AGRI EUROPE

DISCLOSURE REPORT 2022

Disclosure Report

as of 31st December 2022

AEC Group

30 April 2023

Contents

1. Introduction

Agri Europe Cyprus Limited Group publishes Disclosure Report based on figures as of 31st December 2022 in accordance with Article 13 of the Regulation No.575/2013 of the European Parliament (Capital Requirements Regulation or CRR).

Agri Europe Cyprus Limited Group (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.

As of March 1, 2022, subsidiary AIK Bank has acquired 100.00% of equity interests held in Sberbank Srbija a.d., Belgrade. Name of acquired entity was changed as of March 2, 2022 into Naša AIK Bank a.d., Belgrade. As of December 1st, 2022, AIK bank and Nasa AIK bank merged into one entity.

Additionally, new Group structure is envisaged in December 2022 since qualified holding in GB (91.7% of shares) is now owned by Agri Europe Cyprus (AEC), instead of previously owned by AIK bank. Gorenjska bank is already included in the consolidation of AEC Group and this intra-group transaction has no impact in providing timely and accurate information to its competent authority in accordance with regulatory requirements.

AEC Group Disclosure Report meets disclosure requirements of Part Eight of CRR and all following amendments (Regulation (EU) 2019/876 (CRR2) of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 and other relevant regulations). AEC Group Disclosure Report compiles with requirements set in the Commission Implementing Regulation (EU) 2021/637 laying down implementing technical standards (ITS) with regard to public disclosures by institutions of the information referred to in Part Eight of CRR and all relevant disclosure related guidelines issued by the regulator.

AEC Group has adopted the EU's regulatory temporary treatment in accordance with Article 468 of the CRR in accordance with guideline EBA/GL/2020/12. No other significant changes are in place compared to previous disclosers. Group has not identified any disclosure waivers (no omission of required disclosures takes place).

Group includes in its disclosures all information deemed necessary to provide users with a clear, complete and accurate view of the Group's structure, capital management, risk management system and remuneration policy. Group also identifies information that is material, confidential and proprietary. Group has adopted Group Policy on Disclosure for compliance with regulatory disclosure requirements.

All disclosures are prepared on a consolidated basis and are presented in EUR thousand, unless otherwise mentioned.

Based on EU banking legislation and relevant EBA regulations, AEC Group is assessed as large, non-listed institution. In line with that, Disclosure Report as 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-annually.

Pursuant to Article 434 (1) CRR, the Group publishes the Report annually 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.

Senior management attest that disclosures required by regulator are in accordance with Group policies and internal processes, systems and controls. Written attestation is enclosed as Appendix 4 of this Disclosure Report.

1.1. 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 perform securitization 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).

1.2. Disclosures in other published reports

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

2. 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 31.12.2022. The Notes are available at the web site of AEC Group: https://agrieurope.com.cy/, within section "Annual Reports".

2.1. 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 Group Strategy on Risk Management, 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,
- defines long-term risk management objectives,
- 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:

- Group accepts risks it can manage,
- 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 infrastructure 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, and
- using past experiences and lessons learned to avoid future mistakes.

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 Policy on Risk Management 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 Policy on Risk Management. 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, following principles of risk management is considered:

- 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 Strategy on Risk Management,
- 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. Group maintains risk exposure within the prescribed limits, i.e. in accordance with the defined risk tolerance.

AEC Group conducts internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) on a continuous basis, in accordance with defined internal acts while respecting the regulatory framework. ICAAP and ILAAP are integrated into the business, strategic decision-making and risk management process of the Group. In course of ICAAP and ILAAP processes, Group identifies all the risk it is or might be exposes to, defines their measurement i.e. risk assessment and monitoring, provides adequate internal capital in accordance with the risk profile of the Group. ICAAP and ILAAP are adequately involved in the Group's risk management process and decision-making process and are subject to regular analysis, monitoring and verification by the Group's governing bodies.

Key ICAAP and 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 and ILAAP processes are integral part of risk management framework, and are 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 performs 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 all risks Group has identified and assessed as material, and their definitions, is presented in the table below:

Table 1_List of risk types assessed as material

Risk type	Risk subcategory	Risk definition
Credit risk	**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
	Counterparty credit 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
	FX lending risk	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

Risk type	Risk subcategory	Risk definition
	Credit risk induced by interest rate risk	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
	Concentration risk	Risk that directly or indirectly arises from the Group's exposure to the same or similar source of risk
Market risk	**FX risk**	Risk of losses stemming from adverse exchange rate movements in foreign currencies
	Position risk	Risk of losses, which arise from the price movements of stocks, funds and other types of direct or indirect investments into firms the bank is holding
	Credit Valuation Adjustment (CVA) risk	Risk of loss caused by changes in the credit spread of a counterparty on derivatives transactions due to deterioration of counterparty credit worthiness and changes in its credit quality
Interest rate risk	**Interest Rate risk (Banking Book)**	Risk of losses arising from adverse movements in the absolute levels of interest rates, the spread between two rates, in the shape of the yield curve or in any other interest rate relationship
	Credit spread risk (Banking Book)	Risk of reduction in value of securities held in banking book due to increase in the levels of market interest rates and required returns
Liquidity risk	**Short Term Liquidity risk**	Represents the risk that is unable to meet all of its payment obligations in short term (up to 1 year)
	Long Term Liquidity risk	Risk that cannot generate sufficient long-term funding to refinance its business activity
	Funding Concentration risk	Funding concentration risk arises from an insufficient level of diversification of liquidity sources in terms of term, product type or creditor
	Funding Cost risk	Funding cost risk arises from potential increases of cost of funds (funding spreads) in combination with liquidity gaps
Operational risks	**Operational risk in general**	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. Includes also risk of adverse effects and losses arising from fraudulent activities performed by external parties, internal parties or combined
	Legal Risk	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, labor relations, etc.).
	Information and communication technology (ICT) risk	Risk of 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. It also comprises cyber risk.
	Model risk	Probability of loss resulting from the weaknesses in the financial model used in assessing and managing a risk
	Outsourcing risk	Risk of possible negative effects on the financial result and capital of the Group due to the possible wrong/riskier selection of an external contractor.
Other risks	**Sovereign risk**	Risk of a country defaulting on its commercial debt obligations i.e. risk that a foreign central bank will alter its foreign exchange regulations; risk of a government becoming unwilling or unable to meet its loan obligations.
	Reputational risk	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 unfavorable attitude of the public towards the Group's operations, regardless of whether there is a basis for it or not
	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.
	Risk of Money Laundering and Terrorist Financing	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

Risk type	Risk subcategory	Risk definition
		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
	Strategic and Business risk	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
	Climate related and environmental risk	Compromises of two main risk drivers: a) **Physical risk** refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. Physical risk is therefore categorized as "acute" when it arises from extreme events, such as droughts, floods and storms, and "chronic" when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity. This can directly result in damage to property or reduced productivity, or indirectly lead to subsequent events, such as the disruption of supply chains. b) **Transition risk** refers to Group's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences

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 Policy on Risk Management. 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 placements, procedures for risk measurement, 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.

2.2. The Structure and Organization 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 organizational 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).

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

Supervisory function oversees and monitors Group 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, oversees and monitors management decision-making and actions and provides effective oversight of the management function, monitors that the risk culture of the Group is implemented consistently, and performs other activities in line with internal rules on governance.

Risk Committee advises and supports Supervisory function of the Board regarding overseeing, monitoring and implementation of the Group's overall Risk Strategy, corresponding Risk Appetite Statement and limits by taking into account all types of risks to ensure they are in line with the business strategy, objectives, corporate culture and values of the Group, and performs other activities in line with internal rules on governance. Risk Committee session is held before the Board of Directors sessions.

Management function is responsible for the implementation of the strategies and discusses regularly the implementation and appropriateness of those strategies and performs other activities in line with internal rules on governance. **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.

Group Risk Steering Committee (GRISCO) mission is to monitor the risk exposure of each Subsidiary and on the Group level and if necessary, proposing to the Group Management Function certain measures for the improvement of risk management. GRISCO meetings are held at least on monthly level.

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 defense" rules:

First line of defense 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 Defense 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 defense is on the level of Risk Management functions on subsidiaries' level as well as Group Risk Function being responsible for:

- Effective risk management due to the ownership of particular risks
- Organizational separation and independence of units from the First Defense 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 defense 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.

2.3. The Scope and Nature of Risk Reporting

Risk reporting process in AEC Group includes two segments:

- Internal reporting: internal reporting relates to risk management includes a set of reports to which the sectors in charge of management and risk control are submitted to Group Risk Committee, in accordance with the deadlines defined by the Group Policy on Risk Management. As a general principle, reporting is done on a monthly and quarterly basis or more often as necessary and as defined by relevant policies and frameworks. As a general principle, reporting to the AEC Board in its Management Function is done on a monthly basis and to the AEC Board in its Supervisory Function on a quarterly basis or more often if necessary and as defined by relevant policies and frameworks.

  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 Policy on Risk Management. 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. Dependent 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: regulatory reporting is submitted to the regulator on consolidated level in the forms and within the deadlines prescribed by the regulator.

2.4. 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.

2.5. 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.

2.6. 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 and key indicators i.e. indicators that has set limits as strict requirements for taking risks in a certain category or type of risk, as of 31.12.2022 is presented in the table below. Group Risk Appetite Statement is discussed and reported to Risk Committee and AEC BoD. All indicators were within defined limits.

Table 2_Risk Appetite Statements indicators with set limits as of 31.12.2022

Risk Area	Key Risk Indicator	31.12.2022
Capital metrics	Common Equity Tier 1 ratio (CET1)	18.54%
	Tier 1 ratio (T1)	18.54%
	Total Capital ratio (TCR)	18.54%
	Risk bearing capacity (RBC) utilization	74.70%
	Leverage ratio	11.79%
Credit risk	NPL ratio	2.15%
Concentration risk	Single Name Concentration ratio	18.41%
Market Risk	FX Risk indicator	1.67%
	Sum of all exposures in Trading book	21.42
Sovereign risk	Exposure towards Government bonds issued by RS/SI	85.96%
Liquidity Risk	Liquidity Coverage ratio (LCR)	189.36%
	Loan-to-deposit ratio (LTD gross)	78.76%
	Survival Horizon (days)	198
	Net Stable Funding Ratio (NSFR)	143.03%
Interest Rate Risk	Sensitivity of EVE (Parallel shift 200bp)/Own Funds	-2.96%
	Sensitivity of EVE (6 scenarios)/Tier 1 in stress scenario	-3.87%
	ΔNII/Own Funds	1.71%
Operational risk	Number of internal fraud cases	0
Compliance/AML	No. Of clients from the countries on Restricted list	0
	No. of anonymous accounts, anonymous passbooks or anonymous safe-deposit boxes	0

Additional risk indicators and figures are included in template EU KM1 – Key metrics template presented in point 6.2 in this Group Disclosure Report, and also under the various risk type specific paragraph.

3. 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 governance is to define the general principles of internal corporate governance.

Each subsidiary has adopted on local level its own internal governance policy which is aligned 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:

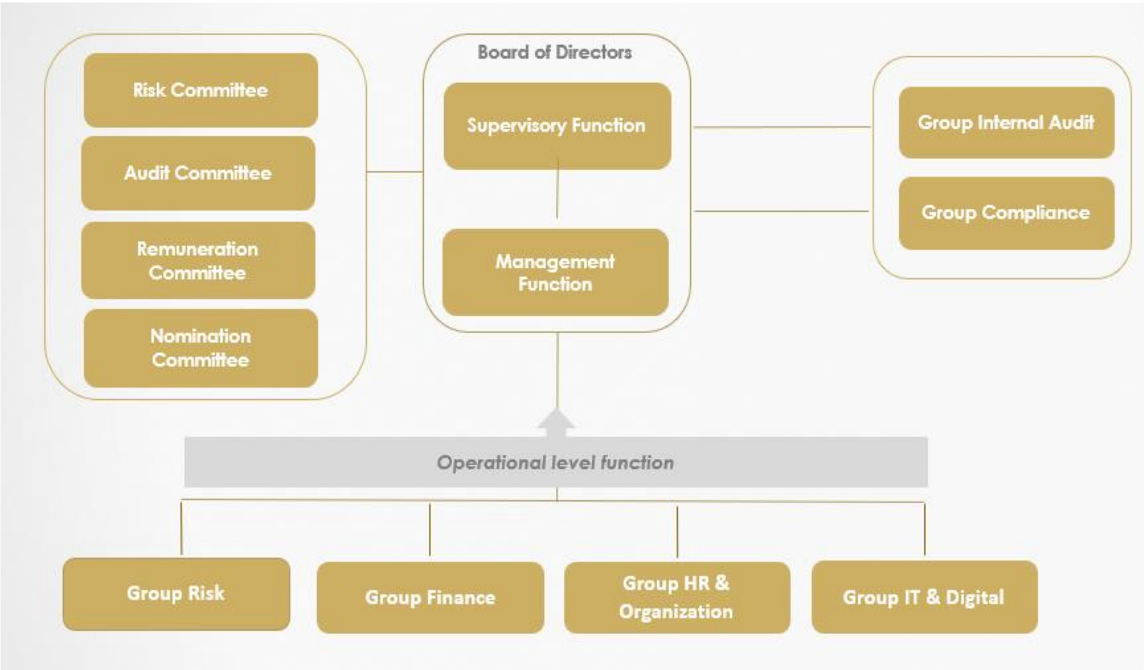


Figure 2_AEC Group governance structure

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 Committee was joined in one committee and from the beginning of 2022 they have been divided into two separate committees, in line with the best practice on the market and regulatory requirements.

As of 31.12.2022, AEC BoD has 8 members, out of which 2 are executive BoD member in the capacity of management function and 6 are non-executive BoD members in the capacity of supervisory function. Apart from 4 new BoD members approved by the ECB in 2021 who commenced their offices within AEC from the beginning of 2022, there were 2 additional BoD members who joined the BoD instead of 2 existing BoD members who left AEC BoD. Namely, in November 2022 ECB approved appointment of 2 non-executives, from which one became the new Chairman of the AEC BoD (instead of the previous Chairman who left the BoD).

In this manner and as a result of additional members in the AEC BoD, the company improved collective suitability of the BoD and strengthen the composition of BoD committees in 2022.

3.1. 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.

3.2. 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.

3.3. 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 2022:

Table 3_Number of directorship as of 31.12.2022

	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. Romeo Collina		AEC-President of Board of Directors	-	-	-
Mr. Aleksandar Kostić		AEC- Member of Board of Directors	-	-	-
Mr. Nicos Anastasis Neophytou		AEC- Member of Board of Directors	-	3	-
Mr. Martin Elling		AEC- Member of Board of Directors	-	-	-
Mr. Richard Sharko		AEC- Member of Board of Directors	-	1	-
Mr.Lambros Papadopoulos		AEC- Member of Board of Directors		2	

	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 bank- Member of Management Board	Gorenjska bank – Member of the Supervisory Board	-	-	-
Mr.Georgios Syrichas	AEC- Member of Board of Directors		-	1	-

3.4. 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 its 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.

3.5. 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 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.

3.6. Remuneration Committee

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

Responsibilities of the Remuneration Committee are:

- 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,
- to provide its support and advice to the Supervisory function of the Board on the design of the Group's Remuneration Policy,
- to support the Supervisory function of the Board in overseeing the Remuneration Policies, practices and processes and the compliance with the Remuneration Policy;

- to check whether the existing Remuneration Policy is still up-to-date and, if necessary, make proposals for changes,
- to review the appointment of external remuneration consultants that the Supervisory function may decide to engage for advice or support,
- to 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,
- to 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,
- to assess the achievement of performance targets and the need for ex post risk adjustment, including the application of malus and claw-back arrangements,
- to 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,

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

3.7. Nomination Committee

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

Responsibilities of the Nomination Committee are:

- to 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,
- 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,
- to 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,
- to 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,
- to 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 Directors.

3.8. 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 had 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 subsidiary. 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, sufficient time commitment), as well as other professional standards (the obligation of diligent, loyal and independent behavior) 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's Committees.

In line with above mentioned 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 behavior) of the management body’s members.

3.9. 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 underrepresented gender. In 2022 management body was represented by both genders with 12.5% of underrepresented gender.

On management level (Board and B-1 levels) there is 37.5% of underrepresented gender. Regarding the other aspects of diversity, the Group is well balanced in its main structures meaning that there are diversity 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.

3.10. 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.

4. 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 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 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.

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 ownership is shown in the figure below:

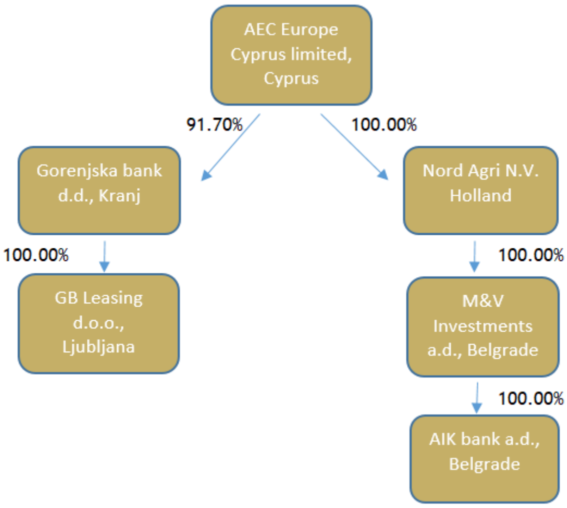


Figure 3_AEC Group ownership structure

4.1. 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, 2022 are:

- Subsidiary outside the banking and financial sector is not consolidated within the regulatory group of institutions but is included in the consolidated financial statements according to IFRS (subsidiary – Imobilia – GBK, d.o.o., Kranj), and

- Subsidiaries which according to CRR Article 19 can be excluded due to immateriality (Hypo Alpe Adria leasing, d.o.o., Ljubljana and Filira, poslovne storitve d.o.o., Ljubljana).

As of year-end 2022, prudential consolidation includes 5 entities, excluding the parent Agri Europe Cyprus Limited, where all entities were consolidated with full consolidation approach. 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 accounting and prudential scope of consolidation. It considers all entities for which the method of the accounting consolidation is different from the method of the prudential 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 prudential scope of consolidation – the entity is recognized. This is then finally supplemented by a short description of the entity.

Table 4_EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

a	b	c	d	e	f	g	h
Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	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
Filira, poslovne storitve d.o.o., Ljubljana	Full consolidation				X		Consulting company

4.2. 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, 2022.

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 within the table "EU CC1 Composition of regulatory own funds" as referenced in the last column of this table.

AGRI EUROPE

Table 5_EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

000 EUR

		a	b	c	d	e	f	g	
				Carrying values of items					
		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 securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds	References*
Breakdown by asset clases according to the balance sheet in the published financial statements									
1	Cash, cash balances at central banks and other demand deposits	927,539	927,673	927,673		-	414,572		
2	Receivables under derivatives	145	145	-	145	-	-		A
3	Securities	891,148	891,270	890,718		-	435,185	552	B
4	Loans and receivables due from banks and other financial institutions	280,465	280,384	270,916	9,468	-	144,265		
5	Loans and receivables due from customers	3,432,135	3,432,374	3,432,374		-	725,237		
6	Investments into associates and joint ventures	1,279	3,885	3,885		-	-		
7	Intangible assets	11,152	11,153	0		-	-	11,153	C
8	Property, plant and equipment	53,786	53,786	53,786		-	-		
9	Investment property	65,799	62,964	62,964		-	-		
10	Current tax assets	19,614	19,585	19,585		-	-		
11	Deferred tax assets	12,499	13,727	9,590		-	-	4,137	D
12	Non-current assets held for sale and assets from discontinued operations	340	340	340		-	-		
13	Other assets	60,355	60,522	60,522		-	26,956		
14	**Total assets**	**5,756,256**	**5,757,809**	**5,732,353**	**9,613**	**0**	**1,746,215**	**15,842**	
Breakdown by liability and equity classes according to the balance sheet in the published financial statements									
1	Liabilities under derivatives	67	67				0		
2	Deposits and other liabilities due to banks, other financial institutions and the central bank	252,730	252,854				58,592		
3	Deposits and other liabilities due to customers	4,437,674	4,439,324				1,187,493		
4	Provisions	15,796	15,799				10,817		
5	Current tax liabilities	35,853	35,862						
6	Deferred tax liabilities	673	1,900						
7	Other liabilities	50,269	50,019				17,475		
8	**Total liabilities**	**4,793,062**	**4,795,825**	**0**	**0**	**0**	**1,274,377**	**0**	
9	Capital	1	1						E
10	Reserves	184,376	187,759						F
11	Retained earnings	584,955	583,916						G
12	Profit or loss attributable to owners of the parent	189,545	185,989						H
13	Non-controlling interests	4,317	4,319						
14	**Total shareholders' equity**	**963,194**	**961,984**	**0**	**0**	**0**	**0**	**0**	
15	**Total liabilities and equity**	**5,756,256**	**5,757,809**	**0**	**0**	**0**	**1,274,377**	**0**	

**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 i.e. number of entities within scope. There is no other differences.

Total difference is 1,552 EUR for asset and 2,763 EUR for liabilities. The main differences are on following categories:

- Investments in associates and joint ventures,
- Investment property,
- Deferred tax assets (due to netting with deferred tax liabilities),
- Deposits and other liabilities due to customers,
- Deferred tax liabilities (due to netting with deferred tax assets).

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, 2022 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.

Table 6_EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

000 EUR

		a	b	c	d	e
		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	5,757,809	5,732,353	-	9,613	1,746,215
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	-	-	-	-	1,274,377
3	**Total net amount under the scope of prudential consolidation**	5,741,966	5,732,353	-	9,613	471,838
4	**Off-balance-sheet amounts**	1,461,567	1,461,567	-	-	
5	*Differences in valuations*	(552)	(552)			
6	*Differences due to different netting rules, other than those already included in row 2*	-	-			
7	*Differences due to consideration of provisions*	(119,945)	(119,945)			
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	(3,425)	0		(3,425)	
9	*Differences due to credit conversion factors*	(1,115,956)	(1,115,956)			
10	*Differences due to Securitisation with risk transfer*	-				
11	*Other differences*	138,784	138,784			
12	**Exposure amounts considered for regulatory purposes**	**6,102,440**	**6,096,252**	**-**	**6,188**	**471,838**

4.3. 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 2022 the Group did not have external 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.

4.4. Potential capital shortfalls in unconsolidated subsidiaries

Group subsidiaries which were not included in prudential consolidation due to their immateriality did not have to comply with own regulatory minimum capital standards in 2022.

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.

5. Own Funds

(Article 437 a , b,c,d and e, 468 of the CRR Regulation)

5.1. 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 2022, Common Equity Tier 1 capital exceeded the requirements for 557,577 thousand EUR, Tier 1 capital for 497,987 thousand EUR and total Own Funds for 418,534 thousand EUR.

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.

Table 7_EU CC1 - Composition of regulatory own funds

000 EUR		(a)	(b)
		Amounts	**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	*1*	
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	555,007	G
3	Accumulated other comprehensive income (and other reserves)	187,730	F
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) 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	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**742,737**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(552)	A, B
8	Intangible assets (net of related tax liability) (negative amount)	(11,153)	C
9	Not applicable		
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) are met) (negative amount)	(4,137)	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 securitized 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 and indirect holdings by an institution of own CET1 instruments (negative amount)	-	

000 EUR		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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 significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Not applicable		
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: securitization 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) 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	-	
24	Not applicable		
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)	-	
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	9,450	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(6,392)**	
29	**Common Equity Tier 1 (CET1) capital**	**736,346**	
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) and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	-	
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			

000 EUR

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
37	Direct and indirect 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)	-	
41	Not applicable		
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)**	**736,346**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484 (5) 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) subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	-	
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 and indirect 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 and indirect 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)	-	
54a	Not applicable		
55	Direct and indirect 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)	-	
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
56b	Other regulatory adjustments to T2 capital	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**-**	

000 EUR		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
59	**Total capital (TC = T1 + T2)**	**736,346**	
60	**Total risk exposure amount**	**3,972,645**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	18.54%	
62	Tier 1	18.54%	
63	Total capital	18.54%	
64	Institution CET1 overall capital requirements	8.85%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.02%	
67	of which: systemic risk buffer requirement	0.00%	
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	1.83%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**7.29%**	
69	Not applicable	n/a	
70	Not applicable	n/a	
71	Not applicable	n/a	
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)	14,613	
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	
74	Not applicable	n/a	
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) are met)	7,833	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardized 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	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

From total retained earnings as per regulatory consolidation in the amount of 583,916 thousand EUR (table EU CC2) in the calculation of regulatory own fuds in table EU CC1 is included 555,007 thousand EUR. The difference represent retained earnings of subsidiaries for which the exact future usage is not still determined.

Additional value adjustments as of December 31, 2022 in the amount of 553 thousand EUR relate to 0.1% of:

- Receivables under derivatives net amounting to 77 thousand EUR and following types of Securities
    - equity instruments held for trading amounting to 21,416 thousand EUR,
    - equity instruments non-trading mandatorily at FVtPL amounting to 19,236 thousand EUR,
    - equity instruments FVtOCI amounting to 12,587 thousand EUR,
    - debt instruments FVtOCI amounting to 498,960 thousand EUR.

The difference to total amount presented under the table EU CC2 relate to debt instruments at amortized cost amounting to 347,012 EUR 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 4,137 thousand EUR fully relate to deferred tax assets on tax loss carryforwards, as presented in Note 29, of Audited consolidated financial statements.

“Other regulatory adjustments” amounts 9,451 thousand EUR as of December 31, 2022. Majority (9,703 thousand EUR) represents adjustment related to temporary treatment of sovereign bonds' unrealized gains and losses measured at fair value through other comprehensive income whose use was permitted during the period from 1 January 2020 to 31 December 2022. In 2022, based on EBA Guidelines on supervisory reporting and disclosure requirements in compliance with the CRR ‘quick fix’ in response to the COVID-19 pandemic EBA/GL/2020/11, Group obtained regulatory permission to apply temporary adjustments in Own Funds calculation, which refers specifically to unrealized gains and losses from debt exposures. Temporary treatment is implemented in Own Funds calculation till 31.12.2022, and the amount as of 31.12.2022 is 9.70 mEUR (item: Other transitional adjustments to CET1 Capital).

Amounts of Own funds, Common Equity Tier 1 capital and Tier 1 capital and respective capital adequacy ratios and leverage ratio the Group would have in case it would not apply that treatment is presented in the table below.

Template IFRS 9/Article 468: Comparison of institutions’ own funds and capital with and without the application of the temporary treatment in accordance with Article 468 of the CRR.

Table 8_Template IFRS 9/Article 468

000 EUR

		31.12.2022
	Available capital (amounts)	
1	Common Equity Tier 1 (CET1) capital	736,346
1a	Common Equity Tier 1 (CET1) capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	726,643
2	Tier 1 capital	736,346
2a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	726,643
3	Total capital	736,346
3a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	726,643
	Risk-weighted assets (amounts)	
4	Total risk-weighted assets	3,972,645
4a	Total risk-weighted assets as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	3,968,250
	Capital ratios	
5	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.54%
5a	Common Equity Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18.31%
6	Tier 1 (as a percentage of risk exposure amount)	18.54%
6a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18.31%
7	Total capital (as a percentage of risk exposure amount)	18.54%
7a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18.31%
	Leverage ratios	
8	Leverage ratio total exposure measure	6,244,000
9	Leverage ratio	11.79%
10	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	11.64%

5.2. 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 prudential 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”.

Table 9_EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

000 EUR

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
Assets - *Breakdown by asset clases according to the balance sheet in the published financial statements*				
1	Cash and cash funds held with the central bank	927,539	927,673	
2	Receivables under derivatives	145	145	A
3	Securities	891,148	891,270	B
4	Loans and receivables due from banks and other financial institutions	280,465	280,384	
5	Loans and receivables due from customers	3,432,135	3,432,374	
6	Investments into associates	1,279	3,885	
7	Intangible assets	11,152	11,153	C
8	Property, plant and equipment	53,786	53,786	
9	Investment property	65,799	62,964	
10	Current tax assets	19,614	19,585	
11	Deferred tax assets	12,499	13,727	D
12	Non-current assets held for sale and assets from discontinued operations	340	340	
13	Other assets	60,355	60,522	
14	**Total assets**	**5,756,256**	**5,757,809**	
Liabilities - *Breakdown by liability clases according to the balance sheet in the published financial statements*				
1	Liabilities under derivatives	67	67	
2	Deposits and other liabilities due to banks, other financial institutions and the central bank	252,730	252,854	
3	Deposits and other liabilities due to customers	4,437,674	4,439,324	
4	Provisions	15,796	15,799	
5	Current tax liabilities	35,853	35,862	
6	Deferred tax liabilities	673	1,900	
7	Other liabilities	50,269	50,019	
8	**Total liabilities**	**4,793,062**	**4,795,825**	
Shareholders' Equity				
1	Capital	1	1	E
2	Reserves	184,376	187,759	F
3	Retained earnings	584,955	583,916	G
4	Profit or loss attributable to owners of the parent	189,545	185,989	H
5	Minority interests [Non-controlling interests]	4,317	4,319	
6	**Total shareholders' equity**	**963,194**	**961,984**	

**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*

5.3. 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 AEC Group is presented within following table.

Table 10_EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

		a
		Qualitative or quantitative information - Free format
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	No
	Regulatory treatment	
4	Current treatment taking into account, where applicable, 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 or eligible liabilities (Currency in million, as of most recent reporting date)	0.001 mEUR
9	Nominal amount of instrument	EUR 1.00
EU-9a	Issue price	Seen Note (1)
EU-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
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU-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, specify instrument type convertible into	N/A
29	If convertible, specify 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)	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A
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)	N/A

6. Own funds requirements and risk-weighted exposure amounts

(Article 438 a, b, d of CRR regulation, Article 447 of CRR regulation)

6.1. 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 (ICAAP) in accordance with its Strategy on Risk Management, 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 (including credit counterparty risk), market, operational risk and credit valuation adjustment (CVA) risks. Group uses the standardized 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 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. List of all material risk is defined under point 2.1 of this Report.

Under ICAAP, Group defines Internal capital. Internal capital represents amount of capital that is available for coverage of risks the Group is or might be exposed to. When defining Internal capital, Group has taken into consideration relevant regulatory regulations in this area, as well as standards on the Group level regarding ICAAP and capital. Internal capital is defined on the same basis as regulatory capital i.e., Own Funds, with additional adjustments by considering difference between the value of bonds calculated at amortized cost and market value of those securities.

The Group determines 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 Strategy on Risk Management and Group Policy on Risk Management,
- Group Framework on ICAAP and ILAAP,
- Additionally, all Group members define in their internal acts 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:

- identification of risk types and their risk materiality assessment,
- quantification and aggregation of risks, and allocation of capital for each risk assessed as material,
- stress testing,
- risk bearing capacity utilization calculation,
- monitoring and reporting.

The Group defines in the Group Framework on ICAAP and ILAAP 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,
- FX lending risk - Internal model,
- Credit risk induced by interest rate risk – Internal model,
- Concentration risk - Internal model based on the Herfindahl-Hirschman Index (HHI),
- Market risks - Standardized approach,

- CVA risk – Standardized approach,
- Interest rate risks – Internal model,
- Liquidity risk – regulatory based approaches and internal models,
- Operational risks - Basic indicator approach and internal model (model risk),
- 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 at least on quarterly level. 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 31.12.2022 shows total internal capital requirements that are 22% surpass the regulatory capital requirements.

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

In the template EU KM1 the Group shows following items as of 31.12.2022, and as of previous disclosure periods, 30.6.2022 and 31.12.2021:

- 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.

Table 11_EU KM1 Key metrics template

000 EUR

		a	b	c
		31.12.2022	30.06.2022	31.12.2021
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	736,346	677,854	709,520
2	Tier 1 capital	736,346	677,854	709,520
3	Total capital	736,346	679,184	709,520
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	3,972,645	3,959,914	2,925,774
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	18.54%	17.12%	24.25%
6	Tier 1 ratio (%)	18.54%	17.12%	24.25%
7	Total capital ratio (%)	18.54%	17.15%	24.25%
	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 (%)	3.25%	3.25%	2.75%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.83%	1.83%	1.55%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.44%	2.44%	2.06%
EU 7d	Total SREP own funds requirements (%)	11.25%	11.25%	10.75%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	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 (%)	0.02%	0.00%	0.01%
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer	-	-	-
11	Combined buffer requirement (%)	2.52%	2.50%	2.51%
EU 11a	Overall capital requirements (%)	13.77%	13.75%	13.26%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.29%	5.90%	5.90%
	Leverage ratio			
13	Total exposure measure	6,244,000	6,163,283	4,578,241
14	Leverage ratio (%)	11.79%	11.00%	15.50%
	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%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	-	-	-
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1,137,652	1,125,081	1,066,925
EU 16a	Cash outflows - Total weighted value	867,127	744,315	659,912
EU 16b	Cash inflows - Total weighted value	317,545	301,444	256,652
16	Total net cash outflows (adjusted value)	549,582	442,871	403,260
17	Liquidity coverage ratio (%)	209.8%	262.6%	270.1%
	Net Stable Funding Ratio			
18	Total available stable funding	4,462,750	4,279,617	3,585,174
19	Total required stable funding	3,120,234	3,168,106	2,295,011
20	NSFR ratio (%)	143.0%	135.1%	156.2%

6.3. Risk-weighted exposure amounts and minimum capital requirement64

AEC Group calculates risk weighted exposure amount for Pillar 1 risks, i.e. credit risk (including credit counterparty risk), market risks (FX risk and position risk), operational risk and CVA risk in line with regulatory requirements (CRR).

For Credit risk, AEC Group uses standardized approach. 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 items 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 12 of this Disclosure Report). Capital requirement for operational risks are calculated by applying basic indicator approach (more on that in point 13 of this Disclosure Report). Capital requirements for CVA risk are calculated using Standardized approach, as defined under CRR.

In the template EU OV1, AEC Group represents overview of risk weighted assets and capital requirements calculated in accordance with the Article 92 of the CRR. Capital requirements are broken down into different risk categories. Amount below the thresholds for deduction i.e., subject to 250% risk weight is also presented in the table for informational purposes.

Table 12_EU OV1 Overview of total risk exposure amounts

000 EUR

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		31.12.2022	31.12.2021	31.12.2022
1	Credit risk (excluding CCR)	3,512,171	2,523,840	280,974
2	Of which the standardised approach	3,512,171	2,523,840	280,974
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	10,974	8,109	878
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	1,266	809	101
9	Of which other CCR	9,707	7,299	777
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%	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	42,833	99,133	3,427
21	Of which the standardised approach	42,833	99,133	3,427
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	406,667	294,693	32,533
EU 23a	Of which basic indicator approach	406,667	294,693	32,533
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)**	**26,095**	**16,565**	**2,088**
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	**Total**	**3,972,645**	**2,925,774**	**317,812**

7. Exposure to Counterparty Credit Risk

(Article 439 of the CRR Regulation)

Counterparty credit risk within the Group is prescribed in Group Framework on Counterparty and Country Risk Limits. The purpose of this framework is to establish the basic principles, approaches, rules and procedures of the counterparty credit risk and country risk management on the Group level which include identification, measurement, management and reporting of counterparty risk. Additionally, this framework determines the process of approving, adopting and monitoring of the Agri Europe Cyprus Ltd. Group's limits to the counterparties. The primary objectives of the Group are to ensure sound credit risk management practices and that sufficient restrictions are in place to mitigate counterparty credit risk and country risk among all Group's entities.

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 structure 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. Furthermore a limit for counterparty at individual customer level is requested and approved according to the Group Framework on Underwriting.

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

Counterparty credit risk is control through limit monitoring and reporting framework. Limit monitoring is executed in accordance with following principles:

- Monitoring shall include procedures ensuring that all policies and regulations related to counterparty risk management are being applied consistently and work as intended
- Independent monitoring of counterparty and country risk exposures shall be implemented through establishment of comprehensive reporting

Local Risk Controlling unit or other department/unit in charge for counterparty/country risk management monitors the counterparty limit's utilization at local subsidiary level on a daily basis. Also, those units are obliged to report on counterparty risk limits and exposures to the Group ALM Unit and Group Risk Controlling and Monitoring Unit on a daily basis.

Limit utilization by counterparty as well as aggregated monitoring per credit quality step are regularly reported to AEC Board Supervisory function by Group Risk Controlling and Monitoring Unit, through the Quarterly Risk Report. AEC Board Supervisory function receives information on limit utilization on a quarterly basis. AEC Board Management function receives information on limit utilization on a monthly basis

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. 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 Standardized Approach for counterparty credit risk (SA CCR). 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.

For derivative transactions, exposure values before and after the effect of credit risk mitigation and associated risk exposure amounts broken down by applicable method is presented in the table below:

Table 13_ EU CCR1 – Analysis of CCR exposure by approach

000 EUR

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					-	-	-	-

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

Amount of segregated and unsegregated collateral received and posted per type of collateral, further broken down between collateral used for derivatives and securities financing transactions is given in the table below:

Table 14_EU CCR5 – Composition of collateral for CCR exposures

000 EUR

		a	b	c	d	e	f	g	h
		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	-	-	-	-	-	9,832	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**-**	**-**	**-**	**-**	**-**	**9,832**	**-**	**-**

7.2. 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.

7.3. 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.

Table 15_EEU CCR2 – Transactions subject to own funds requirements for CVA risk

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	15,691	1,266
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**15,691**	**1,266**

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

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

7.5. Notional amounts and fair value of credit derivative transaction

AEC Group does not have any single name CDS in the portfolio as of 31.12.2022

7.6. CCR exposures by regulatory exposure class and risk weights

Table 16_EU CCR3 – Standardized approach – CCR exposures by regulatory exposure class and risk weights

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	85,298	-	-	-	-	-	-	-	-	-	-	85,298
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	7,479	-	-	-	8,211	-	-	15,691
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**85,298**	**-**	**-**	**-**	**7,479**	**-**	**-**	**-**	**8,211**	**-**	**-**	**100,989**

8. 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 2022.

AGRI EUROPE

Table 17_EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

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	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book		Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010	Breakdown by country:													
020	AE	5	-	-	-	-	5	-	-	-	-	-	0.00%	0.00%
030	AT	6,126	-	273	-	-	6,399	430	44	-	474	5,925	0.00%	0.00%
040	BA	24,147	-	-	-	-	24,147	1,636	-	-	1,636	20,450	0.01%	0.00%
050	BE	7,279	-	-	-	-	7,279	583	-	-	583	7,288	0.00%	0.00%
060	BG	90	-	-	-	-	90	6	-	-	6	75	0.00%	0.01%
070	BM	1	-	-	-	-	1	-	-	-	-	-	0.00%	0.00%
080	BR	7	-	-	-	-	7	-	-	-	-	-	0.00%	0.00%
090	BY	2	-	-	-	-	2	1	-	-	1	13	0.00%	0.00%
100	CA	90	-	-	-	-	90	7	-	-	7	88	0.00%	0.00%
110	CH	50,053	-	1	-	-	50,054	3,976	-	-	3,976	49,700	0.02%	0.00%
120	CN	84	-	-	-	-	84	3	-	-	3	38	0.00%	0.00%
130	CU	1	-	-	-	-	1	-	-	-	-	-	0.00%	0.00%
140	CY	7,482	-	-	-	-	7,482	539	-	-	539	6,738	0.00%	0.00%
150	CZ	9,633	-	-	-	-	9,633	766	-	-	766	9,575	0.00%	0.02%
160	DE	6,316	-	420	-	-	6,736	476	67	-	543	6,788	0.00%	0.00%
170	EG	12	-	-	-	-	12	1	-	-	1	13	0.00%	0.00%
180	ES	2,714	-	-	-	-	2,714	217	-	-	217	2,713	0.00%	0.00%
190	FR	457	-	184	-	-	641	23	29	-	52	650	0.00%	0.00%
200	GB	7,294	-	12,904	-	-	20,198	474	2,065	-	2,539	31,738	0.01%	0.01%
210	GI	137	-	-	-	-	137	4	-	-	4	50	0.00%	0.00%
220	GR	72	-	-	-	-	72	7	-	-	7	88	0.00%	0.00%
230	HK	11	-	-	-	-	11	1	-	-	1	13	0.00%	0.01%
240	HR	119,219	-	-	-	-	119,219	9,433	-	-	9,433	117,913	0.04%	0.00%
250	HU	3,953	-	-	-	-	3,953	313	-	-	313	3,913	0.00%	0.00%
260	IL	1	-	-	-	-	1	-	-	-	-	-	0.00%	0.00%
270	IN	1	-	-	-	-	1	-	-	-	-	-	0.00%	0.00%
280	IT	18,219	-	1,240	-	-	19,459	1,390	198	-	1,588	19,850	0.01%	0.00%
290	KR	4	-	-	-	-	4	-	-	-	-	-	0.00%	0.00%
300	KW	151	-	-	-	-	151	4	-	-	4	50	0.00%	0.00%
310	KY	10	-	-	-	-	10	1	-	-	1	13	0.00%	0.00%
320	LT	73	-	-	-	-	73	3	-	-	3	38	0.00%	0.00%
330	LU	19,818	-	-	-	-	19,818	2,371	-	-	2,371	29,638	0.01%	0.01%
340	ME	29,824	-	-	-	-	29,824	2,810	-	-	2,810	35,125	0.01%	0.00%
350	MK	463	-	-	-	-	463	28	-	-	28	350	0.00%	0.00%
360	MT	14	-	-	-	-	14	1	-	-	1	13	0.00%	0.00%
370	NL	7,451	-	-	-	-	7,451	357	-	-	357	4,463	0.00%	0.00%
380	NO	196	-	-	-	-	196	8	-	-	8	100	0.00%	0.02%
390	PL	1,936	-	-	-	-	1,936	155	-	-	155	1,938	0.00%	0.00%
400	RO	1,977	-	-	-	-	1,977	140	-	-	140	1,750	0.00%	0.01%
410	RS	2,679,905	-	6,202	-	-	2,686,107	142,984	992	-	143,976	1,799,700	0.55%	0.00%
420	RU	249	-	-	-	-	249	18	-	-	18	225	0.00%	0.00%
430	SE	465	-	-	-	-	465	19	-	-	19	238	0.00%	0.01%
440	SG	114	-	-	-	-	114	3	-	-	3	38	0.00%	0.00%
450	SI	1,728,543	-	-	-	-	1,728,543	86,537	-	-	86,537	1,081,713	0.33%	0.00%
460	SK	5,601	-	-	-	-	5,601	448	-	-	448	5,600	0.00%	0.01%
470	TN	10	-	-	-	-	10	1	-	-	1	13	0.00%	0.00%
480	TR	63	-	-	-	-	63	4	-	-	4	50	0.00%	0.00%
490	UA	3,412	-	-	-	-	3,412	13	-	-	13	163	0.00%	0.00%
500	US	4,394	-	192	-	-	4,586	243	31	-	274	3,425	0.00%	0.00%
510	UZ	9,719	-	-	-	-	9,719	137	-	-	137	1,713	0.00%	0.00%
520	VG	10	-	-	-	-	10	1	-	-	1	13	0.00%	0.00%
950	**Total**	**4,757,808**	**-**	**21,416**	**-**	**-**	**4,779,224**	**256,572**	**3,426**	**-**	**259,998**	**3,249,975**	**0.00%**	

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 2022 was 0.02%.

The table below presents the calculation of the amount of the Group's own countercyclical capital buffer, as at 31 December 2022.

Table 18_EU CCy–2 - Amount of institution-specific countercyclical capital buffer

000 EUR

		a
1	Total risk exposure amount	3,972,645
2	Institution specific countercyclical capital buffer rate	0.02%
3	Institution specific countercyclical capital buffer requirement	795

9. Exposures to Credit Risk

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

9.1. Qualitative disclosure requirements related to credit risk

This section discloses information, as required in Article 442 of Regulation (EU) No. 575/2013.

The Group has established risk management system. The basic principles of risk management that the banking Group is exposed to or may be exposed to in its operations are set on the Group level. Risk management system includes the organization of the risk management process, identifying, measuring and assessing risks and the process of mitigation, monitoring and risk control as well as internal and regulatory risk reporting and framework and frequency of the implementation of stress test.

Credit risk management is an integral part of the risk management system. The objective of managing credit risk is to minimize the possibility of adverse effects on the financial result and the capital of the Group due to non-fulfilment of the obligations of the debtor. The credit risk management system includes: credit default risk, residual risk, settlement/delivery risk, credit counterparty risk, FX lending risk, credit risk induced by interest rate risk, dilution risk as well as concentration risk related to credit risk.

The process of credit risk management is carried out through the following phases:

- Identification of credit risk involves the determination of the current level of exposure to credit risk based on historical data.
- Measurement and assessment of credit risk include applying quantitative and qualitative criteria in order to classification debtor and their claims into the appropriate risk categories.
- Mitigation of credit risk involves the establishment of measures and rules for the application of these measures, relating to the acquisition, reduction, diversification, transfer and avoidance of risks.
- Monitoring and control of credit risk include determining the rules, frequency and methods for monitoring credit risk so that eventual deterioration in the financial condition and creditworthiness of the debtor and credit provider can be identified in time to avoid or reduce losses on this basis. In order to monitoring, the Group prescribes limits on Group level as well as level of subsidiaries taking into account an industry sector, geographical structure, product types and other similar characteristics of portfolio.

9.2. 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 U–P - (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.

Furthermore, in order to management of non-performing exposure, the Group in their internal acts defines forbearance measures or forborne exposure. Forbearance measures represent concessions made to a borrower that is facing or could face situations of difficulties in meeting their original contractual commitments. Forborne exposure indicates contractual modifications granted to the borrower with financial difficulties. However, forborne exposure does not refer to renegotiations caused by any reasons other than financial difficulties.

Forborne exposure should be classified as non-performing exposure (Stage 3). Forborne exposure could be reclassified as performing (Stage 2) in case of conditions that are prescribed are met.

9.3. 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”.

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

Information of the amount and the quality of portfolio is shown in the following tables:

Table 19_EU CR1: Performing and non-performing exposures and related provisions

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	Collaterals 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 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			
005	Cash balances at central banks and other demand deposits	904,584	904,573	11	1,641	-	1,641	(349)	(338)	(11)	(1,586)	-	(1,586)	-	8,737	-
010	Loans and advances	3,612,667	3,186,943	424,376	79,397	-	69,186	(45,056)	(24,870)	(20,005)	(20,529)	-	(20,524)	-	1,667,287	37,566
020	*Central banks*	108,506	108,506	-	-	-	-	(4)	(4)	-	-	-	-	-	-	-
030	*General governments*	12,802	12,595	207	378	-	378	(66)	(62)	(4)	(376)	-	(376)	-	216	-
040	*Credit institutions*	33,925	33,925	-	341	-	341	(73)	(73)	-	(22)	-	(22)	-	568	-
050	*Other financial corporations*	45,497	44,506	990	4,002	-	4,002	(328)	(326)	(2)	(50)	-	(50)	-	13,747	3,923
060	*Non-financial corporations*	2,366,918	2,067,048	299,870	49,599	-	45,674	(35,123)	(19,421)	(15,702)	(12,426)	-	(12,426)	-	1,051,455	24,808
070	*Of which: SMEs*	1,357,882	1,177,849	180,033	28,060	-	25,464	(20,786)	(10,385)	(10,401)	(5,739)	-	(5,739)	-	734,928	15,249
080	*Households*	1,045,019	920,362	123,308	25,076	-	18,791	(9,462)	(4,983)	(4,297)	(7,655)	-	(7,649)	-	601,301	8,835
090	Debt Securities	888,725	843,519	45,206	-	-	-	(1,986)	(916)	(1,071)	-	-	-	-	16,942	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	801,002	801,002	-	-	-	-	(849)	(849)	-	-	-	-	-	-	-
120	*Credit institutions*	24,749	24,749	-	-	-	-	(29)	(29)	-	-	-	-	-	10,973	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	62,974	17,768	45,206	-	-	-	(1,109)	(38)	(1,071)	-	-	-	-	5,969	-
150	Off-balance sheet exposures	1,457,872	1,394,070	63,802	3,695	-	3,654	3,406	2,554	853	878	-	878		164,358	1,209
160	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	*General governments*	15,940	15,940	-	-	-	-	9	9	-	-	-	-		50	-
180	*Credit institutions*	2,366	2,287	79	-	-	-	8	8	-	-	-	-		65	-
190	*Other financial corporations*	7,417	7,417	-	-	-	-	8	8	-	-	-	-		3,776	-
200	*Non-financial corporations*	1,324,863	1,262,806	62,056	3,486	-	3,486	3,255	2,427	828	850	-	850		154,365	1,200
210	*Households*	107,286	105,619	1,667	209	-	168	127	103	25	28	-	28		6,101	9
220	**Total**	**6,863,849**	**6,329,105**	**533,395**	**84,733**	**-**	**74,481**	**(43,636)**	**(23,231)**	**(20,223)**	**(19,652)**	**-**	**(19,646)**	**-**	**1,857,325**	**38,775**

Growth and changes in portfolio structure mainly is a result of a merger AIK and Nasa AIK bank in 2022.

Templates EU CR2: Changes in the stock of non-performing loans and advances and EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries are not disclosed, since Group non-performing exposure ratio is below 5%.

Table 20_EU CQ1- Credit quality of forborne exposures

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		Collaterals 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
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	111,036	25,323	25,323	25,323	(4,841)	(7,839)	63,757	11,989
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	103,957	21,886	21,886	21,886	(4,092)	(6,620)	60,675	11,668
070	*Households*	7,079	3,437	3,437	3,437	(749)	(1,219)	3,082	321
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	2,842	36	-	-	-	-	2,842	-
100	**Total**	**113,878**	**25,359**	**25,323**	**25,323**	**(4,841)**	**(7,839)**	**66,599**	**11,989**

There are no significant changes taking into account above mentioned merger.

Template EU CQ2: Quality of forbearance is not disclosed, since Group non-performing exposure ratio is below 5%.

9.5. Overview of Collateral obtained by taking possession and execution process

Table 21_EU CQ7: Collateral obtained by taking possession and execution processes

000 EUR

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property Plant and Equipment (PP&E)	180	(76)
020	Other than PP&E	41,103	(17,558)
030	*Residential immovable property*	683	(84)
040	*Commercial Immovable property*	30,505	(14,889)
050	*Movable property (auto, shipping, etc.)*	169	
060	*Equity and debt instruments*		
070	*Other collateral*	9,745	(2,585)
080	**Total**	**41,282**	**(17,634)**

There was significant decrease of this part of assets mostly due to sale of commercial immovable properties.

Template EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown is not disclosed, since Group non-performing exposure ratio is below 5%.

9.6. Ageing analysis of accounting past due exposures

Table 22_EU CQ3- Credit quality of performing and non-performing exposures by past due days

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 central banks and other demand deposits	904,584	904,526	58	1,641	1,641	-	-	-	-	-	-	1,641
010	Loans and advances	3,612,667	3,562,566	50,101	79,397	52,798	9,694	6,818	4,064	3,512	222	2,288	79,397
020	Central banks	108,506	85,549	22,957	-	-	-	-	-	-	-	-	-
030	General governments	12,802	12,802	0	378	0	0	0	0	6	0	370	378
040	Credit institutions	33,925	33,889	36	341	325	3	5	0	1	-	7	341
050	Other financial corporations	45,497	45,476	20	4,002	3,923	-	72	0	0	0	6	4,002
060	Non-financial corporations	2,366,918	2,357,292	9,626	49,599	34,127	5,733	4,156	2,235	2,002	79	1,268	49,599
070	Of which SMEs	1,357,882	1,349,237	8,645	28,060	18,962	2,689	3,463	2,143	797	1	5	28,060
080	Households	1,045,019	1,027,558	17,462	25,076	14,422	3,958	2,585	1,828	1,503	143	636	25,076
090	Debt Securities	888,725	888,725	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	801,002	801,002	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	24,749	24,749	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	62,974	62,974	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet exposures	1,457,872			3,695								3,695
160	Central banks	-			-								-
170	General governments	15,787			-								-
180	Credit institutions	2,366			-								-
190	Other financial corporations	7,417			-								-
200	Non-financial corporations	1,324,863			3,486								3,486
210	Households	107,286			209								209
220	**Total**	**6,863,849**	**5,355,817**	**50,159**	**84,733**	**54,439**	**9,694**	**6,818**	**4,064**	**3,512**	**222**	**2,288**	**84,733**

Beside growth of portfolio, an improvement in portfolio quality has been noted compared to the previous year.

9.7. 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;

Table 23_EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

000 EUR

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing	45,127	616	616	45,127	(635)	-
020	Mining and quarrying	41,321	7	7	41,321	(110)	-
030	Manufacturing	549,279	8,021	8,021	549,279	(10,118)	-
040	Electricity, gas, steam and air conditioning supply	186,686	219	219	186,686	(3,268)	-
050	Water supply	15,516	153	153	15,516	(252)	-
060	Construction	229,780	4,960	4,960	229,780	(2,602)	-
070	Wholesale and retail trade	438,526	5,302	5,302	438,526	(8,009)	-
080	Transport and storage	142,629	2,043	2,043	142,629	(4,251)	-
090	Accommodation and food service activities	135,500	22,846	22,846	135,500	(7,565)	-
100	Information and communication	113,453	107	107	113,453	(1,324)	-
110	Financial and insurance actvities	18,224	0	0	18,224	(147)	-
120	Real estate activities	336,903	341	341	336,903	(5,399)	-
130	Professional, scientific and technical activities	68,366	467	467	68,366	(852)	-
140	Administrative and support service activities	56,957	2,471	2,471	56,957	(1,636)	-
150	Public administration and defense, compulsory social security	212	-	-	212	(5)	-
160	Education	5,390	1,763	1,763	5,390	(32)	-
170	Human health services and social work activities	9,792	205	205	9,792	(182)	-
180	Arts, entertainment and recreation	18,910	17	17	18,910	(952)	-
190	Other services	3,946	62	62	3,946	(209)	-
200	**Total**	**2,416,517**	**49,599**	**49,599**	**2,416,517**	**(47,549)**	**-**

The biggest growth has been recorded in Manufacturing (by 209 million EUR) and Wholesale and retail trade (by 181 million EUR).

Template EU CQ6: Collateral valuation - loans and advances is not disclosed, since Group non-performing exposure ratio is below 5%.

Table 24_ EU CQ4: Quality of non-performing exposures by geography

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				
010	**On balance sheet exposures**							
020	AE	4,226	-	-	4,226	(1)		-
050	AT	15,116	19	19	15,116	(18)		-
070	BA	21,306	190	190	21,306	(113)		-
080	BE	7,882	-	-	7,882	(32)		-
140	CH	49,864	-	-	49,864	(120)		-
170	CY	144	0	0	144	(0)		-
180	CZ	9,099	-	-	9,099	(5)		-
190	DE	14,737	30	30	14,737	(36)		-
210	EE	2,981	-	-	2,981	(1)		-
220	EG	850	0	0	850	(8)		-
230	ES	13,572	-	-	13,572	(8)		-
240	FR	14,793	0	0	14,793	(5)		-
250	GB	10,975	0	0	10,975	(22)		-
270	GI	137	-	-	137	(0)		-
300	HR	116,626	223	223	116,626	(1,794)		-
310	HU	2,888	-	-	2,888	(10)		-
320	IE	10,120	-	-	10,120	(4)		-
330	IL	4,728	0	0	4,728	(2)		-
340	IN	270	0	0	270	(0)		-
360	IT	26,335	2	2	26,335	(58)		-
420	LT	8,235	2	2	8,235	(5)		-
430	LU	19,931	-	-	19,931	(271)		-
440	LV	8,030	0	0	8,030	(3)		-
460	ME	29,321	1,750	1,750	29,321	(676)		-
470	MK	3,678	0	0	3,678	(10)		-
520	NL	12,591	0	0	12,591	(10)		-
570	PL	12,186	-	-	12,186	(4)		-
580	PT	10,392	-	-	10,392	(4)		-
600	RO	7,229	0	0	7,229	(84)		-
610	RS	2,623,628	46,336	46,336	2,623,628	(45,660)		-
650	SI	1,492,134	30,790	30,790	1,492,134	(18,263)		-
660	SK	8,257	-	-	8,257	(12)		-
690	TR	1,902	0	0	1,902	(7)		-
700	UA	2,123	0	0	2,123	(6)		-
710	US	4,212	7	7	4,212	(35)		-
720	UZ	10,000	-	-	10,000	(281)		-
760	Other countries	294	47	47	294	(5)		
770	**Off balance sheet exposures**							
780	AT	2,346	-	-			3	
800	BA	10,517	-	-			58	
860	CH	15,792	-	-			5	
880	CY	741	-	-			0	
890	CZ	1,992	-	-			1	
900	DE	12,479	-	-			3	
920	ES	964	-	-			1	
940	GB	2,225	-	-			4	
960	HR	13,505	-	-			366	
970	HU	5,224	-	-			2	
990	IT	12,900	-	-			7	
1020	ME	8,825	-	-			5	
1040	NL	143	-	-			0	
1060	PL	1,335	-	-			1	
1090	RS	982,778	3,060	3,060			2,400	
1110	SE	600	-	-			0	
1120	SI	384,802	635	635			1,424	
1130	SK	1,765	-	-			3	
1140	UA	2,478	-	-			-	
1170	Other countries	156	-	-			0	
1180	**Total**	**6,042,356**	**83,092**	**83,092**	**4,580,789**	**(67,571)**	**4,284**	**-**

The largest participation refers to Serbia and Slovenia.

9.8. Breakdown of loans and debt securities by residual maturity

Table 25_EU CR1-A: Maturity of exposures

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	-	450,884	1,577,833	1,610,416	73,466	3,712,600
2	Debt securities	-	214,684	391,833	284,631	-	891,148
3	**Total**	**4,603,748**	**4,603,748**	**4,603,748**	**4,603,748**	**4,603,748**	**4,603,748**

The maturity of exposure to legal entity is up to five years, while maturity of exposure to private individuals is mostly over five years.

10. 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 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 majority relates to Gorenjska bank 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% (189.7% at the end of December 2022) 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 2022, the Group had its assets encumbered:

- 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 2022, 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, 6.2% 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.

AGRI EUROPE

Table 26_EU A–1 - Encumbered and unencumbered assets

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 reporting institution	117,537	80,246			5,583,183	1,183,768		
030	Equity instruments	-	-	-	-	53,593	-	53,593	-
040	Debt securities	80,246	80,246	80,246	80,246	765,150	673,080	736,747	646,884
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: securitisations	-	-	-	-	-	-	-	-
070	of which: issued by general governments	80,246	80,246	80,246	80,246	668,212	656,070	639,686	628,278
080	of which: issued by financial corporations	-	-	-	-	25,007	10,992	24,696	10,269
090	of which: issued by non-financial corporations	-	-	-	-	71,931	6,018	72,365	8,336
120	Other assets	37,291	-			4,764,440	510,688		

Table 27_EU AE2 - Collateral received and own debt securities issued

000 EUR

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the disclosing institution			149,266	4,670
140	Loans on demand			-	-
150	Equity instruments			144,595	-
160	Debt securities			4,670	4,670
170	of which: covered bonds			-	-
180	of which: securitisations			-	-
190	of which: issued by general governments			4,670	4,670
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**	117,537	80,246		

Table 28_EU AE3 - Sources of encumbrance

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	108,962	107,986

11. Use of Standardized Approach

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

11.1. 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.

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.

Following Moody's Rating Scale has been used in determination of risk weights for calculating the capital requirements for credit risk:

<table>
<tr><th colspan="2">Moody's</th><th rowspan="2">Risk Characteristics</th></tr>
<tr><th>Long Term</th><th>Short Term</th></tr>
<tr><td>Aaa</td><td rowspan="6">P-1</td><td>Prime</td></tr>
<tr><td>Aa1</td><td rowspan="3">High Grade</td></tr>
<tr><td>Aa2</td></tr>
<tr><td>Aa3</td></tr>
<tr><td>A1</td><td rowspan="3">Upper Medium Grade</td></tr>
<tr><td>A2</td></tr>
<tr><td>A3</td><td rowspan="2">P-2</td></tr>
<tr><td>Baa1</td><td rowspan="3">Lower Medium Grade</td></tr>
<tr><td>Baa2</td><td rowspan="2">P-3</td></tr>
<tr><td>Baa3</td></tr>
<tr><td>Ba1</td><td rowspan="11">Not Prime</td><td rowspan="3">Non-Investment grade speculative</td></tr>
<tr><td>Ba2</td></tr>
<tr><td>Ba3</td></tr>
<tr><td>B1</td><td rowspan="3">Highly speculative</td></tr>
<tr><td>B2</td></tr>
<tr><td>B3</td></tr>
<tr><td>Caa1</td><td>Substantial Risks</td></tr>
<tr><td>Caa2</td><td>Extremely Speculative</td></tr>
<tr><td>Caa3</td><td rowspan="2">In Default with low prospect for recovery</td></tr>
<tr><td>Ca</td></tr>
<tr><td>C</td><td>In Default</td></tr>
</table>

Figure 4_Moody's rating scale and mapping

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 clients/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.

11.2. 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 31.12.2022:

Table 29_EU CR4 – standardized approach – Credit risk exposure and CRM effects

000 EUR

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		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	997,735	9,162	1,127,770	17,579	261,383	22.82%
2	Regional government or local authorities	10,667	6,203	10,472	1,238	7,302	62.36%
3	Public sector entities	2,302	604	2,302	220	1,203	47.71%
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	167,215	2,403	156,242	631	35,135	22.40%
7	Corporates	1,642,655	1,091,856	1,565,975	198,080	1,646,761	93.35%
8	Retail	1,158,224	246,276	1,107,672	49,057	812,120	70.21%
9	Secured by mortgages on immovable property	521,826	34,886	521,826	14,990	216,523	40.33%
10	Exposures in default	56,395	2,764	55,718	710	69,315	122.84%
11	Exposures associated with particularly high risk	165,448	62,505	158,020	30,977	283,496	150.00%
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit	-	-	-	-	-	-
14	Collective investment undertakings	17,803	1,966	17,803	1,966	5,958	30.14%
15	Equity	27,686	-	27,686	-	31,595	114.12%
16	Other items	888,241	624	904,353	30,163	141,380	15.13%
17	**TOTAL**	**5,656,198**	**1,459,248**	**5,655,840**	**345,611**	**3,512,171**	**58.52%**

RWEA density on the total portfolio level stands at 58.52% at the end of December 2022 which is slightly above the previous year density (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 techniques associated with each credit quality step, broken down by exposure classes.

Breakdown of exposures by asset class and risk weight as of 31.12.2022 is presented in the table EU CR5.

Table 30_EU CR5 – standardized approach

000 EUR

	Exposure classes	Risk weight															Total	Of which unrated
		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	q
1	Central governments or central banks	867,713	-	-	-	18,132	-	5,224	-	-	253,705	-	576	-	-	-	1,145,349	1,087,974
2	Regional government or local authorities	26	-	-	-	5,476	-	-	-	-	6,207	-	-	-	-	-	11,710	11,710
3	Public sector entities	116	-	-	-	-	-	2,406	-	-	-	-	-	-	-	-	2,522	2,522
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	152,378	-	837	-	-	2,492	1,166	-	-	-	-	156,873	138,473
7	Corporates	-	-	-	-	-	-	-	-	-	1,764,054	-	-	-	-	-	1,764,054	1,703,770
8	Retail	-	-	-	-	-	-	-	-	1,156,729	-	-	-	-	-	-	1,156,729	1,156,729
9	Secured by mortgages on immovable property	-	-	-	-	-	216,412	320,404	-	-	-	-	-	-	-	-	536,816	536,816
10	Exposures in default	-	-	-	-	-	-	-	-	-	30,656	25,772	-	-	-	-	56,428	56,428
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	188,997	-	-	-	-	188,997	75,063
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Unit or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,769	19,769	19,769
15	Equity	-	-	-	-	-	-	-	-	-	25,081	-	2,606	-	-	-	27,686	27,686
16	Other items	795,965	-	-	-	9,642	-	-	-	-	121,880	-	7,029	-	-	-	934,517	934,517
17	**TOTAL**	**1,663,820**	**-**	**-**	**-**	**185,628**	**216,412**	**328,872**	**-**	**1,156,729**	**2,204,075**	**215,936**	**10,210**	**-**	**-**	**19,769**	**6,001,451**	**5,751,457**

Major concentration in 100%, 0% and 75% risk weights. Compared to previous year, significant Increase of the exposure in risk weight 75% due to growth of retail portfolio.

12. Market Risk

(Article 445 of the CRR Regulation)

12.1. 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.

Market risk management within the Group is prescribed in Group Policy on Market Risk Management. This document sets out the basic principles of market risk management on the Group level and defines the organization of the market risk management process among members of a banking group where Agri Europe Cyprus Limited is an ultimate finance holding company. In addition, this Policy defines the process of internal and regulatory risk reporting, as well as the framework and frequency of the implementation of stress tests.

Market risk is organized in a way that responsibilities and roles are divided among different business and organizational units. Overall responsibility for market risk management lies with AEC BoD (Supervisory and Management Function), in charge for adopting decisions concerning market risk management and provides guidelines, sets up of RAS and other internal limits, approves and revises relevant documents from market risk area on Group and solo level. In order to ensure an efficient and comprehensive market risk management process across an organization, the Group implemented three lines of defense principle in its market risk governance framework:

- The first line of defense: risk taking unit

Market risk taking unit is a business unit that is taking positions exposed to market risk. Group ALM and Local Treasury and ALM Unit are the principal market risk taking units. The particular risk taking unit has primarily responsibility for the day-to-day risk management within the agreed risk limits which includes decision making on particular transactions. This risk taking unit is also responsible for the implementation of risk governance principles.

- The second line of defense: risk management unit and compliance

The Risk management unit is responsible for further identifying, measuring, monitoring and reporting risks independently from risk-taking unit. The Risk management unit shall not be involved into any operational activities of business units and should not be involved into revenue generation.

- The third line of defense: internal audit

Internal Audit should provide and independent assurance on the quality and effectiveness of a bank's internal control, risk management ang governance systems and processes. Internal Audit is also responsible for the independent overseeing of risk-taking and risk management units.

Market 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 Risk Controlling and Monitoring Unit is in charge for market risk management on Group level. 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. 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 market risk indicators on Group level. Governance of market risk management is established and implemented through framework with following phases: risk identification and materiality assessment process, 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.

In order to identify and quantify market risk exposures, the Group and its credit institution subsidiaries are using market risk metrics.

FX Risk - 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 fun–s - 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 fun–s - 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. Group performs stress test of FX risk according to the "ESRB 2023 EU-wide stress test - Market risk shocks" and corresponding table "FX shocks – relative changes".

Position risk - Each subsidiary, that has items allocated in 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. Stress test of position risk is done based on "ESRB 2023 EU-wide stress test - Market risk shocks" and corresponding table "Equity, Commodities and Funds - relative changes" which has developed scenario triggered by a shock to equity prices in global financial.

Credit spread risk in banking book (CSRBB) 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 31.12.2022, credit spread risk is assessed for wholesale and government debt securities portfolio at fair value through other comprehensive income (FVOCI) and securities portfolio – financial asset at amortized cost (AC). Group calculated CSRBB under ICAAP based on the ESRB 2023 EU-wide stress test - Market risk shocks" and corresponding tables for baseline Swap rates, Sovereign credit spreads - absolute changes (basis points) and Corporate credit spreads – absolute change (basis points).

In order to effectively control market risk, the organizational unit responsible for market risks management 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.

Market risk reporting includes a system of external and internal reporting on the management of market risks. External reporting is carried out in accordance with the requirements of the regulator. Market risk reporting also implies for ad-hoc internal or external reports, based on needs of internal and external stakeholders. Scope and nature of risk reporting is prescribed in section "The Scope and Nature of Risk Reporting".

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.

12.2. 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 2022, 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 securitization and credit derivatives based on the n-th default.

As of December 31, 2022, equity risk (general and specific) is calculated using the market risk standardized approach, generated capital requirements of EUR 3.4 million corresponding to risk weighted exposure amounts of 42,833 thousand EUR, while capital requirement for foreign exchange currency risk isn't calculated since the sum of overall net FX position is below 2% of own funds (1.67% of Group's total own funds).

Table 29_EU MR1 - Market risk under the standardized approach

000 EUR

		a
		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	42,833
3	Foreign exchange risk	-
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	**Securitisation** (specific risk)	0
9	**Total**	**42,833**

13. 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,
- quarter–y - 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, organization 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 2022, it amounted to 32,533 thousand EUR.

Table 30_EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

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)	197,111	226,584	226,973	32,533	406,667
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	-	-	-	-	-

14. Exposure to Interest Rate Risk on Positions Not Included in the Trading Book

(Article 448 of the CRR Regulation)

14.1. 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 identification and materiality assessment process, measuring, monitoring, managing and reporting interest rate risk. There aren't any hedging activities.

The Group and its members are using gap analysis to measure interest rate risk. Gap analysis allocates all relevant interest rate-sensitive assets and liabilities to a certain number of predefined time buckets according to their next contractual reset date. The analysis also allocates equity, non-maturing deposits (NMDs), prepaying loans or other instruments with future cash flows subject to customer behaviors, according to general/behavioral assumptions regarding their maturity or reset date, to time buckets. It then measures the arithmetic difference (the gap) between the amounts of assets and liabilities in each time bucket, in absolute terms.

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 Group'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 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.

Besides regulatory determined limits, the Group has prescribed internal limits in RAS concerning IRR:

- Sensitivity of EVE (Parallel shift 200bp)/Own Funds (according paragraph 113 of the EBA GL/2018/02)
- Sensitivity of EVE (6 scenarios)/Tier 1 in stress scenario (paragraph 114 of EBA GL/2018/02)
- ΔNII/Own Funds (under parallel shift 100bp)

Group Risk Controlling and Monitoring Unit calculates interest rate gaps and impact of interest rate changes on NII and EVE at the consolidated level and reports to the AEC Board Management and Supervisory function at least quarterly. 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.

For certain interest rate sensitive items, the contractual maturity is not known or they are less amenable to standardization unlike positions that are amenable to standardization (as fixed rate and floating rate positions). Therefore, the Group prescribes the process for positions that are less amenable to standardization and for which contractual maturity is not known. The Group assigns non-contractual positions and positions not amendable to standardization based on historical data and the characteristics of the markets in which they operate. The following types of interest rate sensitive positions not amendable to standardization have been recognized:

- Non-maturing deposits (NMDs) - include balances on transaction accounts and savings deposits or savings accounts in the part that is insight. NMDs are classified in accordance with the Modelling of non-maturing deposits, which defines a methodology for assigning of non-maturity deposits into time buckets, distinguishing between stable and unstable deposits and between core and non-core deposits. The Modelling of non-maturing deposits meets the provisions of the statutory and regulatory decisions and recommendations under the EBA IRRBB Guidelines and BIS IRRBB Standards. 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 unfavorable 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.

- Overdraft - The Group treats the limits on transaction accounts as items with a maturity date and classifies them in the bucket with a maturity of up to one month.
- Revolving loans - are classified according to the type of interest rate. In the case of a fixed interest rate, interest rate sensitive items are allocated on the maturity date, and in the case of a variable interest rate, the interest rate repricing date is taken into account.

Products with behavioral modelling component includes the following:

- Fixed rate loans subject to prepayment risk
- Term deposits subject to early redemption risk

Group Risk Modelling and Validation Unit in cooperation with Group ALM unit has created calculation model for positions with embedded optionality and behavioral modelling component, implemented from the September of 2022 in regular reporting. Early repayment rates for loans with fixed interest rate and early withdrawal rate for deposits with fixed interest rate have been determined based on historical data of redemptions in at 1-year observation period, per corporate/retail segment separately.

Compared to previous disclosure report, following changes have been implemented:

- New RAS limits have been introduced, already prescribed above in detailed
- In regular reporting have been implemented embedded options: prepayment rate for early repayment of loans with fixed interest rate and early withdrawal rate for term deposits with fixed interest rate.

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

Table 31_EU IRRBB1 - Interest rate risks of non-trading book activities

000 EUR

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
1	Parallel up	(28,473)	(46,183)	30,188	18,398
2	Parallel down	11,355	18,911	(30,188)	(11,644)
3	Steepener	(26,163)	(28,302)		
4	Flattener	10,847	10,023		
5	Short rates up	(2,598)	635		
6	Short rates down	1,096	(1,271)		

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 scenarios, after applied embedded options.

The maximum EVE impact was in parallel up scenario in loss of 28,473 thousand EUR as of December 31, 2022. 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 stressful and together with EUR assumption of 200bp, parallel up scenario presents the most adverse effect of applied scenarios on Group level.

Net interest income loss as of December 31, 2022 was 30,188 thousand EUR in parallel up scenario (+200bp for EUR and +300bp for RSD). IRR NII exposure increased compared to previous year, when it was 11,644 thousand EUR as of December, 2021. This increase is expected bearing in mind that AIK Bank is bigger now, since it has merged with Naša AIK at the begging of the December 2022

15. Climate related and Environmental risk

(Article 449a of the CRR Regulation)

EBA published implementing technical standards on Pillar 3 disclosure requirements for ESG risks, developed in accordance with the mandate given to the EBA by Article 449a CRR and intended for large institutions that have issued securities traded on a regulated market in any Member State. These provisions become effective as of 28 June 2022, and institutions are required to make the first disclosure of these risks on an annual basis at the reporting date of 31 December 2022. AEC Group is large institution but has no publicly listed issuances, so is not obliged to disclose information required under 449a of CRR. Nevertheless, based on ECB's Guide on climate related and environmental risks, AEC Group discloses information on Climate related and environmental risk (C&E).

15.1. Governance arrangements on environmental and climate related risk management

Environmental and climate related risks should be understood as the financial risks posed by the institutions exposures to counterparties that may potentially contribute to be affected by climate change and other forms of environmental degradation (such as air pollution, water pollution, scarcity of fresh water, land contamination, biodiversity loss and deforestation).

The most significant emerging types of risks are climate and environmental risks. We hereby make a distinction between physical and transitional risks.

By physical risks Group assumes chronic physical risks (e.g. temperature, precipitation, agricultural productivity, sea levels) and acute physical risks. (e.g. heatwaves, floods, cyclones and wildfires).

By transition risks Group assumes policy and regulation change risk, risk of adverse impact of technology development and risk of changes in consumer preferences (i.e.: market sentiment).

On the Group level the responsibility for environmental and climate related risk management is taken by CRO and Group Risk Function.

Group Risk Committee primarily oversees all identified risks to which the Group is exposed. The Risk Committee pays special attention to the existence of new type of risks (especially new emerging risks), that can have material impact on traditional type of risks through various transmission channel.

Incorporation of emerging risks that impact traditional types of risks via transmission channels and that are material to the Group (specifically C&E risks) into risk management framework is the responsibility of Group Risk Management Function that coordinates the whole process.

Additionally, a dedicated team on the Group level is established for development and implementation of environmental and climate related risk management framework within the Group. Dedicated team is steered by Group CRO and Head of Group Risk Function and includes relevant representatives from each subsidiary. Group Risk Function reports to Group Risk Committee and Group Supervisory Board on the quarterly level on the implementation status.

15.2. Materiality assessment

The Group integrated process of management of C&E risks into overall risk management framework.

The Group acknowledges the fact that methodologies, for estimation of the magnitude of the impact of C&E risks, are being developed rapidly and are evolving continuously. The Group performed materiality assessment for each subsidiary/market where the Group has its operations. Based on the assessment for each of the markets materiality assessment on the Group level is developed.

The Group performed comprehensive materiality assessment taking into account impact on Group's products and services, operations (including types of operations and location of facilities) etc.

One of the first step in materiality assessment is identification of risk drivers. Group recognizes C&E risks as risk drivers that materialize in existing risk categories and distinguish between the various drivers of transition and physical risks.

Table 32_C&E risk drivers and affected risk types

	Physical		Transitional	
	Climate-related	Environmental	Climate-related	Environmental
Risk drivers	Extreme weather events Chronic weather patterns	Water stress Resources scarcity Biodiversity loss Pollution	Policy and regulation Technology Market sentiment	Policy and regulation Technology Market sentiment
List of affected risks (non-exaustive)	Credit risk, Market risk, Operational risk, Liquidity risk, Model risk, IRRBB, Compliance/AML risk, Reputational risk, etc.			

In the materiality assessment, the Group considers the wide spectrum of risk drivers stemming from climate change and environmental degradation, considering where possible their distinctive characteristics, such as their forward-looking nature.

Risk drivers that were considered in the materiality assessment are presented below per each category:

Physical risk drivers:

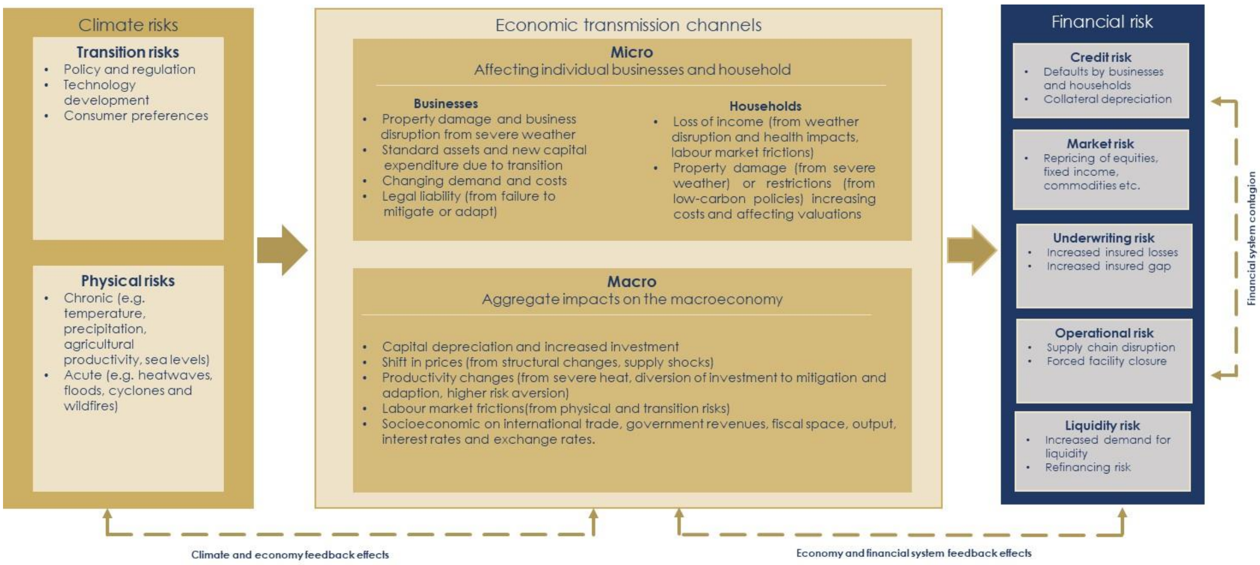
- Heat waves and wildfires,
- Droughts,
- Riverine and sea floods,
- Hail, storms and hurricanes,
- Rising sea levels,
- Changing rainfall patterns,
- Reduced soil productivity,
- Lack of sunshine and wind,
- Over-fishing, illegal fishing vessels, controversial practices, or aquaculture techniques,
- Water stress and pollution,
- Soil pollution by hazardous materials, excessive fertilization, soil erosion (over-exploitation),
- Deforestation and unconventional site clearance, and
- Other.

Transition risk drivers

- Environmental taxation and subsidies,
- Regulatory requirements (e.g. sustainability certificates, disclosures),
- Behavioral changes of consumers, suppliers, employees,
- Behavioral changes of investors,
- Technological developments;
- Energy and transport policies (e.g. reduction of CO2 emissions)-ban of certain environmentally damaging,
- Ban of certain environmentally damaging materials/chemicals,
- Animal testing rules, and
- Other.

C&E could affect the prudential risks the Group is exposed to through different transmission channels. Transmission channels are examined and assessed per each type of risk, split by climate transition risk, climate physical risk and environmental risk. C&E risks (transition and physical) are affecting Micro and Macro environment and further their impacts are reflected on the standard financial risks that the Group is exposed to:

Table 33_ Schematic illustration of transmission from environmental risks to financial risks; Source: NGFS (2020b)



Final assessment of the materiality of the impact of risk drivers, via transmission channels, on traditional types of risks – their KRIs has been conducted by experts from all relevant service/business lines. Forward looking perspective of risk management is taken into account.

Relevant service/business lines on the Group level and subsidiary level that were involved in the materiality assessment are:

- Business units (Front office & back office),
- Risk management units,
- Treasury units,
- Finance units,
- Marketing units,
- Compliance/AML units,
- Internal audit,
- Others.

The results of materiality assessment shows that there is no negative impact on Group KRIs in short term period coming from C&E risk.

In the process of the assessment of the physical risk drivers the Group takes into account all available data and all available publications from the relevant and credible institutions. As per materiality assessment performed the following risks were assessed as higher potential hazard level for AEC banking group and subsidiaries in the medium and long term:

- River flood (Serbia),
- Urban flood (Serbia),
- Wildfire (Serbia),
- River flood (Slovenia),
- Urban flood (Slovenia),
- Wildfire (Slovenia),
- Coastal flood (Slovenia),
- Landslide (Slovenia).

Regarding transitional risks, the materiality assessment showed that no short-term impact on Group KRIs is expected from transitional risk.

Based on the result of performed materiality assessment, Group's strategy and business plans are not expected to be impacted in short term. Even though, there is no identified short term impact on

Group KRIs, the Group set midterm targets for physical and transitional risk in order to prevent impact on KRIs in mid and long term.

In March 2023, the Group updated Risk Appetite Statement by introducing additional short and medium-term risk indicators related to environmental and climate related risks.

Based on the identified physical risk drivers, the Group identified areas in Serbia and Slovenia in which those risks are higher and defined target for portion of collaterals in the regions with an indication of high physical risk by 2025.

In order to address the transitional risk, based on the relevant public data (government statistical institutions, European Commission statistical institutions), the Group identified industries with highest GHG emission for Serbia and Slovenia and set targeted exposure toward those industries:

Table 34_Industries with set exposure targets

Indicator/ set targets	**Affected industries**[1]
Exposures towards sectors with highest CO2 emission-**SERBIA**	Exposure to NACE Letter C and D relation to Loan portfolio **by end of 2025**
Exposures towards sectors with highest CO2 emission-**SLOVENIA**	Exposure to NACE Letter C, D and H relation to Loan portfolio by end of 2025
Exposures towards NACE Letter D	Exposure to NACE Letter D in relation to Loan portfolio by end of 2025

In addition to targets related to physical and transitional risks, the Group also defined short term target for the portion of green financing in total loans by the end of 2023.

Additionally, the Group defined data collection program that defines further data collection on carbon emissions of its portfolios and once the relevant data becomes available, new KRIs related to C&E risks will be defined as well as additional disclosures on exposure to C&E risks.

16. Remuneration Policy

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

This section discloses information, as required in Article 450 of Regulation (EU) No. 575/2013. The Remuneration Policy, including information regarding the criteria used for the measurement of performance and risk adjustment, are presented on a group level.

The Group has had a Group Remuneration Policy for the purpose of implementing sound remuneration practices which promote both achievement of the Group goals as well as prudent approach to risk management in place since 2018. In 2022 the Group Remuneration Policy was renewed and assessed according to the risk appetite of the Group and in compliance with the legislative requirements by respective management bodies. A central and independent review of the compliance with the regulation, other group policies, procedures and internal rules is performed by Group Internal Audit Function on a group level.

Management body on a group level assesses and approves Group Remuneration Policy. Similar approvals take place on a local level by the relevant management bodies in Subsidiaries. The management body, Remuneration and Risk Committee work closely together and ensure that the remuneration policy is consistent with and promotes sound and effective risk management.

The management body in its management function on a group level ensures that the variable remuneration is (i) compatible with effective and wise risk management and does not encourage risk taking that surpasses the level that is acceptable for the Group, (ii) properly takes into account all types of risks, liquidity and capital levels, (iii) is consistent with and promotes sound and effective risk management, (iv) is in line with the business strategy, objectives, corporate culture and values and the long-term interest of the Group, (v) it performs and participates in/validates annual performance assessment for the direct subordinates within the area of the responsibilities. Furthermore, it ensures that

[1] Industry sectors: C Manufacturing, D Electricity, gas, steam and air conditioning supply, H Transport and storage

all variable remunerations are aligned with the overall results for the respective period and makes sure that they are in general adjusted to the achieved results, including by taking in account malus and claw back arrangements.

The management body in its supervisory function on a group level is responsible for (i) adopting and maintaining the Group Remuneration Policy, (ii) overseeing its implementation, (iii) ensuring that the remuneration policies and practices are appropriately implemented and aligned with the overall corporate governance framework, corporate and risk culture, risk appetite and related governance processes (iv) ensuring the adequacy of the information provided to shareholders on remuneration policies and practices in particular on a higher maximum level of the ration between fixed and variable remuneration. Furthermore, it determines and oversees the remuneration of the members of the management body in its management function.

The Remuneration Committee of management body in its supervisory function has access to all data and information concerning the decision-making process of the management body in its supervisory function on the remuneration policies and practices, design and implementation, oversight, and review and to all information and data from independent control functions, including risk management. The Remuneration Committee works closely together with the Risk Committee to ensure that Remuneration Policy is consistent with and promotes sound and effective risk management.

Group HR & Organization function is responsible for the drawing up and the evaluation of the remuneration policy for the Group, including the remuneration structure, the aspect of gender neutrality, remuneration levels and incentive schemes, in a way that would not only attract and retain the staff the Group needs but also ensure that the remuneration policy is aligned with the institution's risk profile.

Group Risk and Group Compliance function work closely together with Group HR & Organization function to ensure appropriate implementation and alignment of Group Remuneration Policy with risk profile and culture, including risk-adjusted performance measures (ex-ante and ex-post adjustments), validating and assessing risk adjustment data and full compliance with respective legislation.

Within the Group, the competent functions on a group level and in Subsidiaries interact and exchange information as appropriate.

The Group complies with Group Remuneration Policy on an individual, sub-consolidated and consolidated basis, including its Subsidiaries not subject to Directive 2013/36/EU. Local policies follow to the maximum extent permitted under applicable local law the principles and rules set out in Group Remuneration Policy. Group Remuneration Policy provides a remuneration framework on a group level for all Subsidiaries and all staff members in order to achieve group wide consistency of the remuneration systems with the business and risk strategy of the Group. It forms an integral part of the Group governance practice and is developed in accordance with its operational model, business strategy, objectives, long-term interests and incorporates measures to avoid conflict of interest.

Group Remuneration Policy specifies all components of remuneration. It ensures that the payments made are not providing any incentive for excessive risk taking. It promotes sound and effective risk management and is consistent with the objectives of the Group business and risk strategy, corporate culture and values, risk culture, including environmental, social and governance risk factors, long term interests of the Group and the measures used to avoid conflict of interest and should not encourage excessive risk-taking on behalf of the Group or any of its Subsidiaries.

In 2022 a completely renewed version of the Group Remuneration Policy was adopted by management body in order to ensure that remuneration practices within the Group are fair and appropriate for the Group, each Subsidiary, its staff members and other stakeholders. Group Remuneration Policy is a central element for the implementation of the remuneration systems within the Group. The objectives of the Policy are, among others, (i) to ensure that the remuneration across the Group is in line with the applicable regulations on remuneration; (ii) to set out the principles governing the Group remuneration systems and to build an overall framework on remuneration; (iii) to align the remuneration systems within the Group with the objectives set out in the business and risk strategy of the Group; (iv) to bring consistency, transparency, and equity to pay principles that will increase trust and staff's engagement; (v) to set out remuneration system that promotes motivation and achieving the best possible business results with appropriate risk management; (vi) to provide an environment that encourage innovation and extraordinary performance; (vii) to attract, retain, and motivate highly skilled individuals in a competitive international market; (viii) to provide an effective framework for performance measurement, risk adjustment and the linkages of performance to reward and (ix) to align the financial wellbeing of staff members with the economic interest of shareholder. The Group Remuneration Policy is transparent, known in advance, appropriately documented and internally published.

Remuneration policy for all staff is gender neutral and consistent with the principle of equal pay for male and female workers for equal work or work of equal value independent of their gender. The principle of gender equality of remuneration policies relates to all terms of employment and considers the underrepresented gender as well. The principle ensures equal opportunities and equal treatment of different genders with regard to the performance of professional activities in matters of employment and occupation. A gender-neutral remuneration policy is not limited to equal pay for equal work or work of equal value, as the principle is also considered in the development and implementation of staffing policies (recruitment, development and legacy, key staff, remuneration, promotion, training etc.), as this ensures gender neutral pay in the longer run.

With Group Remuneration Policy, the Group conforms to the general principles of balancing the ratio of fixed and variable remuneration, so that it limits variable remuneration in a manner that it cannot exceed 1 : 1 in ratio to fixed remuneration (whereby ratio between fixed and variable remuneration for control functions is significantly in favor of fixed remuneration).

The fixed component of the remuneration reflects staff's professional experience and organizational responsibility taking into account the level of education required to fulfill the position, the degree of seniority, the level of expertise and skills, the constraints (e.g., social, economic, cultural or other relevant factors) and job experience, the relevant business activity and remuneration level of the geographical location. The amount of fixed remuneration is sufficiently high in order to ensure that the reduction of the variable remuneration down to zero is possible. The Group conforms to the general principle that staff must not be dependent on the award of variable remuneration as this might otherwise create incentives for short-term-oriented excessive risk taking, including the mis-selling of products, where without such short-term risk taking the performance of the entity or staff would not allow for the award of variable remuneration. Yet the ratios between fixed and variable component of remuneration are balanced so that it still effectively encourages staff members to achieve or exceed that planed results.

The members of the management body in its supervisory function only receive fixed remuneration.

In addition to the fixed component of the remuneration, the staff may also be entitled to variable component of the remuneration – including short-term incentive and long-term incentive plans, in accordance with the provisions in their individual employment contracts, remuneration policy of the respective subsidiary and in line with local legislation, relevant regulation and Group Remuneration Policy. Variable remuneration is not guaranteed to any of the staff members (identified staff or any other staff member). 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 organizational unit and individual goals measured and assessed in accordance with internal acts of the respective subsidiary, conforming to five categories defined in Group Remuneration Policy (target met above 120% - extraordinary; target met between 111% and 120% - above expectations; target met between 101% and 110% - expected; target met between 95% and 100% - average; below 95% - poor). In general, 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 different period of time if thus determined by respective subsidiary. The remuneration policy makes a clear distinction regarding the variable remuneration and the performance assessment between the operating business units, corporate and control functions. The staff who are performing control functions are independent from the organizational units they are monitoring and have appropriate authorizations and receive remunerations based on achieving objectives related to their functions, independently of the success of the business areas they are monitoring. Remuneration policy supports the Group and Subsidiaries within the Group in achieving and maintaining a target capital base. Variable remunerations are only paid or become payable if they are sustainable in terms of each group member's financial state and if they are justified by the success of the respective group member, the organizational unit, and the individual staff member.

Group Remuneration Policy defines that the group members include the impact of variable remuneration (both upfront and deferred amounts) in its capital and liquidity planning and in its overall internal capital and liquidity adequacy assessment process. Each group member within the Group ensures that the award, pay out and vesting of variable remuneration, including the application of malus and claw back arrangements, under their local remuneration policy is not detrimental to maintaining a sound capital and liquidity base in line with the risk appetite framework. The total variable remuneration awarded also considers the interests of shareholders and other stakeholders.

In line with Group Remuneration Policy, the management body and the Remuneration Committee (working closely together with Risk Committee) assess the achievement of performance targets and the need for ex post risk adjustment, including the application of malus and claw back arrangements. The management body and the Remuneration Committee have the competence to take into account any other matters that come to their attention in setting and deciding upon final adjustments to variable remuneration component (whether current or deferred) and activation of a claw back. Therefore, when considering risk adjustments to variable remuneration component, the management body and Remuneration Committee take into account also any intentional breaches of legislation, internal rules, authorizations or if staff member's actions, omissions or decisions have led to important losses for the subsidiary or Group, or they do not meet the suitability standards of the entity during their time on the job. These considerations apply to all staff members. The management body and Remuneration Committee have authority to reduce, withdraw and claw back variable remuneration component to zero or at least to the extent available in the respective local legislation.

If awarded variable remuneration component exceeds EUR 50.000 gross and represents more than one third of the respective identified staff's total annual remuneration, according to the Group Remuneration Policy, the total variable remuneration determined is paid in the following way:

- Of the first 60% of the amount, half is paid in cash after the Annual Report has been approved, whereas the second half is paid in instruments;
- The remaining 40% of the amount is deferred and paid on a "pro rata" basis, which means that of the remaining 40% of the amount, 20% of said amount is paid annually in the next 5 years (with half of that amount paid in cash and half in instruments). The last 20% of the amount is paid after 5 years.

Severance payment is generally prescribed by the local legislation or defined in the collective agreement or subsidiary's collective agreement. Severance payment according to the Group Remuneration Policy cannot provide a disproportionate reward but provides appropriate compensation to the staff member in case of early termination of the contract. Severance payment does not reward failure or misconduct. Severance payment that is higher than stipulated by law or defined in the collective agreement or subsidiary's collective agreement is regarded as variable remuneration.

The Group effectively manages conflicts of interest by established system for the identification of conflicts of interest, which covers the criteria for identifying the circumstances that lead to or may lead to conflicts of interest as well as identification of conflicts of interests, and a system for the prevention of the occurrence of conflicts of interest including the determination of procedures and measures to manage the conflicts of interest. The Group takes organizational and other measures contained in its internal documents or implements guidelines to prevent or avoid conflicts of interest.

Remuneration Committee

Remuneration Committee on a group level is set up on a solo entity base. It is a committee of the management body in its supervisory function. The Remuneration Committee:

- Is responsible for the preparation of decisions on remuneration to be taken by the management body in its supervisory function, in particular regarding the remuneration of the members of the management body in its management function.
- Provides its support and advice to the management body in its supervisory function on the design of the remuneration policy, including that such remuneration policy is gender neutral and supports the equal treatment of staff of different genders.
- Supports the management body in its supervisory function in overseeing the remuneration policies, practices and processes and compliance with the remuneration policy.

- Checks whether the existing remuneration policy is still up to date and, if necessary, makes proposals for changes.
- Reviews the appointment of external remuneration consultants that the management body in its supervisory function may decide to engage for advice or support.
- Ensures 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, risk culture and long-term interest of the Group.
- Assess the achievement of performance targets and the need for ex post risk adjustment, including the application of malus and claw back arrangements.
- Reviews possible scenarios to test how the remuneration policies and practices react to external and internal events, and back-tests the criteria used for determining the award and the ex-ante risk adjustment based on the actual risk outcomes.
- Directly oversees the remuneration of the senior managers in the independent control functions.
- Ensures the proper involvement of the independent control function and other relevant functions (e.g., human resources) within the respective areas of expertise and, where necessary, seeks external advice.
- Collaborates with other Committees of the management body in its supervisory function whose activities may have an impact on the design and proper functioning of remuneration practices.

During the year 2022 the Remuneration Committee held 1 meeting. The Remuneration Committee has 3 members (Chairman, Vice-Chairman and member of the Remuneration Committee). The management body in its supervisory function and the Remuneration Committee did not use any external consultants.

Annual self-assessment (description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile)

Annual self-assessment is conducted on individual, sub-consolidated and consolidated basis in order to identify all staff whose professional activities have or may have a material impact on the institution's risk profile on individual, sub-consolidated and consolidated level. The identification process is part of the overall remuneration policy. The annual self-assessment is based on the qualitative and quantitative criteria set out in Article 92(3) of Directive 2013/36/EU and Regulation (EU) 2021/923. The staff members that fall or are likely to fall under the Regulation (EU) 2021/923 are treated as staff whose professional activities have a material impact on the institution's risk profile for a period of at least three months in a financial year.

The annual self-assessment showed that, by considering criteria under the Directive 2013/36/EU and the Regulation (EU) 2021/923, the Group has identified all staff members whose professional activities have a material impact on the risk profile on individual and consolidated basis (who fall under following categories of staff: management body, senior managers, independent internal control functions and other staff members, identified during the process of self-assessment) and that there are no members identified under quantitative criteria on individual or on consolidated level for year 2022. The self-assessment also shows that for year 2022 there was no exclusion of staff members in accordance with the regulation where the institution would deem that the quantitative criteria are not met by the staff member, as they in fact do not have a material impact on the institution's risk profile on individual or consolidated basis.

The self-assessment for year 2022 shows that, by considering the qualitative criteria during the year 2022 there were 18 staff members (natural persons) in Agri Europe Cyprus Ltd., whose professional activities had a material impact on the institution's risk profile on individual basis and 116 natural persons identified as staff members whose professional activities had a material impact on the institution's risk profile on a consolidated basis during the year 2022. Institutions within the Group have identified staff members whose activities have a material impact on institution's risk profile on individual basis during the year 2022 as follows:

- Agri Europe Cyprus Ltd.: 18 staff members,
- Nord Agri N.V.: 0 staff members,
- M&V Investments a.d.: 4 staff members,
- AIK bank a.d.: 29 staff members,
- Naša AIK bank a.d.: 30 staff members (for the period from March 1st, 2022 till November 30th, 2022),
- Gorenjska bank d.d.: 38 staff members,
- GB Leasing d.o.o. has identified 8 staff members.

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.

AGRI EUROPE

Table 35_EU REM1 - Remuneration awarded for the financial year

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	6	2	88	18
2		Total fixed remuneration	241.5	344.2	6,980.1	551.6
3		Of which: cash-based	241.5	344.2	6,980.1	551.6
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	6	2	88	18
10		Total variable remuneration	-	66.7	1,578.9	18.7
11		Of which: cash-based	-	66.7	1,578.9	18.7
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 (2 + 10)**		**241.5**	**410.8**	**8,559.0**	**570.3**

Table 36_EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

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	-	-	2	-
7	Severance payments awarded during the financial year - Total amount	-	-	60.0	-
8	Of which paid during the financial year	-	-	60.0	-
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	-	-	49.0	-

AGRI EUROPE

Table 37_EU REM3 - Deferred remuneration

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**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
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**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
8	Cash-based	-	-	-	-	-	-	-	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	**Other senior management**	**58.7**	**19.3**	**39.4**	**-**	**-**	**-**	**19.3**	**-**
14	Cash-based	58.7	19.3	39.4	-	-	-	19.3	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
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**	**58.7**	**19.3**	**39.4**	**-**	**-**	**-**	**19.3**	**-**

EU REM4 - Remuneration of 1 million EUR or more per year

In 2022 none of the staff members within the Group received a remuneration in amount of 1 million EUR or more, therefore the Template EU REM4 is not shown.

Table 38_EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

000 EUR

		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**										**114**
2	Of which: members of the MB	6	2	8							
3	management				1	26	8	32	21	0	
4	Of which: other identified staff				0	0	0	0	8	10	
5	**Total remuneration of identified staff**	**241.5**	**410.8**	**652.3**	**149.3**	**3,207.3**	**651.9**	**2,679.3**	**2,143.4**	**298.0**	
6	Of which: variable remuneration	0.0	66.7	66.7	2.6	668.7	124.4	461.4	340.5	0.0	
7	Of which: fixed remuneration	241.5	344.2	585.7	146.7	2,538.6	527.5	2,217.9	1,802.9	298.0	

17. 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 leverage exposure, including 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 emphasized.

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 2022, the Group's leverage ratio is calculated according to guidelines of the Commission Delegated Regulation (EU) 2015/62 and is well above regulatory prescribed minimum of 3%.

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 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, at least on quarterly level. Beside regulatory required calculation and reporting, leverage ratio is regularly monitored in Group Risk Report by management and supervisory BOD and Risk Committee, at least on quarterly level. 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.

Table EU_LR1 provides reconciliation of AEC Group financial statements to the leverage ratio exposure as of 31.12.2022:

Table 39_EU –R1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

000 EUR

		a
		Applicable amount
1	Total assets as per published financial statements	5,758,160
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(352)
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	(6,189)
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)	399,418
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	92,963
13	**Total exposure measure**	**6,244,000**

Leverage Ratio - using a fully phased-in definition of Tier 1 capital amounts 11.64% (if the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income have not been applied), and Leverage Ratio - using a transitional definition of Tier 1 capital amounts 11.79%, as of 31.12.2022, both well above regulatory minimum of 3%. Table EU LR2 shows breakdown of total leverage exposure measure into its main parts, as of 31.12.2022 and 31.12.2021:

Table 40_EU LR2 - LRCom: Leverage ratio common disclosure

000 EUR

		CRR leverage ratio exposures	
		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)	5,759,687	4,290,442
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	Adjustment for securities received under securities financing transactions that are recognized as an asset	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(16,094)	(13,436)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**5,743,593**	**4,277,006**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	-	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardized 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 standardized approach	-	-
EU-9b	Exposure determined under Original Exposure Method	6,189	3,787
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardized 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**	**6,189**	**3,787**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	94,800	51,389
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**	**94,800**	**51,389**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1,463,532	823,834
20	(Adjustments for conversion to credit equivalent amounts)	(1,064,114)	577,776

		CRR leverage ratio exposures	
		31.12.2021	31.12.2020
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**399,418**	**246,059**
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 - 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**	**736,346**	**709,520**
24	**Total exposure measure**	**6,244,000**	**4,578,241**
Leverage ratio			
25	Leverage ratio	11.79%	15.50%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	11.79%	15.50%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11.79%	15.50%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	-	-
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	N/A	N/A

		CRR leverage ratio exposures	
		31.12.2021	31.12.2020
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	34,801	26,128
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	94,800	51,389
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)	6,184,001	4,552,980
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)	6,184,001	4,552,980
31	Leverage ratio (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)	11.91%	15.58%
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)	11.91%	15.58%

Table EU LR 3 provides breakdown of on-balance sheet exposures, excluding derivatives, SFTs and exempted exposures, by exposure class as of 31.12.2022:

Table 41_EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

000 EUR

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**5,759,687**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	5,759,687
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	1,083,501
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	6,659
EU-7	Institutions	156,242
EU-8	Secured by mortgages of immovable properties	521,826
EU-9	Retail exposures	1,139,699
EU-10	Corporates	1,509,185
EU-11	Exposures in default	56,186
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,286,389

Factors influencing the development of leverage

Leverage ratio reaches constantly high levels in 2021 and in 2022, well above regulatory (3%) and internally defined thresholds.

Impacts on change of leverage ratio in 31.12.2022 compared to 31.12.2021 are as follows:

- Tier 1 capital increased by 26.8 million EUR, and the main drivers are:
  - Increase of retained earnings by 50.5 million EUR,

  - Decrease of Accumulated other comprehensive income by 31.0 million EUR, as a result of negative development of financial instrument measured at FVTOCI; decrease is partially neutralized by temporary apply of Article 468 CRR, based on which 40% of the unrealized gains and losses on government instruments measured at FVTOCI can be added back to the capital (9.7 million EUR),
  - Decrease of other intangible assets by 2.9 million EUR.
- Risk position value increase from 51.4 million EUR to 94.8 million EUR, as a result of bank acquisition during 2022 (Naša AIK bank acquisition by AIK bank in March 2022) and also business increase.

Overview of Leverage ratio as of 31.12.2022 with and without applying temporary measures in line with Article 468 of CRR is given in table Template IFRS 9/Article 468-FL under point 5.1 of this Report.

18. Liquidity Requirements

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

18.1. Liquidity risk management

Liquidity risk management within the Group is prescribed in Group Framework on Liquidity Risk Management and Liquidity Stress Testing. 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 defense. First line of defense are business units, ALM and Treasury, responsible for compliance with risk appetite limits, monitoring market developments, counterbalancing capacity management, future cash flow projections and liquidity contingency plan. Second line of defense 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 which the Group is required to comply and checking the compliance with the regulatory expectations. Internal Audit presents third line of defense in liquidity 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 Adequacy 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. The first stage for the risk identification is the recognition of all the material current risks the Group is exposed to, and the future risks the Group could be exposed to.

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 Framework on Liquidity Risk Management and Liquidity Stress Testing and in line with Group Policy on Risk Management. Contingency Funding Plan presents how the bank would respond to an actual or anticipated stress test circumstances. Group Framework on Liquidity Contingency Plan prescribes obligation of each credit institution subsidiary to adopt LCP (liquidity 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. The Critical Liquidity Situation defined by the LCP framework is differentiated in two levels - Liquidity Warning Situation (LWS) and Liquidity Emergency Situation (LES). LCP is activated when an indicator reaches amber warning level (corresponds to LES) - whereas Recovery Plan is activated when an indicator reaches red warning level. LWS requires steps to be taken according to the LCP action plan. 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 organizational 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 evaluating 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 design, 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. Half-life stress functions was applied in distributing deposits, since internal validation showed it is more severe approach than linear and compounding function. Half-life stress function is assuming that more deposits will be withdrawn in short term buckets and outflow curve will be sharper than in linear or compounding stress function. Methodology of liquidity stress test model is assuming different days of deposit outflows per each different scenario and per different customer segment. Liquidity stress test is done in Total (for all currencies), and separately for each significant single currency on credit institution subsidiary and Group level.

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, under combined-adverse scenario. 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.

One more perspective of monitoring liquidity risk is intraday. In intraday liquidity management the liquidity risk-bearing capacity is operationalized based on minimum level of available intraday liquidity at the beginning of each working day per each credit institution subsidiary. Methodology of estimating the minimum balance for Intraday liquidity management is prescribed in detailed in Group Procedure on Intraday Liquidity Management, according to the BCBS Monitoring tools for intraday liquidity management. Daily monitoring of the intraday liquidity position is performed on continuous basis and reported about on the beginning of each working day. In case of uncertain circumstances monitoring is performed more frequently.

18.2. 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, 2022, calculated according to Article 451a(2) CRR, was 209.8%, which is significantly higher than regulatory prescribed minimum of 100%. Movements in LCR during 2022 were mostly triggered by movements in the level of HQLA and wholesale deposits.

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 funding 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, 2022, in amount of 1,137,652 thousand EUR 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 weren'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 appetite statement there is prescribed 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 2022. Those values and figures as the simple averages of month-end observations over the twelve months preceding the end of each quarter.

18.3. Quantitative information on LCR

Table 42_EU LIQ1 - Quantitative information of LCR

in 000 EUR		**Total unweighted value (average)**				**Total weighted value (average)**			
EU 1a	**Quarter ending on**	**Dec 31, 2022**	**Sep 30, 2022**	**Jun 30, 2022**	**Mar 31, 2022**	**Dec 31, 2022**	**Sep 30, 2022**	**Jun 30, 2022**	**Mar 31, 2022**
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)					1,137,652	1,127,287	1,125,081	1,116,770
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,924,245	2,754,898	2,569,008	2,375,092	218,443	202,166	186,123	169,146
3	*Stable deposits*	2,001,736	1,934,599	1,836,806	1,735,950	100,087	96,730	91,840	86,797
4	*Less stable deposits*	896,378	801,762	721,428	636,165	118,092	105,253	94,151	82,260
5	Unsecured wholesale funding	1,128,501	1,047,311	969,569	900,694	514,262	482,797	456,430	435,676
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	1,128,501	1,047,311	969,569	900,694	514,262	482,797	456,430	435,676
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	594,221	510,877	439,769	363,882	53,485	46,712	41,288	35,446
11	*Outflows related to derivative exposures and other collateral requirements*	2,991	3,123	3,330	3,284	2,991	3,123	3,330	3,284
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	591,231	507,754	436,439	360,598	50,495	43,589	37,958	32,163
14	Other contractual funding obligations	47,776	43,159	39,492	36,835	40,594	36,673	33,525	31,332
15	Other contingent funding obligations	477,226	413,198	353,016	291,368	41,153	34,988	29,332	23,673
16	TOTAL CASH OUTFLOWS					867,127	801,763	744,315	692,219
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	21,499	17,851	22,113	27,384	21,499	17,851	22,113	27,384
18	Inflows from fully performing exposures	333,191	329,941	308,294	264,216	277,939	280,496	265,548	229,129
19	Other cash inflows	42,222	16,381	13,798	12,987	23,816	16,381	13,798	12,987
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)					-	-	-	-

in 000 EUR		Total unweighted value (average)				Total weighted value (average)			
EU 1a	**Quarter ending on**	**Dec 31, 2022**	**Sep 30, 2022**	**Jun 30, 2022**	**Mar 31, 2022**	**Dec 31, 2022**	**Sep 30, 2022**	**Jun 30, 2022**	**Mar 31, 2022**
EU-19b	(Excess inflows from a related specialized credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	396,911	364,172	344,205	304,587	317,545	313,200	301,444	269,491
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	375,864	362,645	344,190	304,579	317,545	313,200	301,444	269,491
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					1,137,652	1,127,287	1,125,081	1,116,770
22	TOTAL NET CASH OUTFLOWS					549,582	488,562	442,871	422,727
23	**LIQUIDITY COVERAGE RATIO**					**209.8%**	**238.7%**	**262.6%**	**271.2%**

18.4. Quantitative information on NSFR

Net stable funding ratio (NSFR) calculated in accordance with the CRR2 was 143% as of December 31, 2022, within regulatory and internally prescribed limits. Overview of NSFR for the last three quarters is given in the tables below:

Table 43_EU LIQ2: Net Stable Funding Ratio as of 31.12.2022

(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	**752,440**	**-**	**-**	**-**	**752,440**
2	*Own funds*	752,440	-	-	-	752,440
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**2,682,744**	**188,957**	**192,311**	**2,879,316**
5	*Stable deposits*		1,957,007	92,484	114,091	2,061,108
6	*Less stable deposits*		725,737	96,473	78,220	818,209
7	Wholesale funding:		**1,421,631**	**40,759**	**132,804**	**788,260**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		1,421,631	40,759	132,804	788,260
10	Interdependent liabilities		**-**	**-**	**-**	**-**
11	Other liabilities:	**13**	**82,992**	**12,377**	**36,544**	**42,733**
12	*NSFR derivative liabilities*	13				
13	*All other liabilities and capital instruments not included in the above categories*		82,992	12,377	36,544	42,733
14	**Total available stable funding (ASF)**					**4,462,750**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**5,387**
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		**4,291**	**-**	**-**	**2,146**
17	Performing loans and securities:		**776,179**	**469,741**	**2,462,275**	**2,743,823**
18	*Performing securities financing transactions with financial customers collateralized by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralized by other assets and loans and advances to financial institutions*		145,041	21,319	-	24,687
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		584,809	431,643	2,077,867	2,303,915

(in 000 EUR)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
21	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk*		52,638	33,534	118,563	204,735
22	*Performing residential mortgages, of which:*		9,082	16,779	299,256	325,117
23	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk*		3,158	3,125	155,393	161,676
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*		37,247	-	85,152	90,104
25	Interdependent assets		-	-	-	-
26	Other assets:		**665,304**	**19,001**	**198,775**	**566,184**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*			-		283,058
29	*NSFR derivative assets*					69
30	*NSFR derivative liabilities before deduction of variation margin posted*			-		-
31	*All other assets not included in the above categories*		665,234	18,932	198,705	283,058
32	Off-balance sheet items		**448,502**	**291,488**	**565,258**	**76,842**
33	**Total RSF**					**3,120,234**
34	**Net Stable Funding Ratio (%)**					**143.0%**

Table 44_EU LIQ2: Net Stable Funding Ratio as of 30.09.2022

(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	**711,021**	-	-	-	**711,021**
2	*Own funds*	711,021	-	-	-	711,021
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**2,729,216**	**142,058**	**168,561**	**2,855,487**
5	*Stable deposits*		1,974,827	80,759	99,362	2,052,168
6	*Less stable deposits*		754,389	61,299	69,199	803,319
7	Wholesale funding:		**1,371,207**	**43,370**	**141,184**	**747,756**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		1,371,207	43,370	141,184	747,756
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	**3,061**	**74,529**	**1,655**	**5,425**	**6,253**
12	*NSFR derivative liabilities*	3,061				
13	*All other liabilities and capital instruments not included in the above categories*		74,529	1,655	5,425	6,253
14	**Total available stable funding (ASF)**					**4,320,516**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**14,255**
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		**3,577**	**-**	**-**	**1,788**
17	Performing loans and securities:		**854,385**	**468,140**	**2,528,908**	**2,793,552**
18	*Performing securities financing transactions with financial customers collateralized by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer*		282,742	29,191	-	42,175

(in 000 EUR)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	collateralized by other assets and loans and advances to financial institutions					
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		521,858	423,862	2,145,693	2,338,272
21	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk*		50,782	46,744	156,758	254,285
22	*Performing residential mortgages, of which:*		10,375	15,087	289,023	314,485
23	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk*		2,740	3,313	149,022	155,075
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*		39,410	-	94,192	98,621
25	Interdependent assets		**-**	**-**	**-**	**-**
26	Other assets:		**535,558**	**11,496**	**191,716**	**281,769**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*			-		-
29	*NSFR derivative assets*					4,211
30	*NSFR derivative liabilities before deduction of variation margin posted*			-		-
31	*All other assets not included in the above categories*		531,347	7,285	187,505	277,558
32	Off-balance sheet items		**393,259**	**315,728**	**521,030**	**71,811**
33	**Total RSF**					**3,163,176**
34	**Net Stable Funding Ratio (%)**					**136.6%**

Table 45_EU LIQ2: Net Stable Funding Ratio as of 30.06.2022

(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	**696,286**	**-**	**-**	**1,329**	**697,615**
2	*Own funds*	696,286	-	-	1,329	697,615
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**2,694,912**	**164,743**	**174,013**	**2,850,176**
5	*Stable deposits*		1,954,638	94,831	101,959	2,048,955
6	*Less stable deposits*		740,274	69,912	72,053	801,221
7	Wholesale funding:		**1,371,754**	**111,036**	**116,355**	**719,041**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		1,371,754	111,036	116,355	719,041
10	Interdependent liabilities		**-**	**-**	**-**	**-**
11	Other liabilities:	**1,137**	**105,167**	**2,624**	**11,473**	**12,785**
12	*NSFR derivative liabilities*	1,137				
13	*All other liabilities and capital instruments not included in the above categories*		105,167	2,624	11,473	12,785
14	**Total available stable funding (ASF)**					**4,279,617**
Required stable funding (RSF) Items						

(in 000 EUR)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
15	Total high-quality liquid assets (HQLA)					**14,241**
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		**1,775**	**-**	**-**	**888**
17	Performing loans and securities:		**795,143**	**429,805**	**2,488,312**	**2,732,214**
18	*Performing securities financing transactions with financial customers collateralized by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralized by other assets and loans and advances to financial institutions*		215,718	17,171	-	29,671
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		514,545	398,752	2,115,010	75,357
21	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk*		49,370	47,673	153,044	250,088
22	*Performing residential mortgages, of which:*		21,591	11,253	279,034	311,878
23	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk*		2,983	3,762	130,402	137,146
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*		43,289	2,630	94,268	100,125
25	Interdependent assets		**-**	**-**	**-**	**-**
26	Other assets:		**612,428**	**8,867**	**214,151**	**347,214**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-			-
29	*NSFR derivative assets*					1,609
30	*NSFR derivative liabilities before deduction of variation margin posted*		-			-
31	*All other assets not included in the above categories*		610,819	7,258	212,543	345,605
32	Off-balance sheet items		**405,780**	**287,826**	**568,897**	**73,549**
33	**Total RSF**					**3,168,106**
34	**Net Stable Funding Ratio (%)**					**135.1%**

Table 46_EU LIQ2: Net Stable Funding Ratio as of 31.03.2022

(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	**718,644**	**-**	**-**	**2,086**	**720,729**
2	*Own funds*	718,644	-	-	2,086	720,729
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**2,589,713**	**189,391**	**211,413**	**2,812,407**

(in 000 EUR)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
5	*Stable deposits*		1,881,923	114,067	113,855	2,010,046
6	*Less stable deposits*		707,790	75,324	97,558	802,361
7	Wholesale funding:		**1,594,199**	**253,143**	**140,562**	**849,767**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		1,594,199	253,143	140,562	849,767
10	Interdependent liabilities		**-**	**-**	**-**	**-**
11	Other liabilities:	**130**	**82,838**	**7,426**	**44,267**	**47,980**
12	*NSFR derivative liabilities*	130				
13	*All other liabilities and capital instruments not included in the above categories*		82,838	7,426	44,267	47,980
14	**Total available stable funding (ASF)**					**4,430,883**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**14,438**
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		**1,914**	**-**	**-**	**957**
17	Performing loans and securities:		**883,528**	**379,649**	**2,413,426**	**2,636,809**
18	*Performing securities financing transactions with financial customers collateralized by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralized by other assets and loans and advances to financial institutions*		341,606	30,817	-	49,020
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		492,143	333,963	1,986,987	2,134,061
21	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk*		52,848	44,541	166,879	264,268
22	*Performing residential mortgages, of which:*		12,035	12,260	330,134	354,429
23	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk*		4,043	3,047	109,769	116,859
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*		37,744	2,610	96,305	99,299
25	Interdependent assets		**-**	**-**	**-**	**-**
26	Other assets:		**712,771**	**15,784**	**205,904**	**357,081**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-			-
29	*NSFR derivative assets*					174
30	*NSFR derivative liabilities before deduction of variation margin posted*		-			-
31	*All other assets not included in the above categories*		712,597	15,610	205,730	356,907
32	Off-balance sheet items		**392,704**	**273,818**	**541,668**	**77,649**
33	**Total RSF**					**3,086,934**

(in 000 EUR)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
34	Net Stable Funding Ratio (%)					143.5%

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.

19. Use of Credit Risk Mitigation Techniques

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

19.1. 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 analyzed 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.

19.2. 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.

AGRI EUROPE

19.3. 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 recognizing 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 recognizing 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). Distribution of type of guarantors are given in the table below.

Table 47_Distribution of type of guarantors

000 EUR

Type of guarantors	Performing exposure	Non-performing exposure
Governments	154,588	482
Banks	321	-
Other	9,664	313
Total	**164,573**	**794**

More than 90% of total amount of guarantees refers to government guarantees.

The Group has no transactions with credit derivatives.

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

Group avoid concentration risk related to collaterals by diversifying 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:

Table 48_EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

000 EUR

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	2,825,916	1,704,853	1,539,486	165,367	-
2	Debt securities	869,796	16,942	-	16,942	
3	**Total**	**3,695,712**	**1,721,796**	**1,539,486**	**182,310**	**-**
4	*Of which non-performing exposures*	21,302	37,566	36,772	794	-
EU-5	*Of which defaulted*	21,302	37,566			

There are no significant changes.

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 – standardized approach – Credit risk exposure and CRM effects) is given in the point 10.2 of this Disclosure Report.

AGRI EUROPE

20. Appendix 1 - Disclosure of non- performing and forborne exposures

In line with EBA Guideline on disclosure on non-performing and forborne exposures (EBA/GL/2018/10), AEC Group disclosure tables showing volumes and levels of NPEs, FBEs and foreclosed assets in its balance sheet, with the aim of fostering transparency, providing meaningful information to market participants on the quality of assets. Templates applicable to AEC Group are Templates 1, 3, 4 and 9, since its NPL ratio is below 5%, and no additional information is required.

Table 49_Template 1: Credit quality of forborne exposures

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	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
1	**Loans and advances**	**111,036**	**25,323**	**25,323**	**25,323**	**-4,841**	**-7,839**	**63,757**	**11,989**
2	*Central banks*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
3	*General governments*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
4	*Credit institutions*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
5	*Other financial corporations*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
6	*Non-financial corporations*	*103,957*	*21,886*	*21,886*	*21,886*	*-4,092*	*-6,620*	*60,675*	*11,668*
7	*Households*	*7,079*	*3,437*	*3,437*	*3,437*	*-749*	*-1,219*	*3,082*	*321*
8	**Debt Securities**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
9	**Loan commitments given**	**2,842**	**36**	**0**	**0**	**0**	**0**	**2,842**	**0**
10	**Total**	**113,878**	**25,359**	**25,323**	**25,323**	**-4,841**	**-7,839**	**66,599**	**11,989**

Table 50_Template 3: Credit quality of performing and non-performing exposures by past due days

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**	**3,612,667**	**3,562,566**	**50,101**	**79,397**	**52,798**	**9,694**	**6,818**	**4,064**	**3,512**	**222**	**2,288**	**79,397**
2	*Central banks*	108,506	85,549	22,957	0	0	0	0	0	0	0	0	0
3	*General governments*	12,802	12,802	0	378	0	0	0	0	6	0	370	378
4	*Credit institutions*	33,925	33,889	36	341	325	3	5	0	1	0	7	341
5	*Other financial corporations*	45,496	45,476	20	4,002	3,923	0	72	0	0	0	6	4,002
6	*Non-financial corporations*	2,366,919	2,357,292	9,626	49,599	34,127	5,733	4,156	2,236	2,002	79	1,268	49,599
7	*Of which SMEs*	*1,357,882*	*1,349,237*	*8,645*	*28,060*	*18,962*	*2,689*	*3,463*	*2,143*	*797*	*1*	*5*	*28,060*
8	*Households*	1,045,019	1,027,558	17,462	25,077	14,423	3,958	2,585	1,828	1,503	143	636	25,076
9	**Debt securities**	**888,725**	**888,725**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
10	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0
11	*General governments*	801,002	801,002	0	0	0	0	0	0	0	0	0	0
12	*Credit institutions*	24749	24749	0	0	0	0	0	0	0	0	0	0
13	*Other financial corporations*	0	0	0	0	0	0	0	0	0	0	0	0
14	*Non-financial corporations*	62,974	62,974	0	0	0	0	0	0	0	0	0	0
15	**Off-balance-sheet exposures**	**1,457,872**			**3,695**								**3,695**
16	*Central banks*	0			0								0
17	*General governments*	15,940			0								0
18	*Credit institutions*	2,366			0								0
19	*Other financial corporations*	7,417			0								0
20	*Non-financial corporations*	1,324,863			3,486								3,486
21	*Households*	107,286			209								209
22	**Total**	**5,959,264**	**4,451,291**	**50,101**	**83,092**	**52,798**	**9,694**	**6,818**	**4,064**	**3,512**	**222**	**2,288**	**83,092**

Table 51_Template 4: Performing and non-performing exposures and related provisions

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 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**	**3,612,667**	**3,186,943**	**424,376**	**79,397**	**0**	**69,186**	**-45,056**	**-24,869**	**-20,005**	**-20,529**	**0**	**-20,524**	**-174**	**1,667,287**	**37,566**
2	*Central banks*	108,506	108,506	0	0	0	0	-4	-4	0	0	0	0	0	0	0
3	*General governments*	12,802	12,595	207	378	0	378	-66	-62	-4	-376	0	-376	0	216	0
4	*Credit institutions*	33,925	33,925	0	341	0	341	-73	-73	0	-22	0	-22	0	568	0
5	*Other financial corporations*	45,496	44,506	990	4,002	0	4,002	-328	-326	-2	-50	0	-50	0	13,747	3,923
6	*Non-financial corporations*	2,366,919	2,067,048	299,870	49,599	0	45,674	-35,123	-19,421	-15,702	-12,426	0	-12,427	-119	1,051,455	24,808
7	*Of which SMEs*	*1,357,882*	*1,177,849*	*180,033*	*28,060*	*0*	*25,464.00*	*-20,785*	*-10,385*	*-10,401*	*-5,739*	*0*	*-5,739*	*-119*	*734,928*	*15,249*
8	*Households*	1,045,019	920,363	123,309	25,077	0	18,791	-9,462	-4,983.00	-4,297	-7,655	0	-7,649	-55	601,301	8,835
9	**Debt securities**	**888,725**	**843,519**	**45,206**	**0**	**0**	**0**	**-1,987**	**-916**	**-1,071**	**0**	**0**	**0**	**0**	**0**	**0**
10	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	*General governments*	801,002	801,002	0	0	0	0	-849	-849	0	0	0	0	0	0	0
12	*Credit institutions*	24,749	24,749	0	0	0	0	-29	-29	0	0	0	0	0	0	0
13	*Other financial corporations*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	*Non-financial corporations*	62,974	17,768	45,206	0	0	0	-1,109	-38	-1,071	0	0	0	0	0	0
15	**Off-balance-sheet exposures**	**1,457,872**	**1,394,070**	**63,802**	**3,695**	**0**	**3,654**	**3,406**	**2,554**	**852**	**878**	**0**	**878**		**164,358**	**1,209**
16	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0		0	0
17	*General governments*	15,940	15,940	0	0	0	0	9	9	0	0	0	0		50	0
18	*Credit institutions*	2,366	2,287	79	0	0	0	8	8	0	0	0	0		65	0
19	*Other financial corporations*	7,416	7,416	0	0	0	0	8	8	0	0	0	0		3,776	0
20	*Non-financial corporations*	1,324,864	1,262,808	62,056	3,486	0	3,486	3,254	2,427	827	850	0	850		154,365	1,200
21	*Households*	107,286	105,619	1,667	209	0	168	127	102	25	28	0	28		6,102	9
22	**Total**	**5,959,264**	**5,424,532**	**533,384**	**83,092**	**0**	**72,840**	**-43,637**	**-23,231**	**-20,224**	**-19,651**	**0**	**-19,646**	**-174**	**1,831,645**	**38,775**

AGRI EUROPE

Table 52_Template 9: Collateral obtained by taking possession and execution processes

000 EUR

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	**Accumulated negative changes**
1	Property, plant and equipment (PP&E)	180	(76)
2	Other than PP&E	41,103	(17,558)
3	*Residential immovable property*	*683*	*(84)*
4	*Commercial Immovable property*	*30,505*	*(14,889)*
5	*Movable property (auto, shipping, etc.)*	*169*	*0*
6	*Equity and debt instruments*	*0*	*0*
7	*Other*	*9,746*	*(2,585)*
8	**Total**	**41,283**	**(17,634)**

21. Appendix 2 - Disclosure of exposures subject to measures applied in response to the COVID-19

Disclosure of additional information as of 31.12.2022 in accordance with EBA Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07) is presented in the three templates under this Appendix.

Table 53_Information on loans and advances subject to legislative and non-legislative moratoria

000 EUR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing				Performing			Non performing			
				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: Collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	of which: Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	of which: Small and Medium-sized Enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	of which: Collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

AGRI EUROPE

Table 54_Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

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	14,894	344,601							
2	Loans and advances subject to moratorium (granted)	14,792	303,126	303,126	303,126	-	-	-	-	-
3	of which: Households		79,500	79,500	79,500	-	-	-	-	-
4	*of which: Collateralised by residential immovable property*		9,345	9,345	9,345	-	-	-	-	-
5	of which: Non-financial corporations		219,226	219,226	219,226	-	-	-	-	-
6	*of which: Small and Medium-sized Enterprises*		153,142	153,142	153,142	-	-	-	-	-
7	*of which: Collateralised by commercial immovable property*		112,043	112,043	112,043	-	-	-	-	-

Table 55_Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

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**	**109,768.0**	**-**	**28,250.0**	**892.0**
2	of which: Households	-			
3	of which: Collateralised by residential immovable property	-			
4	of which: Non-financial corporations	109,768.0	-	28,250.0	892.0
5	of which: Small and Medium-sized Enterprises	106,398.0			730.0
6	of which: Collateralised by commercial immovable property	3,718.0			96.0

22. Appendix 3 – Responsibilities and non-applicable disclosures

AEC Group in this Appendix specifies regulatory required information in line with EBA CRR and following amendments, accompanied with name of uniform tables that have to be used for disclosure of quantitative and qualitative data for certain parts of Disclosure Report.

In the Appendix AEC Group also specifies disclosures that are not applicable for the Group, with reasoning.

Point in CRR/ Name of the table	Point in Disclosure Report	Required information
431-434	**1**	**Introduction:** Regulations regarding Pillar 3, obligation of the Group to disclose information, general info
435.1	**2**	**Risk Management Objectives and Policies:**
EU_OVA EU_CRA EU_MRA EU_LIQA EU_ORA		For each separate category of risk:
		a) strategies and processes to manage those risks EU_OVA, EU_LIQA, EU_CRA, EU_MRA, EU_ORA
		b) structure and organization of the suitable risk management function, including information on its hierarchy and status, or other suitable arrangements EU_OVA, EU_LIQA, EU_CRA, EU_MRA, EU_ORA
		c) the scope and nature of risk reporting and measurement systems EU_OVA, EU_LIQA, EU_MRA
		d) the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants EU_LIQA, EU_CRA, EU_MRA, EU_ORA
		e) a declaration approved by the management body on the adequacy of risk management arrangements EU_OVA, EU_LIQA, EU_ORA
		f) a concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile: (i) key ratios and figures providing external stakeholders a comprehensive view of the institution's management of risk (ii) information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group EU_OVA, EU_LIQA EU_CRA, EU_ORA
435.2	**3**	**Governance Arrangement:**
EU_OVB		a) the number of directorships held by members of the management body EU_OVB
		b) the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise EU_OVB
		c) the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved EU_OVB
		d) setting up a separate risk committee and the number of times the risk committee has met EU_OVB
		e) the description of the information flow on risk to the management body EU_OVB
436	**4**	**Scope of Application:**
EU_LI1 EU_LI2 EU_LI3 EU_LIA EU_LIB EU_PV1		a) the name of the bank to which the requirements of the regulation apply
		b) a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One of CRR EU_LI3, EU_LIA
		c) breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks EU_LI1

		d) reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes EU_LI2, EU_LIA
		e) or exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions EU_PV1 Not applicable, AEC Group does not apply core approach for determination of additional valuation adjustment.
		f) any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries EU_LIB
		g) the aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries EU_LIB
		h) the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9, where applicable EU_LIB
437	**5**	**Own Funds:**
EU_CC1 EU_CC2 EU_CCA		a) a full reconciliation of own funds items and filters and deductions applied to own funds and the balance sheet EU_CC1, EU_CC2
		b) a description of the main features of the instruments of individual categories of own funds issued by the bank EU_CCA
		c) the full terms and conditions of all instruments of individual categories of own funds EU_CCA
		d) separate disclosure of the nature and amounts of prudential filters and deductions from own funds EU_CC1
		e) a description of all restrictions applied to the calculation of own funds in accordance with the regulation and the instruments, prudential filters, and deductions to which those restrictions apply EU_CC1
		f) bases on which capital ratios are calculated (if made on a basis other than that laid down in the CRR) EU_CC1 Not applicable, AEC Group calculates capital ratios based on CRR
437a	**-**	**Own funds and eligible liabilities**
		1.Subject to Articles 93 and 94 and to the exceptions set out in paragraph 2 of this Article, institutions identified as resolution entities and that are a G-SII or part of a G-SII shall at all times satisfy requirements for own funds and eligible liabilities set in this point Not applicable, AEC Group is not G-SII or part of G-SII
438	**6**	**Own Funds Requirements and risk-weighted exposure:**
EU_OV1 EU_KM1 EU_INS1 EU_INS2 EU_OVC EU_CR8 EU_CR10 EU_CCR7 EU_MR2-B		a) a summary of the approach to assessing the adequacy of its internal capital to support current and future activities EU OVC
		b) amount of the additional Own Funds requirements based on the supervisory review process EU_KM1
		c) upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process EU OVC Not included, there is no demand from competent authority
		d) total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three EU OV1
		e) on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2) EU_CR10 Not applicable, AEC Group does not use simple riskweighted approach

		f) exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 EU_CR8, EU INS1 Not applicable, AEC Group does not hold insurance or re-insurance undertakings or insurance holding company.
		g) supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied EU INS 2 Not applicable, AEC Group is not part of financial conglomerate
		h) variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variation EU_CCR7, EU_MR2-B Not applicable, AEC Group does not apply IRB approach, IMM or IMA
439	**7**	**Exposure to Counterparty Credit Risk (CCR)**
EU_CCRA EU_CCR1 EU_CCR2 EU_CCR3 EU_CCR4 EU_CCR5 EU_CCR6 EU_CCR8		a) description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties EU_CCRA
		b) description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves EU_CCRA
		c) description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 291 EU_CCRA Not applicable, AEC Group does not define/use General Wrong-Way risk and Specific Wrong-Way risk
		d) amount of collateral the institution would have to provide if its credit rating was downgraded EU_CCRA
		e) amount of segregated and unsegregated collateral received and posted per type of collateral, further broken down between collateral used for derivatives and securities financing transactions EU_CCR5
		f) for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method EU_CCR1
		g) for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method EU_CCR1
		h) exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three EU_CCR2
		i) exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures EU_CCR8 Not applicable, AEC Group does not have any exposure value to central counterparties at reference date
		j) notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold EU_CCR6 Not applicable, AEC Group does not have any CDS in its portfolio at reference date
		k) estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9) EU_CCR1 Not applicable, AEC Group does not apply own estimates of scaling factor
		l) the disclosures included in point (e) of Article 444 and point (g) of Article 452 EU CCR3, EU_CCR4 (n/a) - template not applicable, AEC Group does not apply IRB approach

		m) for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable
440	**8**	**Countercyclical Capital Buffers**
EU_CCyB1 EU_CCyB2		a) geographical distribution of the exposure amounts, and risk-weighted exposure amounts of bank's credit exposures used as a basis for the calculation of its countercyclical capital buffer EU CCyB1
		b) amount of bank-specific countercyclical capital buffer EU CCyB2
441	**-**	**Indicators of Global Systemic Importance**
		Institutions identified as G-SIIs in accordance with Article 131 of Directive 2013/36/EU shall disclose, on an annual basis, the values of the indicators used for determining the score of the institutions in accordance with the identification methodology referred to in that Article. Not applicable, AEC Group is not G-SII
442	**9**	**Exposures to credit risk and dilution risk:**
EU_CRB EU_CQ1 EU_CQ2 EU_CQ3 EU_CQ4 EU_CQ5 EU_CQ6 EU_CQ7 EU_CQ8 EU_CR1 EU_CR1-A EU_CR2 EU_CR2a		a) scope and definitions used for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes EU_CRB
		b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments EU_CRB
		c) information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions, and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received EU_CR1, EU_CR1-A, EU_CR2a, EU_CQ1, EU_CQ3, EU_CQ4, EU_CQ5, EU_CQ7, EU_CR2, EU_CR2a, EU_CQ2, EU_CQ6, EU_CQ8 – data in these templates is not disclosed since they reference to FINREP report that the Group is not obliged to fill, since its non performing exposure ratio is below 5%
		d) ageing analysis of accounting past due exposures EU_CQ3
		e) gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet EU_CQ4, EU_CQ5
		f) any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off EU_CR1, EU_CR2, EU_CR2a
		g) breakdown of loans and debt securities by residual maturity EU_CR1-A
443	**10**	**Encumbered and Unencumbered Assets**
EU_AE1 EU_AE2 EU_AE3 EU_AE4		- disclose information concerning their encumbered and unencumbered assets
		- use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered (shall not reveal emergency liquidity assistance provided by central banks)
		- related liabilities, conditional liabilities or lent securities and assets, collateral held and issued own debt securities, except for covered bonds and collateralised securities that are encumbered
		- information on the meaning of encumbrance:
444	**11**	**The Use of the Standardised Approach:**
EU_CRD EU_CR4 EU_CR5 EU_CCR3		a) the names of the nominated external credit assessment institution (ECAIS) or Export Credit Agencies (ECAs) and the reasons for any changes EU_CRD
		b) the exposure classes for which each ECAI or ECA is used EU_CRD
		c) a description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book EU_CRD
		d) the association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in the CRR regulation (Part Three, Title II, Chapter 2), if the association does not comply with the standard association scheme published by EBA (also the Bank of Slovenia) EU_CRD

		e) the exposure values and the exposure values after credit risk mitigation (credit protection) associated with each credit quality step prescribed in Part Three, Title II, Chapter 2 of the CRR regulation as well as those deducted from own funds EU_CR4, EU_CR5, EU_CCR3
445	**12**	**Market Risk Exposure**
EU_MR1		a) disclose requirements separately for each risk referred to in points b) and c) of CRR Article 92(3) EU_MR1
		b) own funds requirements for the specific interest rate risk of securitization positions to disclose separately EU_MR1
446	**13**	**Operational Risk Management**
EU_ORA EU_OR1		a) approaches for the assessment of own funds requirements for operation risk that the institution qualifies for EU_ORA, EU_OR1
		b) where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of the relevant internal and external factors being considered in the institution's advanced measurement approach EU_ORA, EU_OR1
		c) in the case of partial use, the scope and coverage of the different methodologies used EU_ORA, EU_OR1
447	**6.2**	**Disclosure of key metrics**
EU_KM1		a) composition of own funds and own funds requirements as calculated in accordance with Article 92 EU_KM1
		b) total risk exposure amount as calculated in accordance with Article 92(3) EU_KM1
		c) the amount and composition of additional own funds which the institutions are required to hold in accordance with point (a) of Article 104(1) of Directive 2013/36/EU, if applicable EU_KM1
		d) combined buffer requirement which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU EU_KM1
		e) leverage ratio and the total exposure measure as calculated in accordance with Article 429 EU_KM1
		f) information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1): i)the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, (ii)the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, (iii)the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period EU_KM1
		g) the following information in relation to net stable funding requirement as calculated in accordance with Title IV of Part Six: (i)the net stable funding ratio at the end of each quarter of the relevant disclosure period, (ii)the available stable funding at the end of each quarter of the relevant disclosure period, (iii)the required stable funding at the end of each quarter of the relevant disclosure period EU_KM1
		h) own funds and eligible liabilities ratios and their components, numerator, and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable Not applicable, AEC Group is not G-SII
448	**14**	**Exposure to Interest Rate Risk on Positions Not held in the Trading Book**
EU_IRRBBA EU_IRRBB1		a) changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods
		b) changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods

		c) description of key modelling and parametric assumptions, other than those referred to in points (b) and (c) of Article 98(5a) of Directive 2013/36/EU used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph
		d) explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date
		e) description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Article 84 of Directive 2013/36/EU, including: (i)a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income, (ii)a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems that would differ from the common modelling and parametric assumptions referred to in Article 98(5a) of Directive 2013/36/EU for the purpose of calculating changes to the economic value of equity and to the net interest income, including the rationale for those differences, (iii)a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk, (iv)the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3), (v)an outline of how often the evaluation of the interest rate risk occurs
		f) description of the overall risk management and mitigation strategies for those risks
		g) average and longest repricing maturity assigned to non-maturity deposits
449	**-**	**Exposure to Securitization Positions**
EU-SEC1 EU-SEC2 EU-SEC3 EU-SEC4 EU-SEC5		Institutions calculating risk-weighted exposure amounts in accordance with Chapter 5 of Title II of Part Three or own funds requirements in accordance with Article 337 or 338 shall disclose the information separately for their trading book and non-trading book activities where relevant Not applicable, securitization transactions are not in place in AEC Group
449a	**15**	**Climate related and Environmental risk**
		From 28 June 2022, large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, as defined in point (21) of Article 4(1) of Directive 2014/65/EU, shall disclose information on ESG risks, including physical risks and transition risks, as defined in the report referred to in Article 98(8) of Directive 2013/36/EU. The information referred to in the first paragraph shall be disclosed on an annual basis for the first year and biannually thereafter. AEC Group is large institution but has no publicly listed issuances. Nevertheless, based on ECB's Guide on climate related and environmental risks, it is outlined that ECB expects that C&E risks are material and related metrics should be embedded in disclosures under current prudential rules. In line with that, AEC Group discloses information related to C&E risks.
450	**16**	**Remuneration Policy:**
		a) information concerning the decision-making process used for determining the remuneration policy as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders EU_REMA
		b) information on link between pay and performance EU_REMA
EU_REMA EU_REM1 EU_REM2 EU_REM3 EU_REM4 EU_REM5		c) the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria EU_REMA
		d) the ratios between fixed and variable remuneration EU_REMA
		e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based EU_REMA
		f) main parameters and rationale for any variable component scheme and any other non-cash benefits EU_REMA
		g) aggregate quantitative information on remuneration, broken down by business area EU_REM5

		h) aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following: (i)the amounts of remuneration awarded for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries; EU_REM1 (ii)the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part; EU_REM1 (iii)the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years; EU_REM3 (iv)the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments; EU_REM3 (v)the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards; EU_REM2 (vi)the severance payments awarded in previous periods, that have been paid out during the financial year; EU_REM2 (vii)the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the bank EU_REM2
		i) the number of individuals being remunerated 1 million Euros or more per financial year, with remuneration between 1 million and 5 million Euros broken down into pay bands of 500,000 Euros and with remuneration of 5 million Euros and above broken down into pay bands of 1 million Euros EU_REM4
		j) upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management EU_REMA
		k) information on whether the bank benefits from a derogation laid down in Article 94(3) of Directive 2013/36/EU EU_REMA
		2. For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members EU_REMA
451	**17**	**Leverage ratio**
EU_LR1 EU_LR2 EU_LR3 EU_LRA		a) leverage ratio and how the institutions apply Article 499(2) EU_LR2
		b) breakdown of the total exposure measure referred to in Article 429(4), as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements EU_LR1, EU_LR2, EU_LR3
		c) where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7) EU_LR2
		d) description of the processes used to manage the risk of excessive leverage EU_LRA
		e) description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers EU_LRA
		2. large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7) EU_LR2
		3. In addition to points (a) and (b) of paragraph 1 of this Article, large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7) EU_LR2
451a	**18**	**Liquidity Requirements**
EU_LIQA EU_LIQ1		Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article

EU_LIQB EU_LIQ2		1.Information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1)
		a) average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;
		b) average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;
		c) averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition
		2. Information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six EU_LIQ1, EU_LIQB
		a) quarter-end figures of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period;
		b) an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six;
		c)an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six
		3. Disclosure of arrangements, systems, processes, and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with Article 86 of Directive 2013/36/EU EU_LIQ2
		4. Disclose the arrangements, systems, processes, and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with Article 86 of Directive 2013/36/EU EU_LIQA
452	**-**	**Use of the IRB Approach to Credit Risk**
EU_CR6 EU_CR6-A EU_CR9 EU_CR9.1		Institutions calculating the risk-weighted exposure amounts under the IRB Approach shall disclose selected information. Not applicable, AEC Group does not apply IRB approach
453	**19**	**Use of Credit Risk Mitigation Techniques**
EU_CRC EU_CR3 EU_CR4 EU_CR7 EU_CR7-A		a) core features of policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting EU_CRC
		b) core features of policies and processes for collateral evaluation and management EU_CRC
		c) a description of the main types of collateral taken by the bank EU_CRC
		d) for guarantees and credit derivatives used as credit protection, the main types of guarantors and credit derivative counterparty and their creditworthiness (credit quality) EU_CRC
		e) information about market or credit risk concentrations within the credit mitigation taken EU_CRC
		f) total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; separately for loans and debt securities and including a breakdown of defaulted exposures EU_CR3
		g) corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect. EU_CR4 EU_CR7-A (n/a) – template not applicable, AEC Group does not apply IRB approach
		h) on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation EU_CR4
		i) risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class EU_CR4
		j) the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission

		EU_CR7 Not applicable, AEC Group does not apply IRB approach
454	**-**	**Use of the Advanced Measurement Approaches to Operational Risk**
		The institutions using the Advanced Measurement Approaches set out in Articles 321 to 324 for the calculation of their own funds requirements for operational risk shall disclose a description of their use of insurance and other risk-transfer mechanisms for the purpose of mitigating that risk. Not applicable, AEC Group does not apply advanced measurement approach to operational risk.
455	**-**	**Use of Internal Market Risk Models**
EU_MRB EU_MR2-A EU_MR3 EU_MR4		Institutions calculating their capital requirements in accordance with Article 363 shall disclose selected information related to model used. Not applicable, AEC Group does not use internal models for capital requirements calculation
473a/468	**5.1**	**IFRS 9 transitional arrangements**
IFRS 9/ Article 468-FL		Data related to transitional capital rules applied by institution for introduction of new accounting standard for financial instrument measurement and classification (IFRS 9). Rule is published by EBA as of December 2017 and amended in June 2020: Temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income (CRR, Article 468). Template: IFRS 9/Article 468-FL
Appendixes		
EBA/GL/ 2018/10	Appendix 1	Disclosure of non-performing and forborne exposures
EBA GL 202/07	Appendix 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)

23. Appendix 4 - Attest of compliance of the Disclosure Report with Group policies and systems and controls

Senior management i.e. heads of Group functions involved in Disclosure Report preparation hereby attest that disclosures required by EBA CRR are made in accordance with the formal policies and internal processes, systems and controls. Formal policies are listed in the Group internal document Group Policy on Disclosure.

Attest of compliance of the Disclosure Report 2022 with Group policies and systems and controls

Senior management i.e., heads of Group functions involved in Disclosure Report 2022 preparation hereby attest that disclosures required by EBA CRR are made in accordance with the Group policies and internal processes, systems, and controls.

Head of Risk Management:

Head of Finance:

Head of HR & Organization:

Head of Compliance: