instruments	-	-	-	-	73,526	-	73,526	-
040	Debt securities	76,578	76,578	79,226	79,226	603,941	219,378	610,807	226,040
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: securitisations	-	-	-	-	-	-	-	-
070	of which: issued by general governments	70,013	70,013	71,939	71,939	450,806	199,770	456,938	205,856
080	of which: issued by financial corporations	-	-	-	-	92,559	13,508	92,761	13,553
090	of which: issued by non-financial corporations	6,566	6,566	7,287	7,287	60,576	6,100	61,109	6,631
120	Other assets	43,052	-			3,401,057	-		

EU AE2 - Collateral received and own debt securities issued

	in 000 EUR	Fair value of encumbered collateral received or own debt securities issued	of which notionally eligible EHQLA and HQLA	Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the disclosing institution**	-	-	217,275	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	217,275	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	-	-	-	-
241	**Own covered bonds and securitisations issued and not yet pledged**			-	
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**119,630**	**76,578**		

	In 000 EUR	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	47,984	39,411

EU AE3 - Sources of encumbrance

10. Use of Standardized Approach

(Article 444 a,b,c and e of the CRR Regulation)

10.1. Use of external ratings

AEC Group applies Standardized approach for calculation of risk weighted exposure amount for credit risk pursuant to Basel 3 regulation, all in line with EBA CRR, Chapter 2, Title II, part Three. Exposures to a client, for which a credit assessment by a nominated ECAI is available, are assigned a risk weight that is prescribed by EBA CRR, which corresponds to the credit assessment of ECAI (External Credit Assessment Institution) in accordance with Article 136 of CRR.

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AEC Group nominated the Moody's Investor Service (Moody's) credit risk assessment institution to determine the risk weights for calculating the capital requirements for credit risk. No ECA (Export Credit Insurance Agency) has been nominated for external ratings determination by AEC Group.

ECAI risk assessment is used for all exposure classes, where available. Mainly, ECAI external ratings are used for determining the credit quality level for exposures to sovereigns and central banks and for exposures to banks, since for these cleints/exposures external ratings are available.

When determining risk weights, based on available credit assessments of the debtor and their financial instruments, the Group acts in accordance with the CRR regulation . AEC Group complies with the standard association of the external rating of Moody's with the risk weights that correspond to the credit quality steps as set out in Chapter 2 of Title II of Part Three published by EBA. In order to map primary credit assessments with the levels of credit quality, the table of mapping in Annex III of the Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for credit risk in accordance with Articles 136(1) and 136(3) of CRR is used.

10.2. *The Exposure Values and the Exposure Values after Credit Risk Mitigation Associated with Each Credit Quality Step, as Well as those Deducted from Own Funds*

The Group maps the ratings made by external credit assessment institutions to credit quality steps from 1 to 6. It only takes into account the credit assessments of nominated external credit assessment institutions for claims in certain exposure class.

The table EU CR4 presented below illustrates effects of credit risk mitigation techniques that AEC Group uses, as of 31.12.2021:

EU CR4 – standardised approach – Credit risk exposure and CRM effects

	(in 000 EUR)	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
		a	b	c	d	e	f
1	Central governments or central banks	695,651	3,151	770,984	13,890	191,251	24%
2	Regional government or local authorities	15,754	2,840	15,660	566	8,767	54%
3	Public sector entities	5,497	910	5,497	165	2,791	49%
4	Multilateral development banks	-	-	-	-	-	0%
5	International organisations	-	-	-	-	-	0%
6	Institutions	388,490	1,284	377,505	155	93,994	25%
7	Corporates	1,069,292	598,146	1,027,454	146,232	1,070,505	91%
8	Retail	647,662	127,791	635,013	17,122	450,117	69%
9	Secured by mortgages on immovable property	410,107	22,906	410,107	8,881	176,471	42%
10	Exposures in default	55,445	424	54,809	67	63,467	116%
11	Exposures associated with particularly high risk	146,507	58,722	138,069	29,145	250,821	150%
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	56,474	2,514	56,474	2,514	13,031	22%
15	Equity	47,953	-	47,953	-	51,861	108%
16	Other items	729,722	2,655	729,028	20	150,763	21%
	TOTAL	4,268,554	821,344	4,268,554	218,758	2,523,840	56%

The table below contains the exposure values (total amount of on-balance sheet and off-balance sheet exposures under the regulatory scope of consolidation; in accordance with Article 111 in the CRR) after (i) the application of conversion factors and (ii) the application of credit risk mitigation tehniques associated with each credit quality step, broken down by exposure classes.

Breakdown of exposures by asset class and risk weight as of 31.12.2021 is presented in the table EU CR5.

EU CR5 - Standardised approach

(in 000 EUR)	Risk weight															Total
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
Central governments or central banks	586,101	-	-	-	9,835	-	-	-	-	188,708	-	231	-	-	-	784,874
Regional government or local authorities	-	-	-	-	9,323	-	-	-	-	6,903	-	-	-	-	-	16,226
Public sector entities	81	-	-	-	-	-	5,581	-	-	-	-	-	-	-	-	5,662
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	361,791	-	1,177	-	-	1,979	12,712	-	-	-	-	377,660
Corporates	-	-	-	-	-	-	-	-	-	1,173,686	-	-	-	-	-	1,173,686
Retail	-	-	-	-	-	-	-	-	652,135	-	-	-	-	-	-	652,135
Secured by mortgages on immovable property	-	-	-	-	-	115,659	303,330	-	-	-	-	-	-	-	-	418,989
Exposures in default	-	-	-	-	-	-	-	-	-	37,695	17,181	-	-	-	-	54,876
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	167,214	-	-	-	-	167,214
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unit or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	0	-	-	-	-	58,989	58,989
Equity	-	-	-	-	-	-	-	-	-	45,347	-	2,606	-	-	-	47,953
Other items	582,467	-	-	-	-	-	-	-	-	143,792	-	2,788	-	-	-	729,047
TOTAL	1,168,648	-	-	-	380,950	115,659	310,089	-	652,135	1,598,111	197,107	5,625	-	-	58,989	4,487,311

11. Market Risk

(Article 445 of the CRR Regulation)

11.1. Qualitative disclosure requirements related to market risk

The businesses of the Group are subject to market risk, which shall imply the possibility of occurrence of adverse effects on the bank's financial result and capital due to changes in the value of balance-sheet positions and off-balance sheet items arising from changes of prices in the market. The objective of market risk management is to maintain the level of exposure to market risk within acceptable frameworks, prescribed in risk appetite statement, with its defined strategy.

The management of Market Risk on the Group level is handled by Group Risk Controlling and Monitoring Unit. In order to achieve the objective of market risk management, Group Risk Controlling and Monitoring Unit closely cooperates with risk taking units and other support groups. On credit institution subsidiary level, risk taking unit and risk management units are allocated to separate departments and units, ensuring the adequate segregation of duties in accordance with regulatory requirements and best practices, and adequate market risk management.

Market Risk Management governance is established and implemented through framework with following phases: identification of risk, measurement and assessment, mitigation, monitoring, control and market risk reporting. By identifying market risks, subsidiaries timely identify the causes that lead to exposure to market risks and include determining the current exposure to market risks.

Subsidiaries carry out the identification of foreign exchange currency risk exposure using open positions in a single currency and total for all currencies in which they operate. Open foreign currency position in all currencies and in total is the basis of measurement and evaluation of foreign exchange currency risk exposure. In order to reduce foreign exchange currency risk, the basic measure to be taken is to close the foreign exchange position by identifying and applying adequate techniques involving the contracting of standard and derivative instruments, as well as measures in part of the funds and sources of funds - through the granting of loans / taking deposits with a foreign currency clause. Each subsidiary carries out continuous mitigation of foreign exchange risk by maintaining risk at an acceptable level in accordance with internal and regulatory limits. In order to reduce foreign exchange risk, the basic measure to be taken is to close the foreign exchange position by identifying and applying adequate techniques involving the contracting of standard and derivative instruments, as well as measures in part of the funds and sources of funds - through the granting of loans / taking deposits with a foreign currency clause. Foreign exchange risk monitoring primarily involves an analysis of the situation, changes and trends in foreign exchange risk exposure. Foreign currency risk monitoring also includes the projection of foreign currency risk in order to reduce the exposure to foreign exchange risk. Foreign currency risk projection enables the definition of preventive measures to reduce exposure to foreign exchange risk.Each subsidiary (that has trading book) performs the identification of the exposure to the position risk of debt and equity securities based on the value of positions in the Trading book that are monitored daily (the changes in their current market prices -mark-to-market or in accordance with the appropriate valuation models -mark-to-model). When determining if the financial instrument should be included in the Trading Book, subsidiaries take into consideration that at the moment of obtaining financial instruments, there is an intention to sell them in the short term after acquisition or to realize profit on the basis of the actual / expected difference between their purchase and sale price, or on the basis of other changes in prices or interest rates. Position risk mitigation is carried out continuously through risk management at an acceptable level, as well as by identifying and implementing adequate measures and techniques. Defining the exposure limit in the Trading Book and defining and implementing measures to mitigate position risk is characterized by the phase of position risk mitigation. The basic principles of position risk management involve maintaining the level of risk in accordance with internally defined limits at the Trading book level, daily monitoring of market changes that may affect the increase in exposure to risks Trading book and determining measures to reduce risk exposure Trading book when changing the weight of the upper limit of accepted risk. The goal of active management is to reduce position risks to an acceptable level that can be controlled, and which ensures maximization of profit while minimizing risk.

Credit spread risk is the risk of reduction in value of securities held in banking book due to increase in the levels of market interest rates and required returns. The risk is driven by changes in the market perception about the price of credit risk, liquidity premium and potentially other components of credit-risky instruments inducing fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by IRRBB or by expected credit/(jump-to-)default risk. The Group monitors and assesses its CSRBB-affected exposures, by reference to the asset side of the non-trading book, where CSRBB is relevant for the risk profile of the institution. As of 31.12.2021, credit spread risk is assessed for wholesale and government debt securities portfolio at fair value through other comprehensive income (FVOCI). Taking into account significant amounts of debt security portfolio at fair value through other comprehensive income (FVOCI), the Group calculates internal capital requirements for this risk based on stress test applied on this banking book portfolio.

In order to effectively control market risk, the organizational unit responsible for market risks controlling of subsidiaries monitors daily deviations from the defined internal and regulatory limits. The responsible organizational unit for managing the assets and balance of each subsidiary at daily level controls, monitors, manages and adjusts the foreign currency position by using available instruments, monitors the movement of foreign exchange rates and, in accordance with the same, keeps open or closed foreign currency position within the regulatory and internal limits. It also manages trading book positions in accordance with pre-defined limits, taking into account the fulfilment of the necessary conditions for taking positions from the Trading Book.

Scope and nature of risk reporting and measurement systems is prescribed in section “The Scope and Nature of Risk Reporting and Measurement Systems”.

The Group does not apply any form of hedge accounting according to IFRS accounting standards. However, some of the entities, e.g. AIK Bank performs fx swaps in order to hedge fx risk and also liquidity position. This way, AIK Bank has more stronger control over its fx open currency position.

11.2. Market Risk Standardized Approach

The Group calculates capital requirement for market risks for all positions intended for trading. These are positions the bank intends to sell in the short-term and/or the purpose of which is to earn from actual or expected short-term changes of the difference between the purchase and sale price or from other changes in price or interest rate. Used values for each position from the trading book adequately reflect the current market value.

Capital requirement for market risk under standardized approach is the sum of capital requirement for equity risk and capital requirement for foreign currency exchange risk.
Capital requirement for equity risk is the sum of general and specific risk. Risk weighted exposure is based on weights, which depend mostly by credit assessment, maturity and issuer. In 2021, the Group had only equity securities in its trading book portfolio.

Risk weighted exposure amount for foreign currency exchange risk is calculated through calculating net open foreign currency position on Group level. An open foreign currency position is the difference between foreign currency receivables and liabilities, as well as receivables and liabilities in a local currency indexed by a currency clause (including the absolute value of a net open position in gold). Due to absence of traded debt instruments in trading book, there isn’t interest rate risk (general and specific) and since the Group has no goods in its portfolio, therefore the Group isn't exposed to commodity risk. Also, the Group has no correlation trading portfolio, namely positions in securitisation and credit derivatives based on the n-th default.

As of December 31, 2021, equity risk (general and specific) is calculated using the market risk standardized approach, generated capital requirements of EUR 6.46 million corresponding to risk weighted exposure amounts of EUR 80.78 million, while capital requirement for foreign exchange currency risk of EUR 1.47 million corresponding to risk weighted exposure amounts of EUR 18.36 million under market risk standardized approach.

EU MR1 - Market risk under the standardised approach

In 000 EUR 31-Dec-21

		a
		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	80,776
3	Foreign exchange risk	18,357
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**99,133**

12. Operational Risk Management

(Article 446 of the CRR Regulation)

Operational risk is the risk of loss as a result of unsuitable or unsuccessful performance of internal processes, the conduct of people, the functioning of systems, or external factors, and also includes information risks, compliance risks, legal risk, and model risk.

Legal risk is understood by the Bank as the risk of losses due to inappropriate or late detection and, consequently, consideration of changes in the legal and regulatory environment, as well as the risk of losses due to legal weaknesses or non-compliances in contract acts and other documents.

The objective of managing operational risk consists in the fact that each subsidiary: identifies events that represent operational risk sources, classifies identified events into predefined categories of losses events, monitors their frequency and importance by defined lines of business in accordance with their organization and activity, as well as to form a database on events arising from operational risk.

Identification of operational risks implies identifying events that represent sources of operational risk that each subsidiary may be exposed to. Operational risks are identified for all significant products, processes, systems, and external factors. Identification of operational risk takes place through a combination of preparing a map of operational risks, performing self-assessments and risk control, as well as by collecting data on events that are considered operational risk.

Each subsidiary measure, i.e. estimate exposure to operational risk, taking into account the possibility, that is, the frequency of the occurrence of that risk, as well as its potential impact on its outcome, with particular reference to events that are deemed unlikely to arise, but it is assumed or it is known that if they occur, they can cause major material losses.

In measuring or assessing operational risk, each subsidiary assesses in particular whether this risk is exposed or can be exposed on the basis of the introduction of new products, activities, processes and systems, and assesses whether and how the activities whose performance it intends to entrust to third parties, influence the level of operational risks.

Each subsidiary measures exposure to operational risks in quantitative and qualitative terms. The quality and comprehensiveness of the measurement must be sufficient to ensure efficient decision-making. Measurement includes risk assessment, scenario analysis and data collection on operational risk events.

Based on the results of the activities of identification and assessment of operational risk, measures to mitigate this risk are defined.

Mitigation of operational risk involves the establishment of measures and rules for the application of these measures, relating to the taking, reduction, transfer and avoidance of risks identified, measured and estimated by each subsidiary.

Operational risk mitigation is achieved by:

- consistent application of procedures for identification, measurement and risk assessment of each subsidiary;
- by proposing, by the competent organizational units of the credit institution subsidiary, measures to prevent or control, reduce and eliminate the causes of operational risk.

One of the segments of operational risk management includes the consideration of stress test results. The assumptions used for stress tests are defined on the subsidiary level based on the local specifics and must be properly documented.

The organizational unit responsible for controlling the operational risks at the level of subsidiaries follows the results of the scenario and informs the Group Risk Controlling and Monitoring Unit.

Operational risk reporting includes a system of external and internal reporting on operational risk management. External reporting is carried out in accordance with the requirements of the regulator.

The organizational unit of each subsidiary in charge of controlling operational risk is obliged to report in a timely and adequate manner to the Group Risk Controlling and Monitoring Unit, on information on the activities and risks arising from operational risk events.

Each subsidiary reports to the Group's Risk Control function:

- ad-hoc reports of high-loss events;

- quarterly - includes the assessment and analysis of operational risk exposure (analysis of collected data on operational risk events, proposals and deadlines for mitigating the greatest operational risks, as well as responsible persons/organizational units in charge of taking proposed measures, self-assessment results, etc.).

At the request of the Group's bodies and committees, reports may include other information relevant for operational risk monitoring.

Considering its size, organisation and scale of operations, the Group uses the basic indicator approach to calculate the capital requirement for operational risk.

Capital requirement calculated according to the basic indicator approach equals 15% of a three-year average of the sum of net interest and non-interest income. On 31st December 2020, it amounted to 22,908 thousand Euros.

EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

in 000 EUR

	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	161,610	144,189	165,711	23,575	294,693
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	*Subject to TSA:*	-	-	-		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

13. Exposure to Interest Rate Risk on Positions Not Included in the Trading Book
(Article 448 of the CRR Regulation)

13.1. Qualitative information on interest rate risk in the banking book

Interest rate risk is the risk of occurrence of interest rate loss that affects changes in the value of interest rate sensitive assets and liabilities. The loss arises due to a maturity of the assets and liabilities or a mismatch in the type of interest rate or the period in which the interest rate is re-determined. Interest rate changes have a significant impact on net interest income (NII). Interest rate changes also affect the balance sheet value and, consequently, the economic value of equity (EVE), the accounting and regulatory capital of the Group and members of the Group. Interest rate risk management process consists of identifying, measuring, monitoring, managing and reporting interest rate risk. There aren't any hedging activities.

Gap analysis methodology is used for measuring interest rate risk. It shows the difference between the cash flows of interest rate sensitive assets and interest rate sensitive liabilities by individual predefined time buckets. All interest-sensitive items are allocated in time buckets according to the interest rate change date. In the case of a fixed interest rate, the final maturity date is taken into account, and in the case of floating interest rate, the interest rate repricing date is taken into account.

The Group has an established system for monitoring interest risk to ensure an adequate level of net interest income and an adequate level of the Grop’s capital in the environment of changing interest rates. It is the Group’s policy to regularly monitor and control the Group’s exposure to interest risk, to develop scenarios of interest rate development, and to prepare measures in the event of interest movements that could seriously negatively impact the net interest income and the Group’s capital.

The system of interest rate risk exposure limits, checked against net interest income and economic value of equity is used to test an effect of interest rate shock scenarios. Concerning NII, impact of 100bp change in interest rates on net interest income over a one year period curve. When assessing the impact on the Group's capital, under six different interest rate shock scenarios defined by the European Banking Authority (EBA), the result with most adverse effect is used for measuring the economic value of equity. The management of interest rate risks is based on a limit system for exposure to interest rate risk. The Group has determined the limit of exposure to interest rate risks at the highest level in its Risk Appetite Statement, where it set the impact of interest rate variability on the Group's capital as one of key indicators.

The Group Risk Controlling and Monitoring Unit regularly monitors and reports quarterly to the Group Risk and Audit Committee and AEC Board-Group Supervisory Function on interest rate risk on a consolidated basis. IRRBB identification, measurement, monitoring and control processes are reviewed by Internal auditing function on a regular annual basis and reports written by internal auditors are submitted to relevant competent authorities.

Assumptions Regarding Loan Prepayments and Behaviour of Demand Deposits

The Group identified the following items to be sensitive to interest rates without contractual maturity:

- Demand deposits, including states on transaction accounts, as well as savings accounts in retail operations in the part which is accessible,
- Deposits redeemable at notice, including such deposits of legal entities,
- Limits on transaction accounts and revolving loans.

In accordance with its internal methodology, the Group is analyzing the stability of demand deposits considering the changes in the scope and characteristics of demand deposits on the annual basis, as well as how the movement impacts their stability. Taking into account the fact that interest rates for demand deposits do not change in the same scope or ratio as other market interest rates, the Group is treating the demand deposits in a conservative way and by placing them into maturity buckets, based on their stability. Furthermore, Group makes distinction between stable and unstable part of deposits, while stable part of deposits is treated as those which will stay unused with the high degree of likelihood. Also, the stable part of sight deposits is classified on core and non-core part, while the core part is related to stable deposits which are unlikely to reprice even under significant changes in the interest rate environment and/or other deposits for which the Group could modelled deposits movement in compliance with interest rate changes. Based on results of stability analysis, the Group could treat part of the demand deposits as "non-core" demand deposits and classify them into appropriate maturity buckets of shorter maturity (up to one month), while the stable part is placed into the remaining buckets with maturity of up to five years. Such distribution assumes that most of the demand deposits will stem due to unfavourable changes of all interest rates at the unchanged internal interest rates for demand deposits, raised in the first year and then in the linear falling trend every year. For the reporting period the average repricing maturity assigned to demand deposits is around 1.5 years while the longest repricing maturity is 5 years.

Deposits redeemable at notice of legal entities are analysed by the Group once per year and on the basis of the analysis results regarding the scope and maturity of these deposits, the Group then evaluates the means of discussing them in the framework of the interest rate risk management as per the criterion of materiality of their impact on interest rate positions.

The Group is also monitoring the utilisation of limits on transaction accounts, which is stable and has no important impact from the viewpoint of interest risk.

Long-term loans with fixed interest rates are defined as items with embedded options. On the basis of the analysis of early repayments, it was found that the utilisation portion from the early repayment option on the basis of the entire credit portfolio is low, therefore possible early repayments are not considered in the classification of items into maturity buckets. Long-term loans with variable interest rate are for retail and also legal entities classified into maturity buckets, based on re-determination of interest rates. These loans are thus, from the aspect of exposure to the changes of interest rates, treated as short-term, so the probability that a loan prepayment might occur before the interest rates change again, is small.

Compared to previous disclosure report, no specific IRRBB measures have been introduced and implemented.

13.2. Changes in the economic value of equity and net interest income

In 000 EUR

		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
1	Parallel up	(46,183)	(31,939)	18,398	20,496
2	Parallel down	18,911	14,265	(11,644)	(12,563)
3	Steepener	(28,302)	(24,044)		
4	Flattener	10,023	8,901		
5	Short rates up	635	(819)		

		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
6	Short rates down	(1,271)	410		

The table shows an impact on net interest income in the non-trading book, but also the change of the economic value of equity in the banking book under six scenarious.

The maximum EVE impact was in parallel up scenariou in loss of 46,183 TEUR. Interest rate risk gaps and structure of asset and liability side, are very similiar in RSD and EUR, as the significant currencies and they are moving in the same direction among entities. The main risk drivers are government bonds, held as liquidity buffer) and long-term placements, without enough exposures in the same buckets on liability side. Also, for RSD currency is used 300bp, which is very stressfull and together with EUR assumption of 200bp, parallep up scenario presents the most adverse effect of applied scenarious on Group level.

Net interest income loss as of December 31, 2021 was 11,644 TEUR in parallel down scenario and it remained stable compared to previous yer, when it was 12,563 TEUR as of December, 2020.

14. Remuneration Policy

(Article 450 a, b, c, d, e, f, g, h, i, j of the CRR Regulation)

The Group has adopted Group Remuneration Policy in order to define basic principles, system and forms of remuneration that promote motivation and achieving the best business results as possible by appropriately controlling risks and ensuring the transparency of remunerations. The main principles are applied on local level by each Group member. Local Remuneration Policies follow, to the maximum extent permitted under applicable local law, the principles and rules set out in Group Remuneration Policy.

With Remuneration Policy, the Group conforms to the general principles of balancing the ratio of fixed and variable work pay by ensuring that the amount of an employee's remuneration is not primarily dependent on the variable part of the remuneration, while at the same time it provides an effective way of encouraging the employees to achieve or surpass the planned working results.

The fixed remuneration presents a large enough share of all the remunerations of an employee so that all Group Companies can carry out a fully flexible policy of variable remunerations, including the option of non-payment.

The variable remuneration policy is determined in such a way that it is compatible with effective and wise risk management and does not encourage risk taking that surpasses the level that is acceptable for each Group Company, that it is in accordance with the business strategy, long-term goals and interests of the Group and that it predicts the measures to prevent conflicts of interest. The Group Policy is transparent, known in advance and appropriately documented.

The Group Policy requires that the remunerations of employees are in adequate balance with their authorisation, jobs and tasks, experience, responsibilities and the financial state of the respective Group Company, while everything must be regulated and determined in accordance with the applicable law.

All subsidiaries comply with the following principles when determining remuneration policies and practices of their employees:

- the remuneration policy is compatible with effective and wise risk management and it also encourages such risk management, while it does not encourage risk exposure that would surpass the risk level that is acceptable;
- the remuneration policy is in accordance with the business strategy, goals, values and long-term interests of the Group and it includes measures to prevent conflicts of interest;
- the employees who are performing control functions are independent from the organisational units they are monitoring and have appropriate authorisations and receive remunerations based on achieving objectives related to their functions, independently of the success of the business areas they are monitoring;
- the remuneration policy must clearly distinguish between the measures of determining fixed remunerations and variable remunerations;
- the variable part of a remuneration is based on a combination of an individual's performance assessment, their organisational unit and respective subsidiary business results;

- variable remunerations are only paid or become payable if they are sustainable in terms of each Group Company's financial state and if they are justified by the success of the respective Group Company, the organisational unit and the individual;
- each subsidiary establishes internal rules on the system of reducing the value of all or part of deferred variable remuneration (malus) or clawback;
- payment to each individual regarding the premature cancellation of an employment contract is expressed by the success of this individual in a certain time period and it must not reward unsuccessfulness or possible violations.

The Management function of the Management body of the Group is responsible for ensuring that the remuneration policy consistently follows the general principles in a way and scope that meets its size, internal organisation and the nature, scope and complexity of the activities they are performing.

Management function of the Management body of the Group is in charge to ensure that:

- the variable remuneration is determined in a way that it is compatible with effective and wise risk management and does not encourage risk taking that surpasses the level that is acceptable for the Group,
- the remuneration system properly takes into account all types of risks, liquidity and capital levels and that the overall Remuneration Policy is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values and the long-term interest of the institution;
- all variable remunerations are aligned with the overall results for the respective period and to make sure that they are in general adjusted to the achieved results, including agreements on the malus system or clawbacks, is also taken into account;
- it performs or participates/validates annual performance assessment for the direct subordinates within the area of the responsibilities.

The Supervisory function of the Management body of the Group is responsible for monitoring observance of Group Remuneration Policy within the Group.

In this regard, Supervisory function of the Management body of the Group:

- is responsible for adopting and maintaining the Group Policy, and overseeing its implementation to ensure it is fully operating as intended;
- is responsible for the preparation and adoption of decisions and recommendations regarding implementation of this Group Policy in the Group Companies;
- is responsible for re-design of the Group Policy, if and when needed;
- oversees the remuneration policies, practices and processes of the Group Companies and their compliance with this Group Policy;
- checks whether the existing Group Policy is still up to date;
- reviews the appointment of external remuneration consultants which may be engaged for advice or support;
- ensure the adequacy of the information provided to shareholders on remuneration policies and practices, in particular on a higher maximum level of the ratio between fixed and variable remuneration;
- assesses the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels and that the overall remuneration policy is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values and the long-term interest of the Group and the AECL.

Remuneration Committee, with regards to the remuneration, is responsible for the following:

- preparation of decisions on remuneration to be taken by the supervisory function, in particular regarding the remuneration of the members of the Board of Directors in its management function as well as of other key function holders;
- provide its support and advice to the Supervisory function of the Board on the design of the Group's Remuneration Policy;

- support the Supervisory function of the Board in overseeing the Remuneration Policies, practices and processes and the compliance with the Remuneration Policy;
- check whether the existing Remuneration Policy is still up to date and, if necessary, make proposals for changes;
- ensure the adequacy of the information provided to shareholders on Remuneration policies and practices, in particular on a proposed higher maximum level of the ratio between fixed and variable remuneration;
- assess the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels and that the overall Remuneration Policy is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values and the long-term interest of the institution;
- assess the achievement of performance targets and the need for ex post risk adjustment, including the application of malus and clawback arrangements;
- review a number of possible scenarios to test how the remuneration policies and practices react to external and internal events, and back-test the criteria used for determining the award and the ex-ante risk adjustment based on the actual risk outcomes.

Risk alignment related to variable remuneration is overseen by the risk management and compliance functions:

- Group Risk Management function assesses how the structure of variable remunerations affects the risk profile and risk assuming culture of the institution and at the same time assesses and confirms the data on adjustment due to risks.
- Group Compliance function analyses how the remuneration policy affects compliance with legislation, regulation as well as internal policies and rules and must report about found compliance risks.

"Identified staff" within the current framework refers to the employees whose professional activity has a significant influence/impact on the overall business and risk performance/profile of the Group and its subsidiaries:

a) management bodies and senior management,
b) risk takers,
c) independent internal control functions,
d) other identified staff which competencies or professional activity has impact on business performance and continuity.

Group remuneration approach provides for a balanced package of fixed and variable, financial and non-financial elements, each designed to impact in a specific manner the motivation and retention of employees.

In addition to the fixed part of the remuneration, the employees may also be entitled to variable remunerations - including short-term incentive and long-term incentive plans, in accordance with the provisions in their individual employment contracts and remuneration policy of the respective subsidiary.

The performance assessment is determined primarily on the ground of quality and volume of the work performed, as well as on other criteria determined on the subsidiary level in accordance with applicable local legislation.

The ratios between the fixed and variable components of remuneration are balanced so that the total amount of an employee's remuneration is not dependent on the variable component, yet still effectively encourages employees to achieve or exceed the planned results.

Performance based remuneration may be disbursed as cash bonus, shares, share based instruments, including conditional shares and other generally approved instruments, all in strict accordance with the applicable local legislation.

In principle, variable remuneration is determined on the basis of the performance assessment of achieving of the business performance of the respective subsidiary, as well as of the annual individual goals measured and assessed in accordance with the internal acts of the respective subsidiary. The variable part of the remuneration has to reflect the sustainable and risk-based success that is higher than the average expected success, reflected in the fixed part of the remuneration.

Generally, performance assessment is carried out once a year, or in a different period of time if so determined by the respective subsidiary.

The variable remunerations, including the deferred part - if such payment is allowed in accordance with the applicable local legislation, is only paid out or payable:

- when the financial state of the respective subsidiary and its risk exposure are acceptable and sustainable, and
- when such payment is justified by the business success of the respective subsidiary, the organisational unit and the individual in the relevant time period (which is used as a benchmark for the performance assessment – e.g. calendar year, etc.).

In order to ensure long-term success, if it is allowed according to the requirement of the applicable local legislation, the subsidiary may defer payment of some part of variable remuneration. During the period of deferral, the deferred part of the variable remuneration shall be free of interest.

To the extent permitted under the applicable local legislation, a subsidiary may cancel a part or the entire deferred variable remuneration or demand the return of already paid variable remuneration if, on the basis of circumstances, it finds out:

- that the employee's actions, omissions or decisions have led to important losses for the subsidiary or Group, or
- that the employee does not meet the suitability standards of the entity during their time on the job.

There were no pre-agreed variable remuneration in 2021.

None of the employees in any of the subsidiaries was paid EUR 1 million or more in 2021.

Racio between fix and variable remuneration in 2021 was 1:0.12.

Each subsidiary discloses the payments to individual members of the Management Board in their Annual Report on solo level in accordance with the local regulation.

EU REM1 - Remuneration awarded for the financial year

in 000 EUR

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	15	11	52	46
2		Total fixed remuneration	548	1,179	3,988	1,415
3		Of which: cash-based	548	1,179	3,988	1,415
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	15	11	51	44
10		Total variable remuneration	-	234	482	91
11		Of which: cash-based	-	234	482	91
12		*of which: deferred*	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		*of which: deferred*	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		*of which: deferred*	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		*of which: deferred*	-	-	-	-
15		Of which: other forms	-	-	-	-
16		*of which: deferred*	-	-	-	-
17	**Total remuneration**		**548**	**1,413**	**4,470**	**1,506**

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

in 000 EUR

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which: guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap		-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	1	-
7	Severance payments awarded during the financial year - Total amount	-	-	36	-
8	Of which: paid during the financial year	-	-	36	-
9	Of which: deferred	-	-	-	-
10	Of which: severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which: highest payment that has been awarded to a single person	-	-	36	-

EU REM3 - Deferred remuneration

in 000 EUR

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	177	89	89	-	-	-	-	-
8	Cash-based	89	89	-	-	-	-	-	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	89	-	89	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	98	49	49					
14	Cash-based	49	49	-	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	49	-	49	-	-	-	-	-

18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff**	-	-	-					
20	Cash-based	-	-	-	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	275	138	138					

EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										
2	Of which: members of the MB	15	11	26							
3	Of which: other senior mngmnt				2	13	6	15	16	-	**52**
4	Of which: other identified staff				3	14	7	14	8	-	**46**
5	**Total remuneration of identified staff**	548	1,413	1,961	115	2,057	818	1,805	1,181	-	7,937
6	Of which: variable remuneration	-	234	234	-	224	74	164	110	-	**807**
7	Of which: fixed remuneration	548	1,179	1,726	115	1,832	744	1,641	1,071	-	**7,129**

15. Leverage

(Article 451 of the CRR Regulation)

The purpose of the leverage ratio is to limit the size of the Group balance sheet with a special emphasis on exposures not weighted as part of the existing calculations of capital requirements. The calculation of the leverage thus uses Tier 1 capital in the numerator, while in the denominator it uses the total exposure of all balance and off-balance-sheet items after performed adjustments, as part of which exposures from derivatives, exposures from securities financing transactions and other off-balance-sheet items are especially emphasised.

In accordance with Article 499(2) of the CRR, the Group decided to disclose the leverage ratio where the capital measure is Tier 1 capital.

As at 31 December 2021, the Group's leverage ratio calculated according to guidelines of the Commission Delegated Regulation (EU) 2015/62 amounts to 15.50%.

To fulfil the obligations regarding the disclosure of information about the leverage, the Group used templates from the implementing regulation for the disclosure of the leverage ratio. The template items which are not relevant are not shown.

Table EU_LR1 provides reconciliation of AEC Group financial statements to the leverage ratio exposure as of 31.12.2021:

EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

in 000 EUR

		a
	Reconciliation of accounting assets and leverage ratio exposures	**Applicable amount**
1	Total assets as per published financial statements	4,381,368
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(1,695)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the-total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	(3,787)
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	246,059
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	(43,703)
13	**Total exposure measure**	**4,578,241**

Table EU LR2 shows breakdown of total leverage exposure measure into its main parts, as of 31.12.2021 and 31.12.2020:

EU LR2 - LRCom: Leverage ratio common disclosure

in 000 EUR

		CRR leverage ratio exposures	
		a	b
		31.12.2021	31.12.2020
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	4,290,442	4,015,650
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	0
5	(General credit risk adjustments to on-balance sheet items)	-	0
6	(Asset amounts deducted in determining Tier 1 capital)	(13,436)	(13,301)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**4,277,006**	**4,002,349**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	-	199
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-	-
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	3,787	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**3,787**	**199**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	51,389	43,728
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**51,389**	**43,728**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	823,834	729,245
20	(Adjustments for conversion to credit equivalent amounts)	(577,776)	(517,817)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**246,059**	**211,428**
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans): - Promotional loans granted by a public development credit institution	-	-

		CRR leverage ratio exposures	
		a	b
		31.12.2021	31.12.2020
	- Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units)): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	**(Total exempted exposures)**	**-**	**-**
Capital and total exposure measure			
23	**Tier 1 capital**	**709,520**	**571,023**
24	**Total exposure measure**	**4,578,241**	**4,257,704**
Leverage ratio			
25	Leverage ratio	15.50%	13.41%
EU-25	Leverage ratio (xcluding the impact of the exemption of public sector investments and promotional loans) (%)	15.50%	13.41%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	15.50%	13.41%
26	Regulatory minimum leverage ratio requirement (%)	3%	3%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0	0
27	Leverage ratio buffer requirement (%)	0%	0%
EU-27a	Overall leverage ratio requirement (%)	3%	3%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	N/A	N/A
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	26,128	N/A
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	51,389	N/A
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,552,980	N/A
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,552,980	N/A
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row	15.58%	N/A

		CRR leverage ratio exposures	
		a	b
		31.12.2021	31.12.2020
	28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	15.58%	N/A

Table EU LR 3 provides breakdown of on-balance sheet exposures, excluding derivatives, SFTs and exempted exposures, by exposure class as of 31.12.2021:

EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

in 000 EUR

		a CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**4,290,442**
EU-2	Trading book exposures	-
EU-3	**Banking book exposures, of which:**	**4,290,442**
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	758,577
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	9,159
EU-7	Institutions	377,505
EU-8	Secured by mortgages of immovable properties	410,107
EU-9	Retail exposures	640,481
EU-10	Corporates	1,044,767
EU-11	Exposures in default	55,301
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	994,545

The Group regularly assesses the adequacy of the level of the leverage ratio indicator, simultaneously with the assessment of the level of the capital adequacy indicator and other indicators of adequate level of capital. Beside regulatory required calculation and reporting, leverage ratio is regularly monitored in Group Risk Report. The Group uses the leverage indicator in a set of indicators for systemic warnings as part of the Group's recovery plan made according to the provisions of Directive 2014/59/EU of the European Parliament, which also defines limit values of the level for activating mechanisms.

As evident from the table below, the leverage ratio reaches constantly high levels in 2020 and in 2021, well above regulatory and internaly defined thresholds.

Leverage ratio	31/12/2021	30/9/2021	30/6/2021	31/3/2021	31/12/2020	30/9/2020	30/6/2020	31/3/2020
	12.60%	13.41%	13.50%	13.22%	13.41%	13.37%	14.41%	13.85%

16. Liquidity Requirements

(Article 451a g, Article 435.1 of the CRR Regulation)

16.1. Liquidit risk management

Liquidity risk management within the Group is prescribed in Group Liquidity Risk Management and Liquidity Stress Testing Framework. This document sets out the basic principles and rules regarding liquidity risk management and liquidity stress testing process among members of a banking group where Agri Europe Cyprus Limited is a ultimate finance holding company.

Liquidity risk is organized in a way that responsibilities and roles are divided among different business and organizational units. Overall responsibility for liquidity risk management lies with AEC BoD (Supervisory and Management Function), in charge for adopting decisions concerning liquidity risk management and provides guidelines, defines structural and income criteria in order to ensure an adequate volume of liquid investments, sets up the basic criteria for the structure of liquidity and funding sources, approves and revises relevant documents from liquidity risk area on Group and solo level, as well as approves Liquidity Contingency Plan. The liquidity management functions are organized in alignment with the three lines of defence. Fist line of defence are business units, ALM and Treasury, responsible for compliance with risk appetite limits, monitorinh market developments, counterbalacing capacity management, future cash flow projections and liquidity contingency plan. Second line of defence are Risk management and Compliance Unit. Risk management unit is in charge of development of risk management framework, setting limits and strategies, validation of activities conducted by business units. Compliance is in charge for reviewing and monitoring regulatory changes with wich the Group is required to comply and checking the compliance with the regulatory expectations. Internal Audit presents third line of defence in liqiduity risk management process. Responsibilities of Internal Audit are to monitor effectiveness of the Group's internal quality control and risk management system, general risk assessment of all aspects and creating of internal audit work plan, including open issues and areas with high risk identified in previous risk assessments/addressing shortcomings

Liquidity risk management process on solo level (i.e. credit institution subsidiary) is an integral part of the Group risk management system and it is harmonized with the Group's Risk Management Strategy, regulatory requirements, international standards and best practices, while respecting the specifics of business activities and strategic goals. Subsidiaries are obliged to align with the Group process, but also with any regulatory requirements on local level, considering its size, nature, complexity and impact on risk exposure on the Group level. Group is conducting the Internal Liquidity Adeqacy process, since it is key input to strategy and overall balance sheet management. ILAAP is an integral part of the bank's management process and decision-making culture which is achieved by capturing output from ILAAP process in the setting of risk limits, counterbalancing capacity and recovery options. Key ILAAP inputs are a business strategy, risk identification, risk appetite, capital and financial plans. Business strategy is formed through a formal and rational decision-making process. The key stage of the process is an identification of material risks, including selection of key risk drivers in order to create a limit system. Limits have been articulated through the establishment of the Risk Appetite, where it is clearly defined to what extent the Group is willing to take risks (with regards to size, form and content of the balance sheet) and be able to continue operating by maintaining adequate counterbalancing capacity and stable funding by managing its risks effectively. Business strategy and risk appetite limits form basis for financial and capital plans which are prepared for the 3-year period. The key part of financial planning is to keep portfolio risks within limits.

The basic method of liquidity measurement involves estimating and comparing all future cash inflows and outflows based on balance sheet and off-balance sheet items at different time intervals, with the aim of identifying potential shortfalls of liquid assets, both in the conditions of regular operations and in the conditions of stress events or liquidity crisis.

Each subsidiary monitors indicators and limits defined in the Group RAS and reports to the Group Risk Controlling and Monitoring Unit on those indicators. Group Risk Controlling and Monitoring Unit calculates all liquidity risk indicators on Group level.

Policies for mitigating the liquidity risk is prescribed in Group Liquidity Risk Management and Liquidity Stress Testing Framework and in line with Group Risk Management Policy.Contingency Funding Plan presents how the bank would respond to an actual or anticipated stress test circumstances. Group Liquidity Contingency Plan Framework prescribes obligation of each credit institution subsidiary to adopt LCP (liquidty contingency plan) on a solo level which sets out the measures for addressing liquidity difficulties under stressed circumstances. The LCP is expected to address the risks identified in the Group's ILAAP and to set out the relationship with Group Recovery plan trough stress testing, liquidity risk indicators and recovery options. The LCP is triggered in the event of stress and measures are taken to improve the liquidity situation in accordance with the appropriate level of shock, while the Recovery Plan is triggered only in extreme situations where the Group's business is significantly threatened. LCP is activated when an indicator reaches amber warning level whereas Recovery Plan is activated when an indicator reaches red warning level. Warning levels can be set more conservative on subsidiary level if the analysis shows that more conservative limits would be appropriate. The LCPs on a solo level of each credit institution subsidiary are necessary tool for Group liquidity risk management and therefore they should reflect individual organisational structures and cross-border activities of each entity taking into consideration possible limitations and barriers on assistance provided by the other entities, members of the Group, in times of crisis.

Group liquidity stress testing is used for identification of liquidity risk, measuring and evaluting of liquidity position. It is not only a regulatory compliance exercise, a standalone process, but liquidity stress testing is integrated into the whole business activities, including strategic planning. Liquidity stress testing is actionable, with the results from stress testing analyses impacting decision making at the appropriate management level, including strategic business decisions of the board and senior management. Stress testing provides information about how the business model performs under stressed conditions. In case of pure performance under stress, a rework of the business model and related strategic plan and budget may be required. Importantly, stress tests should feed into the liquidity planning process.

On solo entity level, subsidiaries conduct stress tests on a monthly basis in order to identify and measure exposure to liquidity risk in extraordinary circumstances, analyzing possible effects on cash flows and liquidity. Group Risk Controlling and Monitoring Unit has the responsibility and authority for the desing, planning and implementation of liquidity stress tests.

The Bank's resilience to a liquidity shock is measured using the maturity ladder metric (EBA ITS COREP C66 template) that supports calculation of net liquidity position for every daily bucket. The focus is on bank's ability to handle hypothetical idiosyncratic liquidity shocks (adverse, extreme) in which bank face increasing liquidity outflows. Shocks are based on historical data on client's behavior on Group level, including local specifics of each subsidiary. The Group developed 3 forward-looking adverse scenarios (idiosyncratic, market-wide and combined), which consider bank's material vulnerabilities, the business model and risk profile, as well as the external conditions. All scenarios have different intensity of stress effects. In particular, the scenarios assume negative deviations from the business plan in terms of higher outflows and lower inflows: withdrawal or no longer prolongation of big deposits, reduced inflow from big tickets due to prolongation or default of the loan because of reduced performance, reputational issues in subsidiaries resulting in an unexpected outflow of retail savings accounts, negative deviation from planned increase in deposits from legal entities due to either reputational issues or consequently a further deterioration in the geopolitical situation.

Survival horizon is liquidity risk indicator, resulting from liquidity stress test. It is defined as a period during which the bank will be able to meet its obligations without necessity to generate additional funds in a stress a scenario, taking into account the counterbalancing available at the moment of calculation. Survival horizon serves as a limit over stress scenario and is one of the indicators of economic perspective and included in RAS with the buffers above specified regulatory requirement, i.e. 45 days for threshold on the Group level.

16.2. Qualitative information on LCR

Liquidity coverage ratio (LCR) was introduced by Basel Committee on Banking Supervision set standards. It entered into the force with the Directive CRD IV and the CRR Regulation, in 2015. LCR is designed to ensure that banks have an adequate level of freely available high-quality liquid assets, which can be converted into cash very quickly and without significant costs, to fulfil its liabilities for the following 30-day period under stringent, stressed situation on financial markets.

LCR as of December 31, 2021, calculated according to Article 451a(2) CRR, was 270%, which is significantly higher than regulatory prescribed minimum of 100%. Indicator was moving from 231% (min as of Q1 2021) to the 375%, when it was maximum as of end of the year. Significant increase of LCR in December 2021 due to increase of inflows (inclusion of corporate deposits maturing within 30 days and reverse repo transaction).

Since tolerance for liquidity risk is low, this results in the long-term goal of providing a sufficient, stable and diverse funding base and compliance with relevant regulatory frameworks. According to the business model, the most of the funds are in form of non-banking sector deposits. Non-banking sector deposits provide a stable source of funding and limit reliance on the wholesale funding markets. The majority of those deposits are in form of sight deposits that have no remaining maturity. Funding is monitored on monthly basis through ,,Concentration of fundingy by counterparty'' indicator. It allows the identification of those sources of wholesale and retail funding of such significance that their withdrawal could trigger liquidity problems (share of top 10 largest deponents in total NBS deposits). Concentration of funding by counterparty is part of additional liquidity monitoring metrics under the CRR EBA. This way regulator can obtain a comprehensive view of bank's liquidity risk profile, proportionate to the nature, scale and complexity of its activities.

Liquidity buffer is composed of cash, central bank balance (excluding obligatory reserve) and internally defined unencumbered high quality liquid assets which can be liquidated via repo or sale without significant value loss. Other unencumbered high liquid assets are other unencumbered securities and unencumbered ECB eligible credit claims maturing beyond 1 month. There must be no legal, regulatory or operational impediments to using these assets. On Group level, high quality liquid asset (HQLA) as of December, 2021, in amount of 1,066,925 TEUR was held in Level 1 cash and central bank reserves and level 1 high quality securities.

There were no such exposures towards derivatives transactions with significant impact on LCR and there wasn't any collateral calls on this matter.

On Group level, LCR is calculated for EUR and RSD, recognized as significant currencies, 5% of total group liabilities excluding regulatory capital and off balance sheet liabilities. According to risk appettite statement there is presribed limit for LCR for all currencies (sum of all currencies).

Table presented below presents the values and figures for each of the four calendar quarters (January-March, April-June, July-September, October-December) of 2021. Those values and figures as the simple averages of month-end observations over the twelve months preceding the end of each quarter.

16.3. Quantative information on LCR

EU LIQ1 - Quantitative information of LCR

	In 000 EUR	Total unweighted value (average)				Total weighted value (average)			
	Quarter ending on	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					1,066,925	1,012,857	924,632	846,046
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,267,238	2,207,815	2,153,364	2,108,819	155,799	149,125	144,127	140,039
3	*Stable deposits*	1,739,296	1,714,907	1,686,251	1,661,189	86,965	85,745	84,313	83,059
4	*Less stable deposits*	527,942	492,909	467,113	447,630	68,835	63,379	59,815	56,980
5	Unsecured wholesale funding	848,753	825,345	804,217	769,904	420,210	411,373	397,138	368,568
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	848,753	825,345	804,217	769,904	420,210	411,373	397,138	368,568
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	359,020	400,830	434,733	446,513	32,732	39,655	44,524	46,405
11	*Outflows related to derivative exposures and other collateral requirements*	104	2,740	3,961	4,451	104	2,740	3,961	4,451
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	358,916	398,090	430,772	442,061	32,628	36,915	40,562	41,954
14	Other contractual funding obligations	35,340	33,278	31,884	27,749	30,037	28,155	26,574	22,556
15	Other contingent funding obligations	263,365	249,352	241,755	232,139	21,231	20,273	19,825	19,195
16	TOTAL CASH OUTFLOWS					659,912	646,502	630,213	595,645
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	20,658	17,038	11,297	2,444	20,658	17,038	11,297	2,444
18	Inflows from fully performing exposures	245,954	225,674	206,515	198,753	214,122	194,517	172,912	163,424
19	Other cash inflows	21,882	29,769	46,373	60,036	21,882	29,769	46,373	60,036
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	288,494	272,481	264,184	261,233	256,652	241,314	228,690	225,486
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
	Inflows subject to 90% cap	-	-	-	-	-	-	-	-

	In 000 EUR	Total unweighted value (average)				Total weighted value (average)			
	Quarter ending on	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021
EU-20b									
EU-20c	*Inflows subject to 75% cap*	288,483	272,471	262,293	260,815	256,652	241,314	228,690	225,486
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					1,066,925	1,012,857	924,632	846,046
22	TOTAL NET CASH OUTFLOWS					403,260	405,189	401,523	370,159
23	LIQUIDITY COVERAGE RATIO (%)					270	253	231	231

16.4. Quantative information on NSFR

Net stable funding ratio (NSFR) calculated in accordance with the CRR2 was 156.22% as of December 31, 2021, within regulatory and internally prescribed limits. Overview of NSFR for the last three quarters is given in the tables below:

EU LIQ2: Net Stable Funding Ratio as of 31.12.2021

	(in 000 EUR)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**722,957**	**-**	**-**	**-**	**722,957**
2	*Own funds*	722,957	-	-	-	722,957
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**2,001,652**	**203,107**	**198,351**	**2,265,917**
5	*Stable deposits*		1,532,310	133,345	115,418	1,697,790
6	*Less stable deposits*		469,342	69,763	82,933	568,127
7	Wholesale funding:		**868,079**	**123,023**	**126,373**	**552,275**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		868,079	123,023	126,373	552,275
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	**58,001**	**8,945**	**39,552**	**44,025**
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		58,001	8,945	39,552	44,025
14	**Total available stable funding (ASF)**					**3,585,174**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**14,706**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		**12,282**	**-**	**-**	**6,141**
17	Performing loans and securities:		**583,640**	**190,655**	**1,768,016**	**1,848,311**
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		168,454	197	-	16,502
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		307,780	169,406	1,370,165	1,370,783
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		11,661	4,283	21,888	37,832
22	*Performing residential mortgages, of which:*		8,292	21,052	311,044	340,388
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		3,188	2,015	100,153	105,355
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		99,114	0	86,807	120,637
25	Interdependent assets		-	-	-	-
26	Other assets:		**683,873**	**11,402**	**187,289**	**389,031**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		168			168

	(in 000 EUR)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
30	*NSFR derivative liabilities before deduction of variation margin posted*		-			-
31	*All other assets not included in the above categories*		683,705	11,402	187,289	388,863
32	Off-balance sheet items		**288,985**	**161,983**	**203,446**	**36,821**
33	**Total RSF**					**2,295,011**
34	**Net Stable Funding Ratio (%)**					**156.22**

EU LIQ2: Net Stable Funding Ratio as of 30.9.2021

	(in 000 EUR)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**596,002**	-	-	-	**596,002**
2	*Own funds*	596,002	-	-	-	596,002
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**1,924,550**	**204,514**	**171,637**	**2,171,042**
5	*Stable deposits*		1,531,527	133,419	98,888	1,680,586
6	*Less stable deposits*		393,023	71,095	72,749	490,455
7	Wholesale funding:		**799,407**	**128,950**	**142,956**	**517,634**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		799,407	128,950	142,956	517,634
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	**38**	**52,575**	**1,198**	**52,632**	**53,231**
12	*NSFR derivative liabilities*	**38**				
13	*All other liabilities and capital instruments not included in the above categories*		52,575	1,198	52,632	53,231
14	**Total available stable funding (ASF)**					**3,337,909**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**14,494**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		**2,769**	-	-	**1,385**
17	Performing loans and securities:		**487,176**	**217,498**	**1,674,833**	**1,751,084**
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		110,819	4,234	-	12,892
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		238,638	206,819	1,242,440	1,237,820
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		4,335	1,349	28,580	34,264
22	*Performing residential mortgages, of which:*		16,129	6,445	347,184	369,758
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		234	483	99,291	100,009
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		121,590	-	85,209	130,615
25	Interdependent assets		-	-	-	-
26	Other assets:		**631,540**	**5,378**	**205,159**	**377,671**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		**10**			10
30	*NSFR derivative liabilities before deduction of variation margin posted*		-			-
31	*All other assets not included in the above categories*		631,530	5,378	205,159	377,661
32	Off-balance sheet items		**247,223**	**183,880**	**195,047**	**36,113**
33	**Total RSF**					**2,180,746**

(in 000 EUR)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
34	Net Stable Funding Ratio (%)					153.06

EU LIQ2: Net Stable Funding Ratio as of 30.6.2021

(in 000 EUR)		Unweighted value by residual maturity				Weighted value
		No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**594,249**	**-**	**-**	**-**	**594,249**
2	*Own funds*	594,249	-	-	-	594,249
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**1,847,744**	**232,858**	**187,576**	**2,142,133**
5	*Stable deposits*		1,481,096	159,191	112,134	1,670,407
6	*Less stable deposits*		366,647	73,667	75,442	471,725
7	Wholesale funding:		**758,173**	**129,039**	**206,001**	**-**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		758,173	129,039	206,001	-
10	Interdependent liabilities		**-**	**-**	**-**	**-**
11	Other liabilities:	**39**	**58,045**	**527**	**33,191**	**33,455**
12	*NSFR derivative liabilities*	**39**				
13	*All other liabilities and capital instruments not included in the above categories*		58,045	527	33,191	33,455
14	**Total available stable funding (ASF)**					**3,343,073**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**89,474**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		**-**	**-**	**-**	**-**
16	Deposits held at other financial institutions for operational purposes		**2,383**	**-**	**-**	**1,191**
17	Performing loans and securities:		**534,527**	**195,150**	**1,746,633**	**1,776,105**
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		114,374	4,234	-	13,070
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		288,279	180,683	1,317,893	1,264,593
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		62,524	4,933	25,232	13,935
22	*Performing residential mortgages, of which:*		19,522	7,817	345,599	372,937
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		2,139	1,856	97,706	101,700
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		112,352	2,416	83,142	125,505
25	Interdependent assets		**-**	**-**	**-**	**-**
26	Other assets:		**575,845**	**8,023**	**217,660**	**371,592**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		-			-
30	*NSFR derivative liabilities before deduction of variation margin posted*		-			-
31	*All other assets not included in the above categories*		575,845	8,023	217,660	371,592
32	Off-balance sheet items		**246,954**	**198,901**	**156,824**	**34,981**

(in 000 EUR)		Unweighted value by residual maturity				Weighted value
		No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
33	Total RSF					2,273,344
34	Net Stable Funding Ratio (%)					147.06

Net stable funding ratio (NSFR) shall be equal to the ratio of the institution's available stable funding to the required stable funding according to CRR2. The objective of this ratio is to provide greater control over (mis)matched maturities, covering on and off-balance sheet items over medium and long-term period.

17. Use of Credit Risk Mitigation Techniques

(Article 453 b, c, d, e, f, g, h and i of the CRR Regulation)

17.1. Policies and Processes for Collateral Valuation and Management

Credit risk mitigation involves the establishment of measures and rules for the application of these measures, relating to the acquisition, reduction, diversification, transfer and avoidance of risks. Collateral management is covered by internal act Group Collateral Management Policy which sets out the overall principles of collateral management for the credit institution subsidiaries, defines the credit risk mitigation instruments acceptable on the Group level, as well as the process of valuation, monitoring and reporting. The collateral management process at the level of each subsidiary is an integral part of the Group Collateral Management System and it is harmonized with the Group's Collateral Management Policy, regulatory requirements, international standards and best practices, while respecting the specifics of business activities and strategic goals.In order to maintain risk at an acceptable level, each subsidiary applies credit risk mitigation techniques at the level of individual placements by respecting internally set limits, diversifying placements/ investments and acquiring acceptable security instruments (collaterals).

Mitigation of concentration risk is carried out by active management of the Loan portfolio, as well as by adjusting the level of exposure with the defined internal limits.

For every collateral valuation criteria are defined for determination of internal value of collateral. Internal collateral value is calculated in such a way that a haircut is applied on the market value, whereby the amount of the haircut depends on the type of collateral. Considering that subsidiaries operate on different markets, each subsidiary defines haircuts per type of the collateral. In case of immovable properties, those haircuts should take into account location of the collateral if possible depending on available data. Applied haircuts are reviewed annually or more often in case of significant changes on the market.

Subsidiaries analytically monitor collateral held - in accordance with the statutory requirements monitors and reports on collateral according to market value. For managing, monitoring and appraising of real estate collateral, each bank subsidiary has implemented an application of the collateral module, developed by an external institution. Each subsidiary has adopted list of official appraisals and appraisal companies.

The real estate valuation must be carried out in accordance with applicable international, European and national (of each subsidiary) standards, such as the International Valuation Standards Council (IVSC), the European Group of Valuers' Associations (TEGoVA), European Valuation Standards (EVS) and the Royal Institution of Chartered Surveyors standards (RICS). Exception are made in case of valuations for NPE in bankruptcy proceeding, in the execution process of collateral and in case of collaterals that are subject of financing in leasing products.

The valuation should be based on the Market value method and appraisers should apply this method wherever possible or acceptable, as it provides the most direct link to actual market transactions analysed to obtain real estate values. In the case of estimating the value of real estate that generates income, the Income approach can be used. Cost Method should be used only in the case of rarely valued real estate valuation, and lack of activity in that part of the market prevents the use of the Market Method. Group accepts real estate valuations based on the Residual method, but it is important that the valuation itself in these cases contains a satisfactory level of information and documentation on the basis of which the real estate value is calculated.

Subsidiaries ensure regular monitoring of the value and collateral legal certainty at appropriate intervals, depending on the type of collateral.

Regular monitoring of real estate value means checking that the value is based on available data and information, including the use of statistical models. Subsidiary must perform this check at least once a year for commercial real estate, or at least once every three years for residential and other real estate.

The value of collateral is monitored more frequently in the event of significant changes in market conditions relevant to collateral and reviewed whenever there is available information indicating significant decline in the value of collateral.

17.2. Main Types of Collateral Taken by the Group

In accordance to Capital Regulatory Requirements (CRR) following types of collaterals are recognized as credit risk mitigation instruments:

- Instruments of Funded Credit Protection,
- Instruments of Unfunded Credit Protection.

For each collateral type is defined whether it is eligible to be treated as mitigation factor or not. Collaterals must fulfill legal and regulatory requirements in order to be accepted as mitigant factor.

On and off balance sheet netting is not in use in AEC Group.

Instruments of Funded Credit Protection

Funded credit protection means a technique of credit risk mitigation where the reduction of credit risk on the exposure of the subsidiary derives from the right of that subsidiary, in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty, to perform one of the following:

- to liquidate,
- to obtain transfer or appropriation of,
- to retain certain assets or amounts,
- to reduce the amount of the exposure or to replace it with the amount of the difference between the amount of the exposure and the amount of a claim on the subsidiary.

Instruments of Unfunded Credit Protection

Unfunded credit protection means a technique of credit risk mitigation where the reduction of the credit risk on the exposure of the subsidiary derives from the obligation of a third party to pay an amount in the event of the default of the borrower or the occurrence of other specified credit events.

Below are presented, in general, Instruments of Funded and Unfunded Credit Protection:

Funded Credit Protection	Unfunded Credit Protection
Immovable properties Movables Cash Assets Rights and Receivables	Guarantees Securities Insurance

In the process of establishing the offered collateral, regardless of the type of collateral, subsidiary, client or third party related to the collateral is obliged to comply with all local legal regulations that define the management, disposal and contracting of collateral.
Collateral may be eligible for evaluation in the credit decision-making process if all necessary legal conditions for establishing collateral are met and if the collateral has legal effect and is enforceable under applicable state regulations in the event of bankruptcy of the borrower or collateral owner.

17.3. Main Types of Guarantor and Credit Derivative Counterparty and their Creditworthiness

Guarantees or unfunded credit protection is a type of credit risk mitigation where a third person undertakes to pay the owed amount in the event of a default by primary obligor (borrower).

The most important types of suitable guarantors:

- guarantees by the central government;
- guarantees by institutions.

The central government units that the Group considers as guarantors when recognising unfunded credit protections to calculate the capital requirement for credit risk are EU Member State units (and non-EU countries which regulations are aligned with EU regulations) denominated and financed in their domestic currencies, so exposures are assigned a 0% risk weight (in accordance with the CRR regulation).

Institutions that the Group takes into account as guarantors when recognising unfunded credit protections to calculate the capital requirement for credit risk have no credit assessment of a suitable ECAI, but exposures are assigned a weight of 20% due to the country where the institutions are located (in accordance with the CRR regulation).

The Group has no transactions with credit derivatives.

17.4. Information about Market or Credit Risk Concentrations within the Credit Mitigation Taken

Group avoid concentration risk related to collaterals by diversying its portfolio per volume, clients segment, geographic region, etc.

In the event of collateral in the form of securities, Group is faced with market risk, or more accurately, the risk of the security prices changing on the capital market. In the event of collateral in the form of guarantees, there is a credit risk of the collateral provider, therefore Group includes the amount of the surety received in the guarantor's upper limit of borrowing.

When approving placement, the counterparty risk in transaction and the assessment of the client's free financial flow are of primary importance, collateral is only a secondary source for paying the obligations. To avoid the effect of risks that are the result of individual forms of collateral, subsidiaries define minimum ratios between the value of collateral and the loan (LTV).

As part of the Group lending operation, each subsidiary assesses the repayment potential of placements from the borrower's sustainable cash flow and the primary source of repayment is expected to be future cash flow. The collateral is exclusively a mechanism of credit protection established in order to protect the Group from irregular payments from borrower and reduce losses in the event of material deterioration of the risk profile or default of the borrower. In the event that the collection of receivables from pledged collateral is necessary, the subsidiary should choose the most effective collection method, based on analysis of the specific case.

Special attention must be given to collateralization of existing loans during a period of borrower's financial crisis. Collaterals established during such a period must be defensible and enforceable according to the respective local legal provisions in the event of subsequent insolvency.

In order to form individual impairments, Group considers the liquidation values of real estate collaterals, which include both the assessed sale timeline as well as additional discounts for the process of a forced sale and incurred costs. Because the assessed liquidation values stem from market values, a significant reduction of the market value would see Group form additional impairments.

As eligible collateral for calculating the capital requirement for credit risk, Group uses the following financial collaterals:

- bank deposits at the a member bank or cash-like instruments the member bank holds (it takes into account deposits maturity of which equals or exceeds the maturity of the credit exposure);
- debt securities issued by central government or central banks (that have a credit assessment from a suitable ECAI with a credit quality step of at least 4);
- debt securities issued by institutions (that have a credit assessment from a suitable ECAI with a credit quality step of at least 3);
- debt securities issued by other entities (that have a credit assessment from a suitable ECAI with a credit quality step of at least 3);
- debt securities issued with a short-term credit assessment from a suitable ECAI (with a credit quality step of at least 3);
- equities or main index convertible bonds;
- gold.

Overview of usage of credit risk mitigation techniques is given in the table EU3, presented below:

EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

(in 000 EUR)	Unsecured carrying amount	Secured carrying amount			
				Of which secured by	

					financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	2,065,221	1,317,497	1,204,731	112,766	-
2	Debt securities	644,558	16,944	-	16,944	
3	**Total**	**2,709,779**	**1,334,441**	**1,204,731**	**129,710**	**-**
4	*Of which non-performing exposures*	34,348	41,035	40,596	439	-
EU-5	*Of which defaulted*	34,348	41,035	40,596	439	-

The table EU CR4 which shows effects of credit risk mitigation techniques that AEC Group uses (overview of credit risk exposure and CRM effects: EU CR4 - standardised approach - Credit risk exposure and CRM effects) is given in the point 10.2 of this Disclosure Report.

_18_. Disclosure of own funds
(Article 492 of the CRR Regulation)

Disclosure is irrelevant for the Group because the transitional arrangements to calculate the regulatory capital or any other amount of risk-weighted assets are not used.

Annex 1 - Disclosure of non- performing and forborne exposures

Credit quality of forborne exposures:

	In 000 EUR	a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	**Loans and advances**	**89,686**	**40,438**	**40,438**	**40,438**	**(2,836)**	**(8,061)**	**83,513**	**24,646**
2	*Central banks*	-	-	-	-	-	-	-	-
3	*General governments*	-	-	-	-	-	-	-	-
4	*Credit institutions*	-	-	-	-	-	-	-	-
5	*Other financial corporations*	127	-	-	-	(0)	-	119	-
6	*Non-financial corporations*	86,324	38,533	38,533	38,533	(2,627)	(6,677)	82,453	24,350
7	*Households*	3,235	1,905	1,905	1,905	(209)	(1,384)	941	296
8	**Debt Securities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9	**Loan commitments given**	**1,368**	**-**	**-**	**-**	**-**	**-**	**1,368**	**-**
10	Total	91,054	40,438	40,438	40,438	(2,836)	(8,061)	84,881	24,646

Credit quality of performing and non-performing exposures by past due days:

	(in 000 EUR)	a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	**Loans and advances**	**2,461,274**	**2,441,594**	**19,680**	**74,442**	**58,893**	**2,912**	**1,428**	**3,907**	**3,122**	**1,003**	**3,177**	**74,442**
2	Central banks	42,577	42,577	-	-	-	-	-	-	-	-	-	-
3	General governments	40,157	40,157	0	70	48	0	0	3	16	1	3	70
4	Credit institutions	154,208	154,178	30	217	205	-	5	-	0	-	7	217
5	Other financial corporations	38,963	38,963	0	8	-	-	0	0	0	0	7	8
6	Non-financial corporations	1,589,418	1,579,890	9,529	58,875	48,107	1,383	540	3,429	2,286	598	2,533	58,875
7	*Of which SMEs*	887,417	878,345	9,073	29,958	25,323	311	386	2,633	1,129	130	45	29,958
8	Households	595,950	585,830	10,121	15,272	10,534	1,529	882	476	820	404	626	15,272
9	**Debt securities**	**660,562**	**660,562**	**-**	**941**	**0**	**-**	**-**	**-**	**-**	**-**	**941**	**941**
10	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
11	General governments	567,297	567,297	-	366	-	-	-	-	-	-	366	366
12	Credit institutions	25,946	25,946	-	-	-	-	-	-	-	-	-	-
13	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
14	Non-financial corporations	67,318	67,318	-	575	0	-	-	-	-	-	575	575
15	**Off-balance-sheet exposures**	**820,607**			**716**								**716**
16	Central banks	-			-								-
17	General governments	10,447			-								-
18	Credit institutions	2,584			-								-
19	Other financial corporations	4,415			-								-
20	Non-financial corporations	725,197			635								635
21	Households	77,965			81								81
22	Total	3,942,442	3,102,156	19,680	76,099	58,893	2,912	1,428	3,907	3,122	1,003	4,118	76,099

Performing and non-performing exposures and related provisions

	In 000 EUR	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	**Loans and advances**	**2,461,274**	**2,164,670**	**296,603**	**74,442**	**-**	**74,442**	**(33,562)**	**(23,503)**	**(10,059)**	**(18,756)**	**-**	**(18,756)**	**-**	**1,276,462**	**41,035**
2	Central banks	42,577	42,577	-	-	-	-	(0)	(0)	-	-	-	-	-	-	-
3	General governments	40,157	40,157	-	70	-	70	(424)	(424)	-	(59)	-	(59)	-	687	-
4	Credit institutions	154,208	154,208	-	217	-	217	(60)	(60)	-	(21)	-	(21)	-	5	-
5	Other financial corporations	38,963	38,594	369	8	-	8	(443)	(439)	(4)	(8)	-	(8)	-	8,213	-
6	Non-financial corporations	1,589,418	1,379,126	210,292	58,875	-	58,875	(28,646)	(20,729)	(7,918)	(12,510)	-	(12,510)	-	852,299	34,460
7	*Of which SMEs*	887,417	765,813	121,604	29,958	-	29,958	(12,716)	(8,291)	(4,425)	(3,850)	-	(3,850)	-	553,453	21,877
8	Households	595,950	510,008	85,942	15,272	-	15,272	(3,989)	(1,851)	(2,138)	(6,158)	-	(6,158)	-	415,258	6,575
9	**Debt securities**	**660,562**	**660,562**	**-**	**941**	**-**	**941**	**(1,127)**	**(1,127)**	**(0)**	**(941)**	**-**	**(941)**	**-**	**16,944**	**-**
10	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	General governments	567,297	567,297	-	366	-	366	(773)	(773)	-	(366)	-	(366)	-	-	-
12	Credit institutions	25,946	25,946	-	-	-	-	(38)	(38)	-	-	-	-	-	10,968	-
13	Other financial corporations	48,740	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Non-financial corporations	67,318	67,318	-	575	-	575	(316)	(316)	(0)	(575)	-	(575)	-	5,976	-
15	**Off-balance-sheet exposures**	**820,607**	**811,878**	**8,728**	**716**	**-**	**716**	**2,524**	**2,357**	**167**	**135**	**-**	**135**		**60,039**	**3**
16	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
17	General governments	10,447	10,447	-	-	-	-	3	3	-	-	-	-		-	-
18	Credit institutions	2,584	2,584	-	-	-	-	0	0	-	-	-	-		467	-
19	Other financial corporations	4,415	4,415	-	-	-	-	6	6	-	-	-	-		-	-

20	Non-financial corporations	725,197	717,447	7,749	635	-	635	2,479	2,315	164	131	-	131		57,398	0
21	Households	77,965	76,986	979	81	-	81	36	33	3	5	-	5		2,174	3
22	Total	3,942,442	3,637,111	305,332	76,099	-	76,099	(32,165)	(22,273)	(9,892)	(19,562)	-	(19,562)	-	1,353,446	41,038

Collateral obtained by taking possession and execution processes:

		a	b
		Collateral obtained by taking possession accumulated	
	In 000 EUR	Value at initial recognition	Accumulated negative changes
1	Property Plant and Equipment (PP&E)	180	(86)
2	Other than Property Plant and Equipment	81,330	(28,006)
3	*Residential immovable property*	2,114	(575)
4	*Commercial Immovable property*	67,109	(24,982)
5	*Movable property (auto, shipping, etc.)*	169	-
6	*Equity and debt instruments*	-	-
7	*Other*	11,938	(2,449)
8	Total	81,510	(28,092)

Annex 2 - Disclosure of additional information in accordance with the Decision on use Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07)

1: Information on loans and advances subject to legislative and non-legislative moratoria

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Gross carrying amount						**Accumulated impairment, accumulated negative changes in fair value due to credit risk**						**Gross carrying amount**
		Performing			**Non-performing**			**Performing**			**Non-performing**			
	(in 000 EUR)		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	**Inflows to non-performing exposures**
1	**Loans and advances subject to moratorium**	-	-	-	-	-	-	-	-	-	-	-	-	-
2	of which: Households	-	-	-	-	-	-	-	-	-	-	-	-	-
3	of which: Collateralized by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-
4	of which: Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-
5	of which: Small and Medium-sized Enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-
6	of which: Collateralized by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-

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2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

(in 000 EUR)		a	b	c	d	e	f	g	h	i
		Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	16,116	479,278							
2	Loans and advances subject to moratorium (granted)	16,014	437,803	437,803	437,803	-	-	-	-	-
3	**of which: Households**		**80,660**	**80,660**	**80,660**	**-**	-	-	-	-
4	*of which: Collateralised by residential immovable property*		9,329	9,329	9,329	-	-	-	-	-
5	**of which: Non-financial corporations**		**352,395**	**352,395**	**352,395**	**-**	-	-	-	-
6	*of which: Small and Medium-sized Enterprises*		215,867	215,867	215,867	-	-	-	-	-
7	*of which: Collateralised by commercial immovable property*		148,600	148,600	148,600	-	-	-	-	-

3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

	(in 000 EUR)	a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	**14,032**	**-**	**5,636**	**-**
2	**of which: Households**	-			-
3	*of which: Collateralised by residential immovable property*	-			-
4	**of which: Non-financial corporations**	**14,032**		**5,636**	**-**
5	*of which: Small and Medium-sized Enterprises*	10,731			-
6	*of which: Collateralised by commercial immovable property*	2,315			-