AGRI EUROPE CYPRUS LIMITED, CYPRUS

Consolidated Report and Financial Statements
For the Year Ended December 31, 2023

CONTENTS

Board of Directors:	
	Romeo Collina (Italian) Aleksandar Aleks Kostić (Cypriot) Nikolas Neophytou (Cypriot) Richard Sharko (US) Lambros Papadopoulos (Cypriot) Martin Elling (Dutch) Jelena Galić (Serbian) Georgios Syrichas (Cypriot) Aleksandra Babić (Serbian) - appointed as of June 1, 2023
Company Secretary:	Trident Trust Company (Cyprus) Limited, Limassol
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos, Nicosia, Cyprus
Registered office:	Street Krinou, 3 THE OVAL, Flat/Office 502 Agios Athanasios 4103 Limassol, Cyprus
Main Bankers:	UBS AG Zurich, CH Eurobank Group JP Morgan Group CommerzBank, DE Deutsche bank, DE Erste Bank Group 3Banken Group NLB Group Raiffeisen Bank Group SID Banka LJ, SI Unicredit Bank Group
Registration number:	HE283435

MANAGEMENT REPORT

The Board of Directors of Agri Europe Cyprus Limited (the "Company") presents to the members its Management Report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group" for the year ended 31 December 2023.

Incorporation

The Company Agri Europe Cyprus Limited was incorporated in Cyprus on 16 March 2011 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

Principal activities

Agri Europe Group's core activity is banking.

Details regarding subsidiaries of the Group as of December 31, 2023 and 2022 are disclosed in note 2.4.

Review of the development and current position of the Group and description of the major risks and uncertainties

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory.

Principal risks and uncertainties

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in note 4 to the consolidated financial statements.

Results

The Group's results for the year are set out on pages 8 and 9.

Significant events after the end of the financial year

Significant events that occurred after the end of the reporting period are described in note 40 to the consolidated financial statements.

Existence of branches

The Group operates in two markets Slovenian and Serbian.

Dividends

During 2023 and 2022, the Parent Company's Board of Directors did not approve the payment of dividends. Payment of other dividends during 2023 and 2022, entirely relates to payment to minority shareholders of the subsidiary AIK Banka a.d., Belgrade.

Share capital

Authorized capital

Upon the date of incorporation of the Parent Company on March 16, 2011, the authorized share capital of the Parent Company was EUR 5,000 divided into 5,000 ordinary shares of EUR 1 each. During the financial year 2023 the authorized share capital was increased and as of December 31, 2023, amounts to EUR 40,005,000 divided into 40,005,000 ordinary shares of EUR 1 each.

Issued capital

As of December 31, 2023 the Parent Company had EUR 40,001 thousand (December 31, 2022: EUR 1 thousand) issued and fully paid ordinary shares at the nominal value of EUR 1 per share. For detailed information regarding share capital, see disclosures in note 36 to the consolidated financial statements.

Board of Directors

The members of the Group's Board of Directors as of December 31, 2023 and at the date of this report are presented on page 2.

In 2022, the Board of Directors has been strengthened with the appointment of four additional members, including the designation of a new Chairman of the Board of Directors. Also, in order to support further enhancement of the AEC Group corporate governance, four BoD committees have been established by separating Remuneration and Nomination Committee into two independent committees. Henceforth, as of 2022, the Board of Directors is structured to include four committees, namely the Risk Committee, Audit Committee, Nomination Committee, and Remuneration Committee.

In 2023, with an aim to further strengthen the Board of Directors, an additional Board member was introduced. Specifically, an individual who previously held the position of Head of Group risk management function within the Group, after obtaining necessary regulatory approval, joined the Board of Directors as a full-time Chief Risk Officer (CRO), i.e. executive BoD member, while previous CRO shifted to non-executive role. Consequently, it should be noted that the composition of the Board of Directors comprises nine members as of 2023.

Independent Auditors

The independent auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution authorizing the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

Richard Sharko
Director

Nikolas Neophytou
Director

Limassol, April 25th, 2024

Independent Auditor's Report

To the Members of Agri Europe Cyprus Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Agri Europe Cyprus Limited (the "Parent Company") and its subsidiaries (together: the "Group"), which are presented in pages 8 to 105 and comprise the consolidated statement of financial position as at 31 December, 2023, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report in pages 3 and 4, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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BDO Ltd, a Cyprus limited liability company, is a member of BDO International Limited, a UK company limited by guarantee and forms part of the international BDO network of independent member firms.
BDO Ltd is registered in Cyprus under registration no HE166556. A list of directors and their professional qualifications can be obtained at our registered office.

To the Members of Agri Europe Cyprus Limited (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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Independent Auditor's Report (Continued)

To the Members of Agri Europe Cyprus Limited (Continued

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the consolidated management report, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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Terence Kiely
Certified Public Accountant and Registered Auditor
for and on behalf of

BDO Ltd
Certified Public Accountants (CY) and Registered Auditors

Nicosia, April 25th, 2024

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year Ended December 31, 2023
(Thousands of EUR)

	Note	2023	2022
Interest income	7	334,670	181,458
Interest expenses	7	(103,957)	(36,116)
Net interest income	7	**230,713**	**145,342**
Fee and commission income	8	63,323	76,437
Fee and commission expenses	8	(14,258)	(24,509)
Net fee and commission income	8	**49,065**	**51,928**
Net gains on changes in the fair value of financial instruments	9	5,152	1,081
Net gains / (losses) on derecognition of the financial assets measured at fair value	10	501	(1,122)
Net foreign exchange (losses) / gains and currency (losses) / gains on financial instruments	11	(1,128)	271
Net gains on derecognition of the financial assets measured at amortized cost	12	1,052	99
Other operating income	13	12,385	10,438
Net losses -on impairment of financial assets not measured at fair value through profit or loss	14	(31,896)	(7,276)
Net gains/(losses) from derecognition of investments in associated companies and joint ventures	24.2	-	5,313
Total operating income, net		**265,844**	**206,074**
Salaries, salary compensations and other personnel expenses	15	(56,840)	(49,648)
Depreciation and amortization charge	16	(21,288)	(16,848)
Other income	17	70,597	155,384
Other expenses	18	(76,401)	(64,339)
Profit before taxes		**181,912**	**230,623**
Current income tax expense	19	(11,722)	(38,584)
Deferred income tax benefits	19	4,467	4,343
Deferred tax expenses	19	(8,463)	(6,837)
Profit for the year from continuing operations		**166,194**	**189,545**
- *of which attributable to minorities*		*239*	*238*
Profit for the year		**166,194**	**189,545**

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Year Ended December 31, 2023
(Thousands of EUR)

	2023	2022
Profit for the year	**166,194**	**189,545**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Gains / (Losses) on revaluation of properties	956	(119)
Fair value gains on equity investments measured at FVtOCI	659	131
Actuarial gains on defined benefit plans	431	38
Unrealized losses from investments in equity instruments	-	(242)
Items that may be reclassified subsequently to profit or loss:		
Fair value gains / losses on debt investments measured at FVtOCI	17,570	(30,122)
Income tax relating to components of other comprehensive income	(2,744)	5,587
Other comprehensive income for the year, net of tax	**16,872**	**(24,727)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**183,066**	**164,818**
Owners of the Group	182,827	164,580
Non-controlling interest	239	238

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2023
(Thousands of EUR)

	Note	December 31, 2023	December 31, 2022
ASSETS			
Cash and cash funds held with the central bank	20	1,546,695	927,539
Receivables under derivative financial instruments		3,145	145
Securities	21	858,705	891,148
Loans and receivables due from banks and other financial institutions	22	1,069,234	280,465
Loans and receivables due from customers	23	5,022,307	3,432,135
Investments in associates and joint ventures	24.1, 24.2	1,281	1,279
Intangible assets	25	31,017	11,152
Property, plant and equipment	26.a, 26.b	122,824	53,786
Investment property	27	56,340	65,799
Non-current assets held for sale and assets from discontinued operations	28	6,583	340
Current tax assets	34.a	21,877	19,614
Deferred tax assets	29	7,726	12,499
Other assets	30	38,573	60,355
TOTAL ASSETS		**8,786,307**	**5,756,256**
LIABILITIES AND EQUITY			
Liabilities under derivative financial instruments		2,336	67
Deposits and other liabilities due to banks, other financial institutions and the central bank	31	781,820	252,730
Deposits and other liabilities due to customers	32.a	6,555,030	4,437,674
Liabilities under securities	32.b	72,326	-
Subordinated liabilities	31	66,515	-
Provisions	33	19,151	15,796
Current tax liabilities	34.b	2,540	35,853
Deferred tax liabilities	29	2,363	673
Other liabilities	35	97,047	50,269
TOTAL LIABILITIES		**7,599,128**	**4,793,062**
EQUITY	36		
Issued capital		40,001	1
Retained earnings (including income from the current year)		941,648	774,500
Reserves		201,207	184,376
Non - controlling interest		4,323	4,317
TOTAL EQUITY		**1,187,179**	**963,194**
TOTAL LIABILITIES AND EQUITY		**8,786,307**	**5,756,256**

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

These consolidated financial statements have been approved for issue by the management of Agri Europe Cyprus Limited, Cyprus, on April 25th, 2024 and are signed on their behalf by:

Richard Sharko
Director

Nikolas Neophytou
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2022
(Thousands of EUR)

	Issued and Other Capital	Share Premium	Other Reserves	Revaluation Reserves	Retained earnings (including income from the current year)	Equity attributable to Owners of the Group	Non-controlling interests	Total
Balance at January 1, 2022	**1**	**-**	**204,525**	**9,203**	**581,133**	**794,862**	**4,308**	**799,170**
Profit for the year	-	-	-	-	189,307	189,307	238	189,545
Other comprehensive income, net of income tax	-	-	-	(24,727)	-	(24,727)	-	(24,727)
Total comprehensive income for the year	**-**	**-**	**-**	**(24,727)**	**189,307**	**164,580**	**238**	**164,818**
Transactions with shareholders:					-	-	-	-
- Dividends	-	-	-	-	-	-	(238)	(238)
Transfer from reserves to retained earnings	-	-	-	(4,401)	5,407	1,006	-	1,006
Other	-	-	-	(224)	(1,347)	(1,571)	9	(1,562)
					-	-		-
Balance at December 31, 2022	**1**	**-**	**204,525**	**(20,149)**	**774,500**	**958,877**	**4,317**	**963,194**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2023
(Thousands of EUR)

	Issued and Other Capital	Share Premium	Other Reserves	Revaluation Reserves	Retained earnings (including income from the current year)	Equity attributable to Owners of the Group	Non-controlling interests	Total
Balance at January 1, 2023	**1**	**-**	**204,525**	**(20,149)**	**774,500**	**958,877**	**4,317**	**963,194**
Profit for the year	-	-	-	-	165,955	165,955	239	166,194
Other comprehensive income, net of income tax	-	-	-	16,872	-	16,872	-	16,872
Total comprehensive income for the year	**-**	**-**	**-**	**16,872**	165,955	**182,827**	**239**	**183,066**
Transactions with shareholders: - Dividends	-	-	-	-	-	-	(239)	(239)
Transactions with shareholders: - Increase of share capital	40,000	-	-	-	-	40,000	-	40,000
Other	-	-	(41)	-	1,193	1,152	6	1,158
Balance at December 31, 2023	**40,001**	**-**	**204,484**	**(3,277)**	**941,648**	**1,182,856**	**4,323**	**1,187,179**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2023
(Thousands of EUR)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated by operating activities	**421,025**	**270,602**
Interest receipts	335,836	183,984
Fee and commission receipts	60,307	73,556
Receipts of other operating income	23,465	11,933
Dividend and profit sharing receipts	1,417	1,129
Cash used in operating activities	**(225,008)**	**(163,246)**
Interest payments	(85,355)	(33,071)
Fee and commission payments	(13,975)	(23,496)
Payments to, and on behalf of, employees	(74,075)	(62,899)
Taxes, contributions and other duties paid	(4,862)	(2,577)
Payments for other operating expenses	(46,741)	(41,203)
Net cash inflows from operating activities prior to increases/decreases in loans and deposits and other liabilities	**196,017**	**107,356**
Decrease in loans and increase in deposits received and other liabilities	**527,876**	**151,328**
Decrease in loans and receivables due from banks, other financial institutions, the central bank and customers	131,037	65,027
Decrease in financial assets initially recognized at fair value through profit and loss, financial assets held for trading and other securities not held for investments	22,957	66,550
Increase in deposits and other liabilities due to banks, other financial institutions, the central bank and customers	373,882	18,193
Increase in liabilities based on derivatives designed to protect against risks and changes in the fair value of items that are subject to risk protection	-	1,558
Increase in loans and decrease in deposits received and other liabilities	**(744,200)**	**(644,089)**
Increase in loans and receivables due from banks, other financial institutions, the central bank and customers	(509,666)	(178,006)
Increase in financial assets initially recognized at fair value through profit and loss, financial assets held for trading and other securities not held for investments	(48,915)	(13,829)
Decrease in deposits and other liabilities due to banks, other financial institutions, the central bank and customers	(185,619)	(452,254)
Net cash used in by operating activities before income taxes	**(20,307)**	**(385,405)**
Income taxes paid	(43,704)	(15,335)
Dividend payments	(2)	(238)
Net cash used in by operating activities	**(64,013)**	**(400,978)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash generated by investing activities	**254,403**	**212,638**
Proceeds from investments in investment securities	237,781	151,431
Proceeds from the sales of intangible assets, property, plant and equipment	12,932	14,284
Proceeds from the sales of investment property	3,515	28,625
Proceeds from other investing activities	175	18,298
Cash used in investing activities	**(394,118)**	**(226,400)**
Cash used for investments in investment securities	(72,227)	(104,463)
Cash used for the purchases of investments in subsidiaries, associates and joint ventures	(281,896)	(93,122)
Cash used for the purchases of intangible assets, property, plant and equipment	(39,300)	(23,711)
Cash used for the purchases of investment property	(630)	(1,266)
Other outflows from investing activities	(65)	(3,838)
Net cash used in investing activities	**(139,715)**	**(13,762)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash generated by financing activities	**536,658**	**382,599**
Capital increase, inflows	40,000	-
Borrowings, inflows	193,896	97,135
Other inflows from financing activities	302,762	285,464
Cash used in financing activities	**(8,911)**	**(23,563)**
Subordinated liabilities, outflows	-	(14,990)
Borrowings, outflows	(4,888)	(3,706)
Other outflows from financing activities	(4,023)	(4,867)
Net cash generated by financing activities	**527,747**	**359,036**
TOTAL CASH INFLOWS	**1,739,962**	**1,094,692**
TOTAL CASH OUTFLOWS	**(1,415,943)**	**(1,150,396)**
TOTAL NET CASH INCREASE / (DECREASE)	**324,019**	**(55,704)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**851,372**	**899,250**
FOREIGN EXCHANGE GAINS	**9,699**	**15,161**
FOREIGN EXCHANGE LOSSES	**(4,783)**	**(7,335)**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 20)	**1,180,307**	**851,372**

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

1. GENERAL INFORMATION ON THE GROUP

The Group, is comprised of the parent entity Agri Europe Cyprus Limited, Cyprus (hereinafter: the "Parent Company," "Company", "Agri Europe" or "AEC") and its subsidiaries: Nord Agri N.V., Netherlands (hereinafter: "Nord Agri "), M&V Investments a.d., Beograd (hereinafter: "M&V Investments"), AIK banka a.d., Beograd (hereinafter: "AIK Bank"), Eurobank Direktna a.d., Beograd (hereinafter: "Eurobank Direktna"), Gorenjska Banka d.d., Kranj (hereinafter: "Gorenjska Bank"), Imobilia-GBK, d.o.o., Kranj (hereinafter: "Imobilia"), GB Leasing, d.o.o., Ljubljana (hereinafter: "GB Leasing"), and Filira, poslovne storitve d.o.o., Ljubljana (hereinafter: "Filira"). Merger of Hypo Alpe-Adria Leasing d.o.o., Ljubljana to Filira d.o.o was executed in 2023. The consolidated financial statements for the year ended December 31, 2023 include the financial statements of the Parent Company and its abovementioned subsidiaries, as disclosed in more detail in note 2.4.

Agri Europe is a legal entity incorporated and domiciled in Cyprus. Its parent and ultimate holding company 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.

Details regarding subsidiaries of the Group as of December 31, 2023 and 2022 are disclosed in note 2.4.

The main subsidiaries of Agri Europe as of December 31, 2023 are the following:

Nord Agri

Nord Agri N.V., Netherlands is a Dutch public company with limited liability, incorporated in Amsterdam on May 30, 2005, having its office address at Jan van Goyenkade 8, 1075 HP Amsterdam, and registered with the trade register under number 34227270. The Company mainly acts as a holding and finance company.

M&V Investments

Investment Company M&V Investments a.d., Beograd was licensed by the Federal Commission for Securities on October 17, 1995 under Decision numbered 03/491/2-95 and duly registered with the Commercial Court of Novi Sad on November 7, 1995 under Decision numbered Fi-4809/95. On March 4, 1998, under Decision no. Fi-4809/95 583/98, the M&V Investments aligned its operations and bylaws with the Company Law and expanded its operations to dealer trading. On February 27, 1996 the company became and has since been a member of the Belgrade Stock Exchange and since March 7, 1996 it has joined the Montenegro Stock Exchange in Podgorica (however, the membership was frozen in 1999).

M&V Investments is headquartered in Belgrade, at the address of Bulevar Arsenija Carnojevic 59A, VI floor. As of December 31, 2023, the operated through its single branch office (head office) in Belgrade, at the address of Bulevar Mihajla Pupina 115e, Novi Beograd. The address is changed on January 18, 2024 pursuant decision of Business Agency Registry number BD 1843/2024.

Pursuant to Decision on Legal Form Change no. 2663-4/06 dated November 29, 2006, M&V Investments changed its legal form from a limited liability company to that of a shareholding company. The nominal value of its permanent equity investments was converted to the nominal (par) value of shares. The transformation from a limited liability company to a closed shareholding company was registered with the Serbian Business Registers Agency under Decision no. BD. 208426/2006 dated December 25, 2006.

As of December 31, 2023, M&V Investments had 13 employees (December 31, 2022: 14 employees).The M&V Investments' tax identification number (fiscal code) is 100448611, and its corporate ID is 08614938.

M&V Investments is licensed to perform investment services and activities related to the financial instruments as follows: receipt and transfer of orders to purchase or sell financial instruments, execution of such orders on behalf and for the account of customers, purchase and sale of securities in its own name and for its own account, portfolio management, custodial services for purchase and sales of financial instruments with obligation of repurchase, services for purchase and sales of financial instruments without obligation of repurchase, as well as additional services defined by the Law on the Capital Market, Article 2, paragraph 1, item 9), sub-items (1), (2), (3), (5), (6) and (7).

In accordance with the Decision of the National Bank of Yugoslavia on the Method of Managing the Central Register, Central Depository and the Manner of Calculating Securities (Official Gazette of the Federal Republic of Yugoslavia, numbered 57/2001 and 60/2001), in November 2001, the Company entered into an Agreement with the National Bank of Yugoslavia with respect to its Membership in the Central Securities Depository and Clearing House and effected a payment of EUR 60,000 (RSD equivalent) into the Guarantee Fund thus becoming entitled to trade in the Federal Republic of Yugoslavia bonds issued for settlement of debt per citizens'' foreign currency. In 2012 the M&V Investments aligned its operations, organization and issued capital with the Law on the Capital Market (Official Gazette of RS, no. 31/2011).

1. GENERAL INFORMATION ON THE GROUP (Continued)

AIK Bank

Agro-industrial Commercial Bank AIK banka a.d., Beograd (hereinafter: "AIK Bank") was established in accordance with the Articles of Association on August 10, 1993. The AIK Bank harmonized its operations and organizational structure with the Law on Banks and Other Financial Organizations in 1995 and was registered with the Commercial Court of Niš as a shareholding company under Decision no. Fi 1291/95 dated June 22, 1995.

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

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

As of March 1, 2022 AIK Bank became the owner of Sberbank Srbija a.d., Belgrade by acquiring 100% of shares of Sberbank Srbija a.d., Belgrade. The transaction was realized on the basis of a signed agreement on the acquisition of shares of Sberbank Srbija a.d., Belgrade concluded between the National Bank of Serbia and AIK Bank, after the initiation of the resolution procedure regarding Sberbank Srbija by National Bank of Serbia. Name of acquired entity was changed as of March 2, 2022 into Naša AIK Bank a.d., Belgrade. Naša AIK Banka a.d., Belgrade and AIK Banka a.d., Belgrade has been merged as of December 1, 2022.

On March 2nd, 2023 AIK Bank has signed a Share Purchase Agreement (SPA) with Eurobank S.A Athens, Greece, acquiring 100% ownership of Eurobank Direktna a.d., Belgrade. After obtaining the consent of National Bank of Serbia and other regulatory authorities, the AIK Bank has officially become the sole owner as of November 2nd, 2023. In the period until integration, both banks will continue to operate as two separate entities without any changes that would affect the clients and the services that these banks provide to them.

AIK Bank is domiciled in Belgrade, at no. 115đ, Mihajla Pupina Street and operates through its Head Office in Belgrade, branch offices in Belgrade (seventeen branches) and two bank counters, Nis (four branches), Novi Sad (four branches), Zrenjanin (two branches), Lazarevac, Obrenovac, Pancevo, Pozarevac, Smederevo, Sabac, Valjevo, Pirot, Prokuplje, Krusevac, Leskovac, Vranje, Jagodina, Paracin, Zajecar, Bor, Negotin, Kragujevcu, Cacak, Gornji Milanovac, Uzice, Prijepolje, Novi Pazar, Kraljevo, Ruma, Indjija, Stara Pazova, Sremska Mitrovica, Vrsac, Subotica, Kikinda, Vrbas, Sombor, which makes the total of 1 Head Office, 60 branches and 2 bank counters throughout Serbia.

As of December 31, 2023, AIK Bank had 1,133 employees (December 31, 2022: 1,084 employees). AIK Bank' tax identification number is 100618836, and its corporate ID is 06876366.

Eurobank Direktna

Eurobank a.d., Belgrade has been established by the process of merger and acquisition by Eurobank EFG a.d., Belgrade and National Stedionica Bank a.d., that was finalized on October 20th, 2006.

Eurobank Direktna is registered in the Republic of Serbia to provide banking services of payment transfers and lending and depositary operations performed domestically and abroad. The Eurobank DIrektna's tax identification number is 100002532, and its corporate ID is 17171178.

According to Assembly Agreement on acceptance of merger of Direktna Bank a.d., Kragujevac, and after obtaining National Bank of Serbia consent on November 26th, 2021, Eurobank is the legal successor of all rights and obligations of Direktna Bank. Under Decision BD 102331/2021, since December 10th, merger was registered with the Serbian Business Registers Agency and Eurobank changed its legal name to Eurobank Direktna a.d., Belgrade. Until November 2nd, 2023, Eurobank Direktna was owned by Eurobank Ergasias Services and Holdings S.A.

Eurobank Direktna is headquartered in Belgrade, at the address of Vuk Karadzic 10. As of December 31, 2023, Eurobank Direktna had 1,539 employees and operates through its 92 branch offices and 4 business centers.

1. GENERAL INFORMATION ON THE GROUP (Continued)

Gorenjska Bank

The origins of Gorenjska Bank date back to the 19th century, when some forms of organized banking first appeared in Gorenjska, Slovenia. On March 25, 1955 the first bank in Gorenjska Region was established in Kranj, and then in Škofja Loka, followed by banks in Radovljica, Tržič and Bled in the following years. In time a joint bank was created, which was incorporated into the system of Ljubljanska Banka in 1972, initially as an affiliate, and as from December 27, 1989 as a shareholding company within the system of related banks of Ljubljanska Banka.

In 1994 a process of separation from the system of Ljubljanska Banka commenced and through purchase of shares Nova Ljubljanska banka, d.d., Ljubljana and Gorenjska banka, d.d., Kranj were founded.

Gorenjska Bank holds a license for provision of the banking products and services in accordance with the effective Law on Banks. Gorenjska Bank is a leading regional retail and SME bank in North-East Slovenia. Gorenjska Bank is headquartered at Bleiweisova 1, 4000 Kranj, Slovenia.

Gorenjska Bank provides its clients with all types of banking products and services and represent an important financial stakeholder in Gorenjska Region, which is among the most developed regions in Slovenia.

As of December 31, 2023, Gorenjska Bank had 417 employees (2022: 414 employees).

Its tax identification number (fiscal code) is SI42780071, and the corporate ID is 5103061000.

Imobilia

Gorenjska Bank holds a 100 % stake in the subsidiary Imobilia, with its head office in Kranj at Bleiweisova cesta 1.

Imobilia manages its own investment property, investment property owned by the Bank, and the real estate used by the Bank, in which the Bank performs operations, and which constitute its fixed assets. In 2022, Imobilia-GBK carried out activities for real estate brokerage services for all real property, activities relating to investments in and major maintenance of real estate, as well as activities in managing real estate and the ongoing maintenance of buildings and equipment. In addition to managing real property, the company Imobilia-GBK also manages and maintains the car fleet, and performs janitorial works and other services.

The company has no employees with specialised knowledge and competencies for real estate project development or for preparing project documentation. The company hires in external contractors to perform such and similar services.

As of December 31, 2023, Imobilia had 5 employees (2022: 6 employees).

Its tax identification number (fiscal code) is SI50544144, and the corporate ID is 5461138000.

GB Leasing

Gorenjska Bank holds a 100% stake in the subsidiary GB Leasing. GB Leasing is operating at the address Dunajska cesta 152, 1000 Ljubljana, with affiliates in Koper and Maribor.

GB Leasing is carrying out services for the bank in the area of the financial leasing of movables. It began operating in 2016 when the Gorenjska Bank received a consensus from the Bank of Slovenia for financial leasing operations.

As of December 31, 2023, GB Leasing had 84 employees (2022: 77 employees).

Its tax identification number (fiscal code) is SI84604859, and the corporate ID is 6996191000.

HAA Leasing and Filira

Gorenjska bank is a 100% owner of the subsidiary Filira d.o.o., Ljubljana, to which in 2023 the former parent company Hypo Alpe-Adria-Leasing, družba za financiranje, d.o.o. was merged. Filira d.o.o. has no employees, is non-operational and will be liquidated upon the completion of all lease agreements.

Its tax identification number (fiscal code) is SI16573579, and the corporate ID is 6395970000.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1. Basis of preparation and presentation of the consolidated financial statements

The Group's accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law Cap 113.

These financial statements have been prepared at historical cost principle, except for the measurement of the following significant statement of financial position items:

- Securities FVtPL and FVtOCI,
- derivative financial instruments stated at fair value,
- investment property,
- buildings,
- assets held for sale and
- tangible assets acquired in lieu of debt collection.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date under current market conditions

regardless of whether that price is directly observable or estimated using another valuation technique. Upon estimating the fair value of assets or liabilities, the Group takes into account characteristics of assets or liabilities that other market participants would also consider upon determining the price of assets or liabilities at the measurement date. Fair value for measurement and/or disclosure purposes in the accompanying consolidated financial statements was determined in the aforesaid manner, except for share-based payment transactions, which are in the scope of IFRS 2, leasing transactions, which are in the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as the net realizable value in IAS 2 or value in use in IAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

2.2. New Standards, Interpretations and Amendments to Existing Standards Mandatory for the First Time for the Financial Year Beginning on 1 January 2023

The following new and amended standards, which have been issued by the IASB, are mandatorily effective for reporting periods beginning on or after 1 January 2023 and, as such, are applicable for the Bank's accompanying financial statements:

- *IFRS 17 "Insurance Contracts" which supersedes IFRS 4 "Insurance Contracts" and subsequent amendments to IFRS 17 which address concerns and implementation challenges that were identified after IFRS 17 was published in 2017.*

  IFRS 17 introduces a comprehensive and consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed. IFRS 17 applies to all types of insurance contracts as well as certain guarantees and financial insurance with discretionary participating features. Financial guarantee contracts are allowed to be within the scope of IFRS 17, if the entity has previously asserted that it regarded them as insurance contracts.

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

2.2. New Standards, Interpretations and Amendments to Existing Standards Mandatory for the First Time for the Financial Year Beginning on 1 January 2023 (Continued)

Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers such as the Bank. The Bank carried out an assessment of its contracts and operations and concluded that it does not have any contracts that meet the definition of an insurance contract under IFRS 17, hence the adoption of IFRS 17 has had no effect on the accompanying financial statements.

- *Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 - Disclosure of Accounting Policies.*

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose "significant accounting policies" with "material accounting policy information". The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements when considered together with other information included in the financial statements.

IFRS Practice Statement 2 "Making Materiality Judgements" includes guidance and illustrative examples to assist entities in the application of the materiality concept when making judgements about accounting policy disclosures.

These amendments have no effect on the measurement or presentation of any items in the financial statements of the Bank but may affect the disclosure of accounting policies of the Bank. The above amendments had no significant effect on the disclosure of accounting policies in the accompanying financial statements of the Bank.

- *Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Accounting Estimates*

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

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

- *Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities Arising from a Single Transaction*

The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

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

- *Amendment to IAS 12 "Income Taxes" - International Tax Reform – Pillar Two Model Rules*

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

2.2. New Standards, Interpretations and Amendments to Existing Standards Mandatory for the First Time for the Financial Year Beginning on 1 January 2023 (Continued)

In December 2021, the Organization for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax of 15% that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

On 23 May 2023, the IASB issued the final amendments to IAS 12 (International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The amendments to IAS 12 were effective immediately.

The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

These amendments are not relevant to the Bank and have had no effect on the accompanying financial statements. The currently-enacted income tax rate in the Republic of Serbia is 15% and no changes thereto are expected in the following period.

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

2.3. New Standards, Interpretations and Amendments to Existing Standards that are Not Yet Effective and Have Not Been Early Adopted by the Bank

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

- Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback (effective for annual reporting periods beginning on or after 1 January 2024). The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions.
- Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after 1 January 2024). The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current.
- Amendments to IAS 1 "Presentation of Financial Statements" – Non-current Liabilities with Covenants (effective for annual reporting periods beginning on or after 1 January 2024). The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.
- Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" – Supplier Finance Arrangements (effective for annual reporting periods beginning on or after 1 January 2024). The amendments add disclosure requirements, and "signposts" within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
- IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures" (effective for annual reporting periods beginning on or after 1 January 2024). IFRS S1 and IFRS S2 represent new IFRS sustainability disclosure standards, whereas IFRS S1 includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain while IFRS S2 sets out requirements for entities to disclose information about climate-related risks and opportunities. Application of these standards in our country depends on regulatory process and enactment of regulations introducing their mandatory application.

All amounts expressed in thousands of EUR, unless otherwise stated.

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

2.3. New Standards, Interpretations and Amendments to Existing Standards that are Not Yet Effective and Have Not Been Early Adopted by the Bank (Continued)

- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability (effective for annual reporting periods beginning on or after 1 January 2025). The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The Bank is currently assessing the impact of these new accounting standards and amendments. The Bank does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities. The Bank's management does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Bank.

2.4. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company Agri Europe Cyprus Limited, Cyprus and entities (including consolidated entities) controlled by the Parent Company (its "subsidiaries").

The Group's consolidated financial statements for FY 2023 and FY 2022 are prepared under the full consolidation method for the subsidiaries controlled by the Parent and additionally. Control over a subsidiary is achieved when the Parent Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of returns.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition, and up to the effective date of disposal, as appropriate. Total statement of comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests have a deficit balance.

All intra-group transactions, balances, income and expenses are eliminated in full on preparation of the consolidated financial statements. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by the Group.

The consolidated financial statements include the activities of the Parent Company and its following subsidiaries and associates:

Subsidiary	Industry	Type of equity Dec 31, 2023	Type of equity Dec 31, 2022	Interest	Consolidation Method
Nord Agri, Netherlands	Holding company	100.00%	100.00%	Direct	Full consolidation method
Gorenjska Bank, Slovenia	Banking	100.00%*	100.00%*	Direct	Full consolidation method
M&V Investments, Serbia	Brokerage	100.00%	100.00%	Indirect	Full consolidation method
AIK Bank, Serbia	Banking	100.00%	100.00%	Indirect	Full consolidation method
Eurobank Direktna, Serbia	Banking	100.00%	-	Indirect	Full consolidation method
Imobilia, Slovenia	Real estate	100.00%	100.00%	Indirect	Full consolidation method
GB Leasing, Slovenia	Leasing	100.00%	100.00%	Indirect	Full consolidation method
HAA Leasing, Slovenia	Rental	-	100.00%	Indirect	Full consolidation method
Filira, Slovenia	Consultancy	100.00%	100.00%	Indirect	Full consolidation method

* The effective % of equity interest held without adjustment for own shares of Gorenjska Bank. The real equity interest is 91.70% while own shares are 8.30% (2022: the real equity interest is 91.70% while own shares are 8.30%).

During 2022 an intra - group transaction was conducted according to which direct ownership of Gorenjska Bank shares is transferred from AIK bank to Agri Europe Cyprus, and as of December 31, 2022 the parent company owns 355,723 shares.

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

2.5. Going Concern

With regard to the going concern assumption, the Directors affirm that they have a reasonable certainty that the Parent Company and the Group will continue in operational existence in the foreseeable future and consequently the 2023 Financial Statements have been prepared on a going concern basis. Considering information related to historic, present, and future conditions of the Group, the Board of Directors has not detected any uncertainties in the consolidated financials or in the operating performance of the Group that question the going concern assumption.

2.6. Use of Estimates

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

These estimations and underlying assumptions are subject to regular review. The revised accounting estimates are presented for the period in which they are revised as well as for the ensuing periods.

2.7. Comparative Information

Comparative information comprises the data from the Group's audited consolidated financial statements for 2022.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2.8. Statement of Compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law Cap 113.

The accounting policies set in Note 3 have been consistently applied by the Group to all periods presented in these consolidated financial statements.

The Group's consolidated financial statements are stated in thousands of euros (EUR). All financial information is presented in euros rounded to the nearest thousand. The accounting policy regarding translation is presented within Note 3.3.

Furthermore, functional and presentation currency of Parent Company, Nord Agri, Gorenjska Bank and its subsidiaries – Imobilia, GB leasing, and Filira is euro (EUR) while for AIK Bank, Eurobank Direktna and MV Investments the functional currency is dinars (RSD).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements represent the consolidated financial statements of the Group.
The following accounting policies relate to all the companies within the Group.

3.1. Interest Income and Expenses

Interest income and expenses are recognized in the income statement in the period they relate and are calculated using the effective interest method for all interest-bearing financial instruments measured at amortized cost (AC) and at fair value through profit or loss (FVtPL). Interest income on the interest-bearing instruments measured at fair value through other comprehensive income (FVtOCI) is also recognized and calculated following the effective interest method under IFRS 9.

Starting from 2020, in the case of financial assets that become impaired after initial recognition, interest income is calculated using the effective interest rate to the amortized (net) value of a financial asset. If the asset ceases to be impaired, the basis for calculating interest income again becomes the gross carrying value of the financial asset. In addition, the Group did not apply this change of accounting policy

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Interest Income and Expenses (Continued)

retrospectivly due to immateriality of the effect.

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

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

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

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

Interest income and expenses presented within the Group’s income statement include: interest on financial assets and liabilities measured at AC calculated using the effective interest method, interest on securities at FVtOCI (or securities previously classified as available for sale under IAS 39), calculated using the effective interest method, and interest on coupon securities held for trading.

Interest income and expenses are recognized in the income statement on an accrual basis and pursuant to the terms defined by contracts signed between the Group and its customers.

3.2. Fee and Commission Income and Expenses

Fees and commission primarily comprise considerations for banking services of payment transfers in the country and abroad, services per payment cards, issuance of guarantees and letters of credit and other banking services. Fee and commission income and expenses are recognized on an accrual basis, when such services are rendered.

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

3.3. Foreign Exchange Translation

The Group’s consolidated financial statements are presented in euros, which is also the parent company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency (being Serbian dinar (RSD) for entities in Serbia). In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group’s presentation currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the presentation of consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into euros using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

All amounts expressed in thousands of EUR, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Dividend Income

Dividend income is recognized when the Group's entitlement to dividend receipt is established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). Dividend income is presented within the item of other operating income.

3.5 Net Gains/(Losses) on Changes in the Fair Value of Financial Instrument

Net gains/(losses) on changes in the fair values of the financial instruments comprise the net effects of changes in the fair values of derivatives (other than derivatives designated as risk hedging instruments) as well as of changes in the fair values of financial instruments measured at FVtPL.

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

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

3.7. Depreciation and Amortization

Depreciation of property, plant and equipment/amortization of intangible assets is computed on a straight-line basis in order to fully write off the cost of assets over their estimated useful lives. The depreciation rates applied for the main groups of assets were as follows:

Major groups of assets	In %
Buildings	1.3% - 3.3%
Telephones, switchboards and other related equipment (except for mobile phones: 33.33%)	7% - 20%
Office furniture	11% – 20%
Photocopiers	14.3% - 20%
Automobiles	15.5% – 33.3%
Computer equipment	20%

Calculation of depreciation of property and equipment and that of amortization of intangible assets commence in the month following the month when an asset is placed into use. The useful life of an asset is reviewed at least at each financial year-end and, and if expectations based on the new assessments are significantly different from the previous ones, the calculation of depreciation/amortization for the current and future periods is adjusted as appropriate. In 2023 and 2022 there were no changes in depreciation and amortization rates applied.

3.8. Taxation

Tax expenses comprise current taxes and deferred taxes. Current taxes and deferred taxes are recognized in income statement except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current Income Taxes

In the Republic of Cyprus the Corporation tax rate is 12.5% (2022: 12.5%). Under certain conditions interest income may be subject to defence contribution at the rate of 30% (2022: 30%). In such cases this interest will be exempt from corporation tax. In certain cases dividends received from abroad may be subject to defence contribution at the rate of 17% for 2014 and thereafter.

Current income tax is an amount payable calculated applying the legally prescribed tax rate in Republic of Serbia of 15% (2022: 15%) to the amount of profit before taxes, as adjusted for permanent differences that adjust the statutory tax rate to the effective tax rate.

The corporate income tax rate applied for Nord Agri (incorporated in Netherlands) depends on the taxable amount. The corporate income tax rate of 19% (2022: 15%) applies if the taxable amount is EUR 200,000 or less (2022: if the taxable amount is EUR 395,000 or less). If the taxable amount is more than EUR 200,000 (2022: EUR 395,000), the corporate income tax rate is EUR 38,000 plus 25,8% (2022: EUR 59,250 plus 25,8%) for the taxable amount exceeding EUR 200,000 (2022: EUR 395,000).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Taxation (Continued)

Current Income Taxes (Continued)

The standard Current income tax rate applied for Gorenjska Bank and its subsidiaries (incorporated in Slovenia) is 19% (2022: 19%).

In 2013, the tax on financial services was introduced in Slovenia that is a levy on commission fees paid for the prescribed financial services rendered. The tax rate is 8.5% (2022: 8.5%) and the tax is paid monthly. The financial services tax reduces fee and commission income.

The ultimate amount of the income tax payable is determined by applying the legally prescribed tax rate to the tax base determined within the tax statement and reported in the annual corporate income tax return.

The Corporate Income Tax Law of the Republic of Serbia and Republic of Slovenia do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, current period tax losses stated in tax return may be used to reduce or eliminate taxes to be paid in future periods but only for duration of no longer than five ensuing years.

Deferred Income Taxes

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

Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are available for carry forward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carryforwards can be utilized.

Carrying values of deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable income will be realized against which the total deferred assets or a portion thereof can be utilized. Unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent that it has become probable that a sufficient level of expected future taxable income will be realized against which deferred tax assets can be utilized.

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

Current and deferred income taxes are either charged or credited to the income statement and included in the profit for the capital and allocated within equity in the current or another period. Indirect taxes and contributions are included in other operating expenses.

Indirect Taxes and Contributions

Indirect taxes and contributions include property taxes, municipal fees and charges and other taxes and contributions payable pursuant to effective republic and local tax regulations. These taxes and contributions are recognized as expenses in the period in which they are assessed.

3.9. Financial Assets and Liabilities

Accounting policies with respect to financial assets and liabilities are in accordance to IFRS 9 requirements, which are in effect since January 1, 2018.

Recognition

The Group initially recognizes financial assets and liabilities as at the settlement date.

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

Classification

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

***Classification* (Continued)**

a) business model based on which the Group manages a financial asset; and
b) characteristics of the contractual cash flows of a financial assets (the so-called SPPI criterion).

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

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

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

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

1) financial assets at amortized cost (AC);
2) financial assets at fair value through other comprehensive income (FVtOCI); and
3) financial assets through profit or loss (FVtPL).

The Group measures its financial liabilities at amortized cost or classifies them as liabilities held for trading.

Reclassification

If a change occurs to the model underlying a financial asset management, the financial assets is reclassified. Reclassification is made prospectively, i.e., as of the first day of the following reporting period. The Group does not expect frequent changes of its business models.

Upon reclassification of a financial asset from the category of measurement as amortized cost (AC), the category of measurement at fair value through profit or loss (FVtPL), the asset's fair value is measured at the reclassification date, while any gain or loss on the difference between the previously amortized cost the fair value is recognized in the profit or loss.

In case of a contrary reclassification, from an asset measured at FVtPL to the category of assets measured at AC, the asset's fair value as of the reclassification date will become its gross carrying value.

Upon reclassification of a financial asset from the category of measurement as amortized cost (AC) the category of measurement at fair value through other comprehensive income (FVtOCI), the asset's fair value is measured at the reclassification date, while any gain or loss on the difference between the previously amortized cost the fair value is recognized in the other comprehensive income.

If an entity reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost.

Upon reclassification of a financial asset from the category of measurement at FVtPL to the category of assets measured at FVtOCI, the financial asset will continue to be measured at fair value.

In case of a reclassification from an asset measured at FVtOCI to the category of assets measured at FVtPL, the financial asset will continue to be measured at fair value. The accumulated gains or losses previously recognized within the other comprehensive income will be reclassified to the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Modification and Derecognition of Financial Assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and / or timing of the contractual cash flows either immediately or at a future date.

The Group renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment) and reduction in the amount of cash flows due (principal and interest forgiveness).

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition. Where a modification does not lead to derecognition the Group calculates the modification gain or loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Thereafter, the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The effects of the Moratoriums, imposed both in Slovenia and Serbia, on the present value of the cash flows from the affected financial assets were not recorded in the AIK Bank's nor in Gorenjska Bank's financial statements due to the immateriality of such effects.

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

In such situations, the Group makes quantitative and qualitative analyses and assesses whether there is a significant difference (more than 10%) between the contractual cash flows of the original financial asset and the contractual cash flows of the modified or replacement asset. If there is a significant difference, the contractual rights pertaining to the original financial asset will be considered as expired and the new asset, issued under new terms, is to be recognized. Furthermore, the Group also takes into account qualitative factors in order to assess whether there is significant differences in conditions or whether the two instruments are significantly different. Qualitative factors are: changes in currencies, changes in debtors and consolidation of the loans.

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

***Modification and Derecognition of Financial Assets* (Continued)**

Upon initial recognition, expected credit losses (ECL) for POCI assets are always measured as lifetime ECL. However, at the reporting date, the Group recognizes only cumulative changes in lifetime ECL since the initial recognition as the provision for losses on POCI assets. In other words, at each reporting date, in the income statement the Group recognizes changes in lifetime ECL as gains or losses on impairment.

If the basis for determining the contractual cash flows of a financial asset or financial liabilities measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis - i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications set out above to the additional changes.

Derecognition

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

The Group enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, repurchase transactions.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the recognized amounts and it intends either to settle a liability on a net basis or to realize the asset and settle the liability simultaneously.

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

Fair Value Measurement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Fair Value Measurement **(Continued)**

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and other optional models.

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

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

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

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

Impairment of the Financial Assets, lease receivables, financial guarantees and loan commitments

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

***Impairment of the Financial Assets, lease receivables, financial guarantees and loan commitments* (Continued)**

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

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

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

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

Financial assets are transferred from Stage 1 to Stage 2 when the credit risk has increased significantly since the instruments' initial recognition. The transfer logic is based on quantitative and qualitative criteria and must be applied to all the financial instruments. Deterioration of the instrument's initial classification is the key parameter underlying the quantitative criterion of the transfer logic. The Group has defined parameters that, when identified, indicate or may indicate that there has been a significant increase in credit risk:

- days past due in liability settlement longer than 30 days,
- deteriorated borrower/exposure classification (rating) compared to the initial approval,
- restructuring of the receivable/exposure due to the financial difficulties of the borrower,
- deterioration in the rating of an external rating agency (applies in the case of exposures to banks and countries), and/or
- additional if applied on the single Group member.

In the impairment process, the Group applies a special treatment to the purchases of already impaired assets from the so-called NPL portfolios and to the approval of new loans to the borrowers with already impaired loans within its portfolio, i.e. those already in NPL status. In accordance with the IFRS 9, such assets are defined as POCI (purchased and originated impaired credit assets) and are separately measured through cumulative changes in lifetime expected credit losses of the instruments after their initial recognition. Positive changes in the lifetime expected credit losses of the instrument are recognized as gains on the impairment of instruments if the expected credit loss in lower than the amount of expected credit losses included in the estimated cash flows upon initial recognition.

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

In accordance with the Procedure on the Write-Off and Transfer of Receivables from the On-Balance Sheet to the Off-Balance Sheet Items, the Group writes off certain loans and receivables and securities that have been determined as irrecoverable.

3.10. Cash and Balances Held with the Central Bank

Cash and balances held with the central bank comprise cash on hand, the Group's gyro account balance, other cash funds and the obligatory foreign currency reserve held with the central bank. Cash and balances held with the central bank are stated at amortized cost in the Group's statement of financial position.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Loans and Receivables

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

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

Following the initial recognition and measurement, loans and receivables due from customers are measured at amortized cost and are stated at the amounts outstanding, taking into account all the discounts and premiums granted upon acquisition, net of the impairment allowances.

Income and receivables per interest calculated on such instruments are recorded within interest income and interest receivables. Fees that are part of the effective interest on these instruments are deferred and recognized within the profit or loss statements under interest income over the life of the instrument.

RSD loans which are economically hedged using a contractual currency clause linked to the RSD/EUR exchange rate, to another foreign currency or consumer price index are converted into dinars at the reporting date in accordance with the terms of the particular loan agreement. The effects of the currency conversion are reported foreign exchange gains and positive currency clause effects. The Group does not apply hedge accounting under IFRS 9.

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

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

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

3.12. Financial Assets Measured at Amortized Cost (AC)

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

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

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

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

3.13. Financial Assets Measured at Fair Value through Other Comprehensive Income (FVtOCI)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13. Financial Assets Measured at Fair Value through Other Comprehensive Income (FVtOCI) (Continued)

- the objective of the business model within which the Group holds the assets is achieved by collection of the contractual cash flows and by sale of the assets; and
- the contractual terms of the assets give rise to the cash flows at specific future dates that represent solely payments of the principal and interest on the principal amount outstanding.

Following their initial recognition, these financial assets are measured at fair value. The fair value of the assets is determined in line with the Group's internally adopted fair value assessment methodology. Gains or losses on the changes in their fair value of these assets, except for impairment losses and foreign exchange gains/losses, are recognized in OCI until derecognition. Upon derecognition, the accumulated gains or losses previously recognized within the other comprehensive income are reclassified to the profit or loss if those are debt instruments or in retained earnings if those are equity instruments.

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

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

3.14. Financial Assets Measured at Fair Value through Profit or Loss (FVtPL)

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

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

Financial instruments (including shares held for trading) in the Group's trading book are initially recognized at their purchase price. Transaction costs are not included in their value but represent expenses for the period of acquisition. The financial assets held for trading are remeasured- adjusted to the fair value on a daily basis. Gains and/or losses on the sale of such assets are recognized within income or expenses for the period.

Derivative Instruments

Financial derivatives comprise forward and swap transactions. Financial derivatives are initially recognized at cost and are subsequently measured at market value. Market values are obtained using different valuation techniques, including discounted cash flows. Financial derivatives are accounted for under assets if their market value is positive, and under liabilities if their market value is negative.

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

3.15. Equity Instruments

All investments in equity instruments are measured at FVtPL under IFRS 9, with the changes in their fair values recognized in the profit or loss (income) statement, except for those equity investments for which the Group has elected to recognize fair value changes within OCI.

Dividend income on the equity instruments for which the Group has elected to recognize fair value changes within OCI, is recognized within the profit or loss (income) statement. Upon derecognition, gains or losses accumulated within OCI are not reclassified to PL. In accordance with IFRS 9, such financial instruments are not tested for impairment.

Moreover, under IFRS 9, if an equity instrument is not held for trading, the Group may make an irrevocable election, upon initial recognition, to measure such an instrument at FVtOCI, with only dividend income recognized within the profit or loss (income) statement. Such instruments are not subject to impairment assessment in accordance with IFRS 9.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16. Property and Equipment

Items of property and equipment qualifying for recognition are measured at cost or purchase price. Subsequent expenditure such as modification or adaptation to the assets is recognized as an increase in cost of the respective assets, when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. All other subsequently incurred expenses are charged in the period in which these are incurred.

Following the initial recognition, property (land and buildings) is recognized at its revalued amount being its fair value as of the revaluation date net of any accumulated depreciation and accumulated impairment losses. Fair value is the market value determined in an appraisal. Revaluation is performed when the fair value of an asset differs substantially from its carrying value. After initial recognition, items of equipment are stated at cost or purchase price net of net of any accumulated depreciation and impairment losses.

Fixed assets (property and equipment) are assets with useful lives of over a year and value in excess of the minimum amount defined by the Group's Accounting Rulebook and accounting policies. Any gains or losses arising on the disposal or retirement of an asset as the difference between the estimated net sales proceeds and the carrying value of the assets are recognized in the income statement.

Property, equipment items are derecognized from the balance sheet upon disposal or permanent retirement, when future economic benefits from asset disposal are no longer expected. Any gains or losses arising on the disposal or retirement of an asset as the difference between the estimated net sales proceeds and the carrying value of the assets are recognized in the income statement.

3.17. Right-of-use assets

Starting from January 1, 2019, the Group began applying IFRS 16 Leasing using a modified retrospective approach (the so-called cumulative catch-up approach) in accordance with IFRS 16: C5 (b) and IFRS 16: C8 (b) (ii). Therefore, the Group did not adjust the comparative information but recognized the right to use the asset in an amount equal to the amount of the lease liability at the date of initial application. The accounting policies for the recognition and measurement of leases applied to the current and prior periods are set out below.

i. Group as a lessee

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

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

The Group does not apply IFRS 16 requirements for assets with, short-term leases (up to one year) and intangible assets. These leases are recognized as an expense on a proportional basis in the income statement.

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

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

After the initial recognition, the asset is measured at cost reduced for impairment loss and adjusted for re-measuring leasing liabilities.

Right-of-use assets are amortized on a straight-line basis. Depreciation starts from the first day of the next month in relation to the month in which the asset is available for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17. Right-of-use assets (Continued)

i. Group as a lessee (Continued)

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

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

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

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

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

Adjusting the value of the lease liability also requires adjusting the asset to its right of use. On a lease basis, the Group recognizes depreciation expense and interest expense in the income statement.

ii. Group as a leasing provider

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

3.18. Intangible Assets

Intangible assets comprise of software, licenses and other intangible assets. Intangible assets acquired by the Group are stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization of intangible assets is calculated on a straight-line basis in order to write off the assets over their estimated useful lives of five years. For intangible assets with contractually defined period of usage amortization rates are determined based on such contractually defined terms. Amortization methods, useful lives and residual values are reassessed at each financial year-end and adjusted as appropriate.

Membership in CSDCH is accounted for within other intangible assets and in its substance represents the amount placed with the Guarantee Fund of the Central Securities Depository and Clearing House, which is refunded after discontinuation of operations. In accordance with the amendments to the Law on Accounting and Rules on the Layout of Chart of Accounts and Financial Statements for Broker-Dealer Companies (Official Gazette of RS, nos. 15/14, 137/14 and 143/14 - corrected), the Group reclassified the opening balances of cash and cash equivalents to intangible assets – as membership in CSDCH – in the amount of EUR 40,000.

Intangible assets are derecognized from the balance sheet upon disposal or permanent retirement, when future economic benefits from asset disposal are no longer expected. Any gains or losses arising on the disposal or retirement of an asset as the difference between the estimated net sales proceeds and the carrying value of the assets are recognized in the income statement.

3.19. Investment Property

Investment property is property (land or a building, part of building or both) held by the owner (or lessee) either to earn rental income or for capital appreciation or for both (IAS 40 “Investment Property”). Upon acquisition, investment property is measured at cost. Upon initial measurement, all acquisition related costs are included in the cost or purchase price of investment property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19. Investment Property (Continued)

For subsequent measurement of investment property the Group uses the fair value model. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains or losses arising from the fair value adjustment of investment property are recognized as income or expenses in the period when realized/incurred.

3.20. Inventories

Inventories include tangible assets acquired in lieu of debt collection. Tangible assets acquired in lieu of debt collection represent properties initially assigned under mortgage liens in favor of the Group as collaterals securitizing loan repayment, which the Group foreclosed in lieu of debt collection.

Such properties are initially recognized in accordance with the value at which the debt is replaced by the transfer of ownership rights, or the transfer of movable property and goods at the value of receivables charged, or at the net selling value, depending on the lower one or the sales price of the mortgaged real estate.

Subsequent measurement of material values acquired by collection of receivables in accordance with IAS 2-Inventories by balancing to the net realizable value, if it is lower than the purchase cost. Net realizable value is the estimated sales price in the ordinary course of business minus cost to sell determined by the independent appraiser through the fair value assignment.

3.21. Managed Funds

The Group manages funds on behalf of and for the account of third parties and charges fees for these services. These items are not included in the Group's statement of consolidated financial position.

3.22. Deposits and Borrowings

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

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

3.23. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.24. Financial Guarantees

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

An issued financial guarantee contract is a financial liability and is initially recognized at fair value. Subsequently, the financial guarantee contract is measured at the 'higher of':

- The IFRS 9 Expected Credit Loss (ECL) allowance, and
- The amount initially recognized (i.e. fair value) less any cumulative amount of income/ amortization recognized.

Financial guarantees are reported under off-balance sheet items.

3.25 Obligations for Retirement Benefits and Jubilee Awards

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Obligations for Retirement Benefits and Jubilee Awards (Continued)

The Group also calculates and pays social security contributions charged to the employer. In accordance with the effective Labor Law, the Group is under obligation to pay its employees retirement benefits and, pursuant to its bylaws, to disburse jubilee awards for completed 10, 20, 30 and 40 consecutive years of service with the Group.

Long-term liabilities for retirement benefit provisions and jubilee awards in accordance with IAS 19 represent the present value of the expected future payments to employees as determined by actuarial assessment using assumptions disclosed in Note 33.

3.26. Equity

The Group's equity consists of founders' capital, subsequent issue shares, share premium, reserves, fair value reserves, and retained earnings for the current and prior years. The Group's equity was formed from monetary contributions invested by the Group's founders. A founder cannot withdraw funds invested in the Group's paid up capital.

3.27. Related Party Disclosures

For the purpose of these consolidated financial statements, legal entities are considered as related parties where one legal entity exercises control over the other or exerts significant influence on the financial and operating decisions of the other party pursuant to the provisions of IAS 24 "Related Party Disclosures."

Related parties within the meaning of the aforesaid standard are considered to be all members of Agri Holding AG, its subsidiaries and related parties, as well as those legal entities in which Group holds ownership interest.

Related parties may enter into mutual transactions that third parties might not perform. Related party transactions may be performed under terms and in the amounts different from those included in same transactions performed at arm's length.

The Group provides services to and at the same time uses services of its related parties. Relations between the Group and its related parties are governed by contracts and market terms.

3.28. Business Combinations

Business combinations are accounted for using the acquisition method, which entails identification of the acquirer, definition of the acquisition date, recognition and measurement of identifiable assets and liabilities assumed and recognition and measurement of goodwill or bargain purchase gains. The identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date. Goodwill is recognized when the amount of the consideration transferred exceeds the net amount of the acquired assets and liabilities assumed in the business combination. Otherwise, bargain purchase gains are recognized.

When a business combination is achieved in stages, the Group`s previously held equity interest in the acquire is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from the interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which that combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3.29. Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor any interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group uses the equity method for accounting investments in an associate. Under the equity method the Group does the following steps:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.29. Investments in Associates (Continued)

- The investment is stated as one line item in the Consolidated statement of financial position initially recognized at cost. Any difference between the cost of the investment and the Group's share in the net fair values of the associate's identifiable assets and liabilities is goodwill (however, It is not disclosed separately and not regarded as a separate asset).
- The carrying amount of the investment is increased or decreased to recognize the Group’s share of the profit or loss of the associate after the date of acquisition.

If the Group’s share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses. In general, when an associate is making losses, there may be a significant diminution in the associate's value.

- Any distributions received from the associate reduce the investment’s carrying amount. If dividends paid by the associate are in excess of the carrying amount of the investment, the carrying value is reduced to nil, but does not become negative.
- Adjustments to the associate's carrying amount may be carried out in the investor's proportionate interest in the associate in case of changes in the associate's other comprehensive income, that have not been recognized in the associate's profit or loss. Such changes include those arising from foreign exchange translation differences. The investor's share of such changes is recognized directly in the consolidated statement of other comprehensive income of the Group.

Transactions and balances with associates or joint ventures are not eliminated as they are not part of the Group and not consolidated. Profits and losses resulting from 'upstream' and 'downstream' transactions between the Group (including its consolidated subsidiaries) and an associate are eliminated to the extent of the Group’s interest in the associate.

Non-controlling interests (NCI)

NCI are measured initially at the proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.30. Investments in subsidiaries

The subsidiary is entity over which the entity within AEC Group has control, in other words, it has the right to receive dividend on the basis of its share and has the ability on the business decisions of the entity on the basis of the rights it has over the entity in which it has invested.

Consolidation of Financial Statements is carried out using the method of full consolidation, which among other things involve the addition of "row by row" items of assets, liabilities, income and expenses with the elimination of all balances and income and expense transactions within the group.

3.31. Cash and cash equivalents reported in the statement of cash flows

As a cash and cash equivalents in the terms of statements of cash flow presentation, the Group considers the total amount of Cash and cash funds held with Central Bank should be decreased for the Obligatory foreign currency reserve held with NBS and increased for the foreign currency accounts held with foreign and domestic banks which are classified under Loans and receivables due from banks and other financial institutions (Note 22). The calculation is presented in the end of Note 20.

4. RISK MANAGEMENT

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's long-term objective in risk management is to minimize the adverse effects on its financial performance and equity resulting from the Group's risk exposure.

Risk is inherent in banking business and cannot be completely eliminated. It is important however to manage risks in such a manner that they are restricted to the levels acceptable for all stakeholders: owners, i.e., shareholders, creditors, depositors and the regulator.

The risk management process entails continued risk identification, measurement, monitoring, minimizing and control through setting of risk limits as well as reporting on risks in accordance with the internal bylaws and the regulator's decisions. An adequate risk management system represents a key element in ensuring stability of the operations.

Comprehensive and reliable risk management system has been determined within the Group. It is fully integrated into all of the Group's activities, ensuring that the Group's risk profile is in accordance with its risk appetite.

In order to ensure adequate risk management, Group members has in place an adequate organizational structure that corresponds to the volume, type and complexity of operations they perform and in order to prevent conflict of interest, risk assumption function (front office) is separated from the risk management function (middle office) and support activities (back office). Such organizational structure enables achievement of the goals set and risk management principles in practice.

Group risk management process involves both Group's and each Group Member's bodies as well as organizational units with either direct or supporting risk management function. Each Group Member more closely defines the roles and responsibilities of the governing bodies according to the principles prescribed in Group Strategy on Risk Management and respective local regulations.

In its regular course of business, the Group is exposed to the following risks: credit risk and risks associated with the credit risk, liquidity risk, interest rate risk, market risks, operational risks, exposure/concentration risk, country risk, sovereign risk, investment risk, compliance risk, the risk of money laundering and terrorist financing, reputational, strategic and climate related and environmental risks. Risk identification and materiality assessment process is performed within the Group at least on annual basis.

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 governance and management are in more details described in the following Group documents:

- Group Strategy on Risk Management
- Group ESG Strategy
- Group Policy on Risk Management
- Group Framework on Risk Appetite
- Group Risk Appetite Statement
- Group Framework on ICAAP and ILAAP
- Group Framework on Counterparty Credit Risk and Country Risk Limits
- Group Policy on Market Risk Management
- Group Impairment Calculation Framework
- Group Framework on Underwriting
- Group Policy on Forbearance, Restructuring and Workout Process
- Group Policy on Default Detection
- Group Collateral Management Policy
- Group Policy on Connected Clients
- Group Policy on Early Warning Signals and Monitoring Process Group Framework on Liquidity Risk Management and Liquidity Stress Testing
- Group Framework on Liquidity Contingency Plan
- Group Framework on Trading and Banking Book
- Group Framework on Interest Rate Risk in Banking Book
- Group Model Risk Management Policy
- Group Policy on Rating
- Group Policy on Validation
- Group Policy on Stress Test
- other Group risk management internal acts

4. RISK MANAGEMENT (Continued)

Risk Management System (Continued)

The Group's Strategy on Risk Management defines the principles of risk management in order to ensure an adequate assessment of all risks that the Group is exposed to or may be exposed to in its operations and the appropriate capital needed to support the realization of the Group's strategic objectives in accordance with the Group Business Strategy.

With Strategy on Risk Management, as part of a comprehensive risk management system, the Group:
- identifies 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 and defines the Group risk management governance, and
- defines the main principles of the Group risk culture.

Accordingly, the Group determines the obligation of regular reporting on risk management in order to satisfy the principle of risk taking. Each Group subsidiary follows principles of risk management set on Group level. Group Policy on Risk Management provides guidelines for the risk management process that the Group members apply in accordance with the nature, scope and complexity of their business activities. Members of the banking Group will further define in more details the principles of risk management according to its local specifics but adhering to this Policy.

Group members define in more details the principles of risk management according to its local specifics but adhering 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.

Risk management policies and procedures are reviewed at least once a year, or more often if there are significant changes in the risk profile of the Group.

4.1. Credit risk

Credit risk represents the risk of negative effects on the Group's financial result and capital arising from borrowers' inability to settle the matured liabilities to the Group. The strategy, business model and current risk profile arising from mostly traditional banking operations show that the most important risk for the Group is credit risk.

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. In pursuing the stated goal, Group subsidiaries are guided by the principles defined in Group Policy on Risk Management. The Group manage credit risk at the level of individual receivables, at the level of individual debtor, at the level of group of related debtors, as well as at the level of its entire portfolio of receivables.

All subsidiaries are obliged to adhere both to rules and principals set in Group internal acts as well as regulations in the countries in which each subsidiary operates.

The process of credit risk management is carried out through the following phases:
- identification of the risk,
- measurement and assessment of the risk,
- mitigation of risk,
- risk monitoring and control, and
- risk reporting.

The process of identifying credit risk involves determination of the current level of exposure to credit risk based on historical data, as well as the exposure to credit risk that may arise during the period of repayment of placements. The identification of credit risk is carried out at the stage of establishing the initial contact with the client, which is established by the sales function.

Subsidiaries measure and assess credit risk by applying quantitative and qualitative criteria on the basis of which debtors and their claims are classified into the appropriate risk categories. The credit risk assessment is performed when considering the request for a particular loan, the request to change the terms and conditions for the use and repayment of particular loans, during monitoring of the loan/client and calculate the rating, as well as during the preparation of a regular annual review on the client's business until the final collection of a particular placement.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Level of credit risk is measured also by the level of provisions and allowances calculated based on IFRS 9 requirements.

The Group Risk Management function is involved in the credit risk measurement and assessment as defined in the Group Framework on Underwriting. In addition, measurement and assessment of credit risk is performed further by assessing and following various internally defined credit risk related indicators.

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. 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).

The process of monitoring credit risk involves 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. Credit risk monitoring is carried out at the level of each subsidiary as well as on the Group level, both at the level of individual receivables, i.e. debtors / groups of related parties, as well as at the level of the total loan portfolio.

Regulatory reporting on Group level (consolidated basis) is done in accordance with relevant regulation, and internal reporting is arranged in line with processes defined in internal acts. Reporting on credit risk at the level of each subsidiary includes an external and internal reporting system as well as reporting to the Group relevant functions for risk management/control. External reporting of each subsidiary is carried out in accordance with the requirements of the regulator.

Impairment assessment of loans and receivables

Group assesses on-balance and off-balance sheet receivables for impairment in accordance with its accounting policies and Group Impairment Calculation Framework.

In accordance with the requirements of IFRS 9, the Group defines the concept of expected credit losses, which provides calculation of impairment for all financial instruments. The banks have defined criteria for staging of its on-balance sheet assets and off-balance sheet items (to Stages 1, 2 and 3) depending on the level of credit risk increase since the initial recognition, as well as criteria for transfers of assets/receivables from one stage to another.

Off balance sheet exposures are included in EAD calculation using the credit conversion factors (CCF) prescribed by EBA Regulation 575/2013 (CRR regulation: CCFs used for credit risk RWA calculation).

On a monthly basis, for all of its financial instruments, Group:

- assesses the asset quality and determines whether there is objective evidence of impairment;
- assesses whether there has been a significant increase in the credit risk since the initial recognition; and
- calculates the amount of impairment per expected credit losses (ECL)

Process and rules of classification of financial assets are regularly monitored. Key criteria for asset classification are derived from the applicable regulatory requirements and IFRS 9. Financial instruments are classified into following three stages: Stages 1 and 2 for performing receivables and Stage 3 for non-performing receivables. Classification criteria are defined in the Group's internal act.

Impairment calculation is based on expected credit losses arising from the classification of assets into a specific group stage, the estimated probability of default (PD) in the following 12 months (Stage 1) or over the lifetime of the asset if the credit risk for that financial instrument has significantly increased from initial recognition or there is objective evidence of impairment (financial assets in Stage 2 and Stage 3). The Group has defined criteria for significant increase in probability of default, defined by segment on the basis of qualitative and quantitative information and analyses made on the basis of past information, experiences and expert credit assessments and forward-looking information.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Impairment assessment of loans and receivables (Continued)

When assessing expected credit losses for the purposes of calculating impairment, the Group assesses for all financial instruments (at the level of a single exposure) whether there has been a significant increase in credit risk or default, and on the basis of this, performs the distribution of exposures by stages. Classification takes place in several steps: first, it is checked whether a financial asset was bought or originally impaired. Then, it is checked whether a default has occurred in a financial asset, in which case the asset is allocated to Stage 3. In the following step, criteria for significant increase of credit risk are checked, whereby the fulfilment of any of them implies classification of the asset to Stage 2.

The Group monthly assesses whether there has been a significant increase in credit risk for all financial instruments.

Since the new rating scale was implemented at the end of year 2022 in AIK bank, the same rating scale implemented in Gorenjska bank in 2023. This group master rating scale includes 26 rating categories, 25 representing non-default status, while rating category 26 marks default status. Based on the internal Action plan and list of planned activities, the alignment of Eurobank Direktna with rest of the Group is planned in 2024. In the meantime, the Eurobank direktna has its own internal rating model.

Micro rating model, Private individuals (PI) rating model and expert rating models that are used for the following portfolios: local self-government, public enterprises, financial institutions, newly established enterprises and project financing were adjusted to the new Group master rating scale. Corporate, Micro and PI models are statistical PD models consisting of financial and behavioural components. Both components are calculated through a statistical modelling procedure. Group plans to redevelop PI and Micro rating models in 2024.

The Group developed new rating model for the specialized rating model which was implemented in the subsidiaries in 2023.

The Bank created additional impairments through a conservative worsening of the macroeconomic forecast in the pessimistic scenario, a change in the weights of the scenarios and a reduction in the value of collateral for the purpose of calculating impairments. At the end of 2023, Group employed additional PD overlay due to the emergence of novel risks. Level of overlay was determined based on the sensitivity analysis of forward looking component of PD model, where several adverse macroeconomic scenarios were used. The use of this approach is temporary, until the Group adjusts the model for estimating expected credit losses to actual conditions and develops the methodology for inclusion of novel risks in Risk provision calculation which is planned for Q1 2024.

PD - probability of default

PD is estimated by observing behavior of a particular population that is not in default for a specified period of time and by calculating the percentage of the population that entered in default during that period. For purposes of calculating impairment, the probability of default (PD) is estimated by using transition matrices that show transition of debtors from different performing ratings to default in the period between two dates. The starting point is annual transition matrices representing clients' transitions between different ratings. Annual matrices are obtained for each sub-segment individually. Z-shift methodology is used to compress the information of transition matrix into z* value. z* is obtained for each transition matrix and is correlated with macroeconomic variables. Regression model evaluating linear regression between z*-s and macroeconomic variable/variables is separately determined for segments of entities.

Forward looking PD

In order to determine correlation between default rate and macroeconomic variables, Group members develop regression model separately for the Retail and Corporate segment. By analyzing the assumptions, they determined the variables that have a significant impact on the movement of the default rate. The Group tests the correlation between z-s and the following macroeconomic indicators: GDP, unemployment rate, inflation rate, exchange rate RSD/EUR (applicable only in subsidiaries outside euro zone), reference interest rate, public debt, etc.

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Forward looking PD (Continued)

For the purpose of the calculation of a “forward-looking” adjusted PD, subsidiaries define three scenarios (baseline, pessimistic and optimistic). The AIK and Gorenjska bank use an error distribution method, through which values of macroeconomic variables are predicted for six years ahead and for different scenarios. Afterwards, regression model is used to predict z*. From predicted z*-s, annual transition matrices for six years ahead are predicted. For all later years, average transition matrix is used.
Regarding Eurobank Direktna, ratings are determined in a similar way, transition matrices are applied in both methodologies. However, link between PDs and macroeconomic indicators is different. Final determination of PDs uses three components (score, transition matrices and forward-looking information).

The Group defines the values of macroeconomic indicators in three scenarios: basic, optimistic and pessimistic. As a consequence of the geopolitical uncertainties (RU/UA crisis), the Group increased the share of the pessimistic scenario from 20% to 30% for the purpose of adjusting the PD parameter, while the share of the baseline scenario was reduced from 70% to 60%.

IMF Country report, National Bank of Serbia and Bank of Slovenia Review of macroeconomic developments are used as a GDP projection sources.

AIK Bank:
AIK bank uses the following macroeconomic scenarios:

	Year	Basic scenario	Optimistic scenario	Pessimistic scenario
Scenario share		60%	10%	30%
GDP	2023	3.58	6.37	2.43
	2024	1.56	5.81	-0.18
	2025	2.34	6.07	0.82

Gorenjska Bank:
On portfolio level: The Bank considered a forecast of macroeconomic variables in the calculation of impairments. These values were obtained using the following values of independent variables and corresponding weights:

	Year	Basic scenario	Optimistic scenario	Pessimistic scenario
Scenario share		60%	10%	30%
GDP	2023	1.90	3.74	1.15
	2024	1.98	6.55	0.10
	2025	1.68	6.90	-0.45

Eurobank Direktna considered a forecast of macroeconomic variables in the calculation of impairments, which were determined as relevant according to the analysis. Besides the above-mentioned macroeconomic variables, Eurobank Direktna analyses additional variables: oil price, the production gap, price movements of primary agricultural products etc. Sensitivity of PD to stress test of macroeconomic variables in pessimistic and optimistic scenario is applied in the following way:

	Stage 1		Stage 2	
	Optimistic scenario	Pessimistic scenario	Optimistic scenario	Pessimistic scenario
Cash loans	-3%	3%	-4%	4%
Overdrafts	-4%	4%	-5%	5%
Credit cards	-7%	7%	-9%	10%
Mortgage loans	-4%	4%	-4%	4%
Micro segment	-10%	11%	-10%	12%
Corporate segment	-2%	2%	-2%	3%

The weights used for the scenarios are as follows: 50% base, 25% optimistic and 25% pessimistic, and given multipliers (per variables) that are applied to the base scenario to arrive at the optimistic and pessimistic scenarios.

For scenarios longer than three years and less than six years (i.e. 2025 and 2026), the GDP forecast is the average between the 15-year average (2007-2021) and the previous year's forecast. For year 2027 and all subsequent years, the average of the forecasts for the last 15 years (2007-2021) is taken.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

LGD – Loss Given Default

LGD parameter represents an estimate of the loss at default, or the default status. LGD is one of the key components for calculating expected losses. In its assessment of credit losses, Group strives to reflect the possibility of collecting cash flows from regular cash flows, as well as from collaterals. In that sense, the Group calculates LGD for secured part of the portfolio (“LGD secured”) and LGD for unsecured part of portfolio ("LGD unsecured") for calculation of expected loss for Stage 1 and Stage 2.

For the purpose of calculating the impairment for Stage 1, the expected twelve-month credit losses are part of the expected credit losses over the lifetime of financial asset. EAD represents an estimate of the exposure at the moment of default, considering the profile of contracted cash flows as well as possible additional withdrawals from approved lines before the default moment. The off-balance sheet exposures are included in the EAD calculation using the credit conversion factor (CCF) that is used in the calculation of RWA.

In Stage 2, expected credit loss represents the probability weighted assessments of credit losses over the expected lifetime of financial instrument, while the cash shortage itself is the difference between cash flows that are contracted to the Group and cash flows that the Group expects to receive.

Calculation of impairment for exposures in Stage 3 is done for all exposures with the identified default status. Assessment of impairment could be done on individual and group basis depending on the individual significance of the exposure.

Individual assessment is performed for individually significant clients. 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.

Scenarios that are considered are:
- realization of collateral,
- restructuring,
- bankruptcy,
- sale of receivables,
- collection from cash and
- other that is considered relevant.

When defining scenarios, the Group considers the collection strategy defined for particular client.

When determining probability for certain scenarios, the Group is guided by the history of realization and collection of default loans, as well as the specifics exposures as well as all other available information that may be relevant in assessing the probability of realizing a particular collection strategy. Probability of all scenarios in the sum must be 100%.

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

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.

Objective Evidence of Impairment and Significant Increase in Credit Risk

Upon assessing the expected credit losses (impairment allowance calculation), the 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 based on the credit losses; and
- Stage 3 includes financial assets with objective evidence of impairment at the reporting date.

Default, i.e. a default status is defined as a material delay in liability settlement of at least 90 days at the level of individual financial asset.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

***Objective Evidence of Impairment and Significant Increase in Credit Risk* (Continued)**

Default status may be identified even before 90 days past due occurs if other quantitative or qualitative criteria are identified that indicates the existence of objective evidence of impairment of a financial asset:

- Significant deterioration in financial status of the client
- Significantly changed terms of the repayment of placements due to the financial difficulties of the borrower (FNPE or NPE)
- Initiating bankruptcy proceedings or initiating another type of financial reorganization
- Other available qualitative information.

Non-performing exposures are exposures where the payment of principal or interest is past due over 90 days, or the Group assessed that the borrower's repayment ability has deteriorated and doubts that the payments will be made in full.

Identification of a Significant Increase in Credit Risk

Stage 2 includes receivables for which there has been a significant increase in credit risk compared to the moment of initial recognition. The criteria for a significant increase in credit risk are:

- material delay in liability settlement over 30 days,
- significant deterioration of borrower's lifetime PD or internal rating,
- restructuring of receivable due to the financial difficulties of the borrower (FPE status),
- deterioration in the rating of an external rating agency (applies in the case of exposures to financial institutions and countries), and/or
- Watch list/Decision of the Watch loan Committee.

The Group upgraded the model for identification of significant increase in credit risk. The quantitative criterium of change in rating grade was supplemented by quantitative criterium of change in lifetime PD with which the harmonization of SICR methodology across the Group was achieved.

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 exposures with identified default status. Assessment of impairment could be done on an individual and group basis depending on the individual significance of the exposure.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Assessment on an individual basis

The individual assessment is performed for individually significant clients and threshold is defined on the Group level (credit institution subsidiaries may define more conservative threshold depending on local specifics, local regulations, etc.).

Since, under IFRS 9, expected credit losses (ECL) represent probability weighted assessment of expected credit losses, the Group recognizes several possible collection scenarios when assessing expected future cash flows. When defining the scenario, the Group considers the collection strategy defined for particular client. When determining probability for certain scenarios, Group is guided by the history of realization and collection of default loans, as well as individual exposure specifics and all other available information that may be relevant in assessing the probability of realizing a particular collection strategy.

Group Assessment

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.

Exposure to government and financial institutions

Since the Group does not have an adequate history of migrations and default for exposures to governments and financial institutions, it relies on the data of an external credit rating agency for impairment calculation.

For banks that do not have external ratings, the Group uses as input the ratings of the countries of their domicile.

Provisions for off balance sheet items

In AIK bank, the calculation of provisions for off balance sheet items is performed in the same manner as for balance sheet items, except for the application of credit conversion factors (CCF). AIK bank is using CCF as defined by the Annex 1 of EBA Regulation 575/2013 (CRR). The same applies for Eurobank Direktna, except for the credit card part of the portfolio of natural persons, for which the was developed internal CCF.

Gorenjska bank is calculating the actual conversion factor if it has a sufficient number of drawdowns under the off-balance-sheet exposures and representative data for individual types of off-balance-sheet items. Based on the sufficiently large sample in limits of natural persons, Gorenjska bank started using its own CCF for the transaction accounts of natural persons and the payment cards of natural persons, whereas it is still using the CCF in accordance with Annex 1 of EBA Regulation 575/2013 (CRR) for the remaining transactions due to the sample being too small.

Maximum credit risk exposure

The table below represents the maximum credit risk exposure without collaterals or other means that improve securities' credit rating. The exposure is based on the carrying amounts from the statement of financial position (balance sheet).

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

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Maximum credit risk exposure **(Continued)**

Maximum credit risk exposure before collateral or other credit enhancements

Assets		**December 31, 2023**	
	Gross Exposure	**Impairment Allowance**	**Net Amount**
I Balance sheet items	**8,643,252**	**(123,863)**	**8,519,389**
Cash and cash funds held with the central bank	1,546,790	(95)	1,546,695
Receivables under derivatives	3,145	-	3,145
Securities	859,427	(722)	858,705
Loans and receivables due from banks and other financial institutions	1,072,934	(3,700)	1,069,234
Loans and receivables due from customers	5,139,416	(117,109)	5,022,307
Other assets	21,540	(2,237)	19,303
II Off-balance sheet items	**1,417,828**	**(5,851)**	**1,411,977**
Guarantees issued, unsecured letters of credit and acceptances	886,450	(3,484)	882,966
Irrevocable commitments – per framework loans	531,378	(2,367)	529,011
Total	**10,061,080**	**(129,714)**	**9,931,366**

Assets		**December 31, 2022**	
	Gross Exposure	**Impairment Allowance**	**Net Amount**
I Balance sheet items	**5,644,824**	**(68,360)**	**5,576,464**
Cash and cash funds held with the central bank	927,807	(268)	927,539
Receivables under derivatives	145	-	145
Securities	892,532	(1,384)	891,148
Loans and receivables due from banks and other financial institutions	282,616	(2,151)	280,465
Loans and receivables due from customers	3,495,401	(63,266)	3,432,135
Other assets	46,323	(1,291)	45,032
II Off-balance sheet items	**970,620**	**(4,283)**	**966,337**
Guarantees issued, unsecured letters of credit and acceptances	581,038	(2,299)	578,739
Irrevocable commitments – per framework loans	389,582	(1,984)	387,598
Total	**6,615,444**	**(72,643)**	**6,542,801**

During 2023, changes in impairment allowance mostly are a result of following reasons:
- acquisition of Eurobank Direktna
- exposure movements to Stage 2 due to PD deterioration; and
- implementation of additional PD for novel risks.

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

The following tables present the movements of the impairment allowance of assets per class of assets:

Cash and balances held with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(59)**	-	-	-	**(59)**
Movements of the impairment allowance					
Transfer to Stage 1	(59)	-	-	-	(59)
Increases due to changes in the credit risk	(9)	-	-	-	(9)
Newly acquired/originated assets	(100)	-	-	-	(100)
Decreases due to derecognition	84	-	-	-	84
Changes in model / risk parameters	(176)	-	-	-	(176)
Foreign exchange effects	(2)	-	-	-	(2)
Other	(6)	-	-	-	(6)
Impairment allowance at December 31, 2022	**(268)**	-	-	-	**(268)**

Cash and balances held with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
	(268)	-	-	-	**(268)**
Impairment allowance at December 31, 2022		-	-	-	
Movements of the impairment allowance					
Transfer to Stage 1	(268)	-	-	-	(268)
Effects of Eurobank Direktna acquisition	(5)	-	-	-	(5)
Increases due to changes in the credit risk	(2)	-	-	-	(2)
Decreases due to changes in the credit risk	18	-	-	-	18
Newly acquired/originated assets	(324)	-	-	-	(324)
Decreases due to derecognition	487	-	-	-	487
Foreign exchange effects	(1)	-	-	-	(1)
Impairment allowance at December 31, 2023	**(95)**	-	-	-	**(95)**

Securities	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(492)**	**-**	**(940)**	**-**	**(1,432)**
Movements of the impairment allowance					
Transfer to Stage 1	(394)	-	-	-	(394)
Transfer to Stage 2	(98)	-	-	-	(98)
Transfer to Stage 3	-	-	(940)	-	(940)
Increases due to changes in the credit risk	(16)	-	-	-	(16)
Decreases due to changes in the credit risk	99	-	-	-	99
Newly acquired/originated assets	(204)	(119)	-	-	(323)
Decreases due to derecognition	316	-	-	-	316
Foreign exchange effects	(1)	-	(1)	-	(2)
Other	(26)	-	-	-	(26)
Impairment allowance at December 31, 2022	**(324)**	**(119)**	**(941)**	**-**	**(1,384)**

Securities	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2022	**(324)**	**(119)**	**(941)**	**-**	**(1,384)**
Movements of the impairment allowance					
Transfer to Stage 1	(298)	(118)	-	-	(416)
Transfer to Stage 2	(26)	(1)	-	-	(27)
Transfer to Stage 3	-	-	(941)	-	(941)
Effects of Eurobank Direktna acquisition	-	-	-	-	-
Increases due to changes in the credit risk	(1)	-	-	-	(1)
Decreases due to changes in the credit risk	60	-	-	-	60
Newly acquired/originated assets	(53)	-	-	-	(53)
Decreases due to derecognition	68	(166)	1	-	(97)
Write-offs, transfer to off balance, sales	71	118	567	-	756
Other	(1)	-	(2)	-	(3)
Impairment allowance at December 31, 2023	**(180)**	**(167)**	**(375)**	**-**	**(722)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023
All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Loans and receivables due from banks and other financial institutions	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(607)**	**(3)**	**(11)**	**-**	**(621)**
Movements of the impairment allowance					
Transfer to Stage 1	(607)	-	-	-	(607)
Transfer to Stage 2	-	(3)	-	-	(3)
Transfer to Stage 3	-	-	(11)	-	(11)
Increases due to changes in the credit risk	(224)	(1)	(1,667)	-	(1,892)
Decreases due to changes in the credit risk	318	1	-	-	319
Newly acquired/originated assets	(658)	(10)	(77)	-	(745)
Decreases due to derecognition	707	2	101	-	810
Write-offs, other changes	(60)	-	-	-	(60)
Changes in model / risk parameters	41	1	-	-	42
Foreign exchange effects	(2)	(2)	-	-	(4)
Impairment allowance at December 31, 2022	**(485)**	**(12)**	**(1,654)**	**-**	**(2,151)**

Loans and receivables due from banks and other financial institutions	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2022	**(485)**	**(12)**	**(1,654)**	**-**	**(2,151)**
Movements of the impairment allowance					
Transfer to Stage 1	(483)	-	-	-	(483)
Transfer to Stage 2	(2)	(1)	-	-	(3)
Transfer to Stage 3	-	(11)	(1,654)	-	(1,665)
Effects of Eurobank Direktna acquisition	(55)	(55)	-	(2)	(112)
Increases due to changes in the credit risk	(116)	-	-	-	(116)
Decreases due to changes in the credit risk	27	-	-	-	27
Newly acquired/originated assets	(3,320)	(1,160)	(192)	-	(4,672)
Decreases due to derecognition	3,036	12	154	-	3,202
Write-offs, other changes	-	-	58	-	58
Foreign exchange effects	68	(1)	(3)	-	64
Impairment allowance at December 31, 2023	**(845)**	**(1,216)**	**(1,637)**	**(2)**	**(3,700)**

Loans and receivables due from customers	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(22,869)**	**(10,050)**	**(17,921)**	**(12)**	**(50,852)**
Movements of the impairment allowance					
Transfer to Stage 1	(20,519)	(1,720)	(444)	-	(22,683)
Transfer to Stage 2	(2,250)	(7,819)	(346)	-	(10,415)
Transfer to Stage 3	(100)	(511)	(17,131)	-	(17,742)
POCI	-	-	-	(12)	(12)
Increases due to changes in the credit risk	(9,532)	(12,012)	(37,468)	-	(59,012)
Decreases due to changes in the credit risk	11,325	14,919	24,021	-	50,265
Newly acquired/originated assets	(35,319)	(27,094)	(10,820)	(1)	(73,234)
Decreases due to derecognition	40,101	19,245	29,501	7	88,854
Write-offs, transfer to off balance, sales	(2,360)	2,074	19,326	(79)	18,961
Changes in model / risk parameters	779	(442)	193	(102)	428
Foreign exchange effects and adjustments	2	(24)	405	1	384
Other	(6,435)	(6,612)	(26,013)	-	(39,060)
Impairment allowance at December 31, 2022	**(24,308)**	**(19,996)**	**(18,776)**	**(186)**	**(63,266)**

Loans and receivables due from customers	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2022	**(24,308)**	**(19,996)**	**(18,776)**	**(186)**	**(63,266)**
Movements of the impairment allowance					
Transfer to Stage 1	(19,523)	(3,291)	(676)	(70)	(23,560)
Transfer to Stage 2	(4,311)	(12,514)	(5,082)	(74)	(21,981)
Transfer to Stage 3	(474)	(4,191)	(13,018)	(20)	(17,703)
POCI	-	-	-	(22)	(22)
Effects of Eurobank Direktna acquisition	(9,037)	(7,782)	(42)	-	(16,861)
Increases due to changes in the credit risk	(6,451)	(5,362)	(3,639)	(1,710)	(17,162)
Decreases due to changes in the credit risk	6,152	3,179	2,777	-	12,108
Newly acquired/originated assets	(59,689)	(35,867)	(35,373)	(3,531)	(134,460)
Decreases due to derecognition	62,762	27,049	10,975	-	100,786
Write-offs, transfer to off balance, sales	-	3	7,453	186	7,642
Changes in model / risk parameters	2,167	2,117	(30)	(8,847)	(4,593)
Foreign exchange effects and adjustments	(13)	(17)	(16)	(3)	(49)
Other	(164)	(90)	(993)	(7)	(1,254)
Impairment allowance at December 31, 2023	**(28,581)**	**(36,766)**	**(37,664)**	**(14,098)**	**(117,109)**

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Other assets	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(346)**	**(16)**	**(786)**	**-**	**(1,148)**
Movements of the impairment allowance					
Transfer to Stage 1	(344)	(13)	(5)	-	(362)
Transfer to Stage 2	(1)	(3)	(2)	-	(6)
Transfer to Stage 3	(1)	-	(779)	-	(780)
Increases due to changes in the credit risk	(107)	(38)	(396)	-	(541)
Decreases due to changes in the credit risk	81	47	108	-	236
Newly acquired/originated assets	(294)	(17)	(415)	-	(726)
Decreases due to derecognition	315	22	662	-	999
Write-offs, foreign exchange effects, other adjustments	4	(3)	(112)	-	(111)
Impairment allowance at December 31, 2022	**(347)**	**(5)**	**(939)**	**-**	**(1,291)**

Other assets	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2022	**(347)**	**(5)**	**(939)**	**-**	**(1,291)**
Movements of the impairment allowance					
Transfer to Stage 1	(344)	-	(54)	-	(398)
Transfer to Stage 2	(1)	(5)	(1)	-	(7)
Transfer to Stage 3	(2)	-	(884)	-	(886)
Effects of Eurobank Direktna acquisition	(14)	(1)	(1,086)	-	(1,101)
Increases due to changes in the credit risk	(50)	32	(7)	-	(25)
Decreases due to changes in the credit risk	20	1	62	-	83
Newly acquired/originated assets	(693)	(57)	(781)	-	(1,531)
Decreases due to derecognition	694	98	323	-	1,115
Write-offs, foreign exchange effects, other adjustments	(24)	(94)	725	(94)	513
Impairment allowance at December 31, 2023	**(414)**	**(26)**	**(1,703)**	**(94)**	**(2,237)**

Off-balance sheet items	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(2,356)**	**(166)**	**(136)**	**-**	**(2,658)**
Movements of the impairment allowance					
Transfer to Stage 1	(2,283)	(13)	(3)	-	(2,299)
Transfer to Stage 2	(69)	(153)	-	-	(222)
Transfer to Stage 3	(4)	-	(133)	-	(137)
Increases due to changes in the credit risk	(1,066)	(252)	(601)	-	(1,919)
Decreases due to changes in the credit risk	1,406	340	53	-	1,799
Newly acquired/originated assets	(3,213)	(717)	(58)	-	(3,988)
Decreases due to derecognition	3,298	72	31	-	3,401
Changes in model / risk parameters	(30)	(23)	10	-	(43)
Foreign exchange effects	4	(2)	-	-	2
Other	(597)	(104)	(176)	-	(877)
Impairment allowance at December 31, 2022	**(2,554)**	**(852)**	**(877)**	**-**	**(4,283)**

Off-balance sheet items	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2022	**(2,554)**	**(852)**	**(877)**	**-**	**(4,283)**
Movements of the impairment allowance					
Transfer to Stage 1	(2,499)	(294)	-	-	(2,793)
Transfer to Stage 2	(54)	(524)	(214)	-	(792)
Transfer to Stage 3	(1)	(34)	(663)	-	(698)
Effects of Eurobank Direktna acquisition	(1,140)	(487)	(397)	-	(2,024)
Increases due to changes in the credit risk	(277)	(372)	(656)	(4)	(1,309)
Decreases due to changes in the credit risk	845	135	19	-	999
Newly acquired/originated assets	(3,802)	(459)	(1,714)	-	(5,975)
Decreases due to derecognition	4,108	903	1,182	-	6,193
Changes in model / risk parameters	202	314	33	-	549
Foreign exchange effects, other	2	-	(3)	-	(1)
Impairment allowance at December 31, 2023	**(2,616)**	**(818)**	**(2,413)**	**(4)**	**(5,851)**

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Loans and receivables from customers, banks and other financial institutions by risk level

								December 31, 2022
	Exposure				Impairment			
	Stage 1	**Stage 2**	**Stage 3 including POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3 including POCI**	**Total**
Corporate	2,049,299	297,429	46,405	2,393,133	(18,959)	(15,581)	(11,129)	(45,669)
Entrepreneurs	32,212	2,632	805	35,649	(398)	(123)	(132)	(653)
Total Corporate	**2,081,511**	**300,061**	**47,210**	**2,428,782**	**(19,357)**	**(15,704)**	**(11,261)**	**(46,322)**
Cash loans	514,122	94,070	18,671	626,863	(3,874)	(3,192)	(6,298)	(13,364)
Credit cards	23,202	1,724	539	25,465	(134)	(72)	(147)	(353)
Current accounts-overdraft	16,053	586	237	16,876	(69)	(16)	(119)	(204)
Housing loans	359,577	25,594	5,173	390,344	(776)	(884)	(929)	(2,589)
Agricultural loans	3,874	2,176	422	6,472	(97)	(116)	(202)	(415)
Other	196	222	-	418	(1)	(12)	-	(13)
Total Retail	**917,024**	**124,372**	**25,042**	**1,066,438**	**(4,951)**	**(4,292)**	**(7,695)**	**(16,938)**
Total	**2,998,535**	**424,433**	**72,252**	**3,495,220**	**(24,308)**	**(19,996)**	**(18,956)**	**(63,260)**
Receivables from banks	275,727	1,001	5,888	282,616	(485)	(12)	(1,654)	(2,151)
Not coved by models	175	-	6	181	-	-	(6)	(6)

								December 31, 2023
	Exposure				Impairment			
	Stage 1	**Stage 2**	**Stage 3 incl. POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3 incl. POCI**	**Total**
Corporate	2,715,138	529,841	73,505	3,318,484	(19,990)	(22,268)	(18,310)	(60,568)
Entrepreneurs	30,266	7,434	2,607	40,307	(398)	(454)	(1,278)	(2,130)
Total Corporate	**2,745,404**	**537,275**	**76,112**	**3,358,791**	**(20,388)**	**(22,722)**	**(19,588)**	**(62,698)**
Cash loans	872,603	187,139	74,533	1,134,275	(6,851)	(12,664)	(27,157)	(46,672)
Credit cards	40,504	9,529	3,252	53,285	(278)	(545)	(838)	(1,661)
Current accounts-overdraft	20,148	3,556	888	24,592	(131)	(110)	(374)	(615)
Housing loans	482,314	49,027	16,966	548,307	(824)	(658)	(3,637)	(5,119)
Agricultural loans	2,410	2,224	562	5,196	(20)	(72)	(86)	(178)
Other	13,818	459	249	14,526	(98)	(32)	(4)	(134)
Total Retail	**1,431,797**	**251,934**	**96,450**	**1,780,181**	**(8,202)**	**(14,081)**	**(32,096)**	**(54,379)**
Total	**4,177,201**	**789,209**	**172,562**	**5,138,972**	**(28,590)**	**(36,803)**	**(51,684)**	**(117,077)**
Receivables from banks	1,065,936	4,629	2,369	1,072,934	(845)	(1,216)	(1,639)	(3,700)
Not coved by models	385	-	59	444	-	-	(32)	(32)

The Group classified the risk into risk categories based on the classification of receivables in accordance with the local regulation of the National bank of Serbia and Slovenia. Low risk includes claims classified in categories A and B, claims classified in categories V and G are included in medium risk, while high risk includes claims classified in category D. The following tables provide movements of exposures per class of assets and risk level:

		December 31, 2022	
Cash and balances held with the central bank	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	927,807	-	-
Total gross carrying value	927,807	-	-
Impairment allowance	(268)	-	-

		December 31, 2023	
Cash and balances held with the central bank	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	1,546,790	-	-
Total gross carrying value	1,546,790	-	-
Impairment allowance	(95)	-	-

		December 31, 2022	
Securities	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	835,585	39,268	-
Medium credit risk level	10,027	4,922	-
High credit risk level	1,729	-	1,001
Total gross carrying value	847,341	44,190	1,001
Impairment allowance	(324)	(119)	(941)

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Securities		December 31, 2023	
	Stage 1	Stage 2	Stage 3
Low credit risk level	846,089	-	-
Medium credit risk level	7,172	2,559	-
High credit risk level	3,232	-	375
Total gross carrying value	856,493	2,559	375
Impairment allowance	(180)	(167)	(375)

Loans and receivables due from banks and other financial institutions		December 31, 2022	
	Stage 1	Stage 2	Stage 3
Low credit risk level	198,637	17	5,591
Medium credit risk level	73,657	-	296
High credit risk level	3,434	984	-
Total gross carrying value	275,728	1,001	5,887
Impairment allowance	(485)	(12)	(1,654)

Loans and receivables due from banks and other financial institutions		December 31, 2023	
	Stage 1	Stage 2	Stage 3 incl POCI
Low credit risk level	1,032,249	255	2,334
Medium credit risk level	30,604	74	-
High credit risk level	3,087	4,296	35
Total gross carrying value	1,065,940	4,625	2,369
Impairment allowance	(845)	(1,216)	(1,639)

Loans and receivables due from customers		December 31, 2022	
	Stage 1	Stage 2	Stage 3 incl POCI
Low credit risk level	1,695,893	175,766	5,692
Medium credit risk level	1,026,755	94,101	19,130
High credit risk level	276,060	154,568	47,436
Total gross carrying value	2,998,708	424,435	72,258
Impairment allowance	(24,308)	(19,996)	(18,962)

Loans and receivables due from customers		December 31, 2023	
	Stage 1	Stage 2	Stage 3 incl POCI
Low credit risk level	2,251,323	257,677	24,858
Medium credit risk level	1,849,871	265,123	15,466
High credit risk level	76,081	266,029	132,988
Total gross carrying value	4,177,275	788,829	173,312
Impairment allowance	(28,581)	(36,766)	(51,762)

Other assets		December 31, 2022	
	Stage 1	Stage 2	Stage 3 incl POCI
Low credit risk level	37,997	13	12
Medium credit risk level	5,965	75	38
High credit risk level	942	147	1,134
Total gross carrying value	44,904	235	1,184
Impairment allowance	(347)	(5)	(939)

Other assets		December 31, 2023	
	Stage 1	Stage 2	Stage 3 incl POCI
Low credit risk level	17,031	277	83
Medium credit risk level	1,257	85	31
High credit risk level	731	91	1,954
Total gross carrying value	19,019	453	2,068
Impairment allowance	(414)	(26)	(1,797)

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Off-balance sheet items	December 31, 2022 Stage 1	Stage 2	Stage 3 incl POCI
Low credit risk level	585,945	25,293	1,093
Medium credit risk level	326,400	9,997	531
High credit risk level	13,424	6,429	1,508
Total gross carrying value	925,769	41,719	3,132
Impairment allowance	(2,554)	(852)	(877)

Off-balance sheet items	December 31, 2023 Stage 1	Stage 2	Stage 3 incl POCI
Low credit risk level	809,649	32,719	1,077
Medium credit risk level	493,108	40,741	39
High credit risk level	6,754	26,472	7,269
Total gross carrying value	1,309,511	99,932	8,385
Impairment allowance	(2,616)	(818)	(2,417)

Loans with renegotiated initially agreed terms

Loans with renegotiated initially agreed terms are loans rescheduled and/or restructured due to the borrowers' deteriorating financial situation or difficulties in servicing liabilities as these falls due.

Restructuring loan agreements stipulate terms significantly different from those originally defined and agreed and all the previous receivables (or their major portion) due from the borrower are replaced by a new loan. Significantly different terms are deemed to be particularly the following: extension of repayment due date for principal and interest, reduction of interest rate or amount receivable, change in valuation manner and other changes facilitating the borrower's position.

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

Upon loan restructuring, the Group performs financial analysis of the borrowers, and if it estimates that, after restructuring, the borrower will realize cash flows sufficient for principal and interest repayment, the Group decides on loan restructuring.

	Restructured		Rescheduled	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Corporate	116,711	132,095	2,086	48
Retail	44,964	44,856	51	92
Total	**161,675**	**176,951**	2,137	140

Concentration risk

The Group manages concentration risk by establishing a system of limits to the exposures with the same or similar risk factors (industry sectors/activities, product types, geographic regions, single borrowing entities or groups of related entities, collaterals etc.) on credit institutions and Group level.

Loans and receivables due from customers, banks and other financial institutions per industry sector, net of allowances:

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Concentration risk (Continued)

	December 31, 2023	December 31, 2022
Finance and insurance sector	776,071	266,877
Public companies	279,392	226,458
Corporate customers	2,616,276	1,736,197
Entrepreneurs	91,687	79,413
Public sector	42,581	16,943
Retail customers	1,662,323	994,870
Non-residents	609,129	382,767
Private households with employed members and registered agricultural producers	5,006	3,783
Other customers	9,076	5,292
Total	**6,091,541**	**3,712,600**

Loans and receivables due from customers, banks and other financial institutions per geographic area:

	Serbia	Europe	Other	December 31, 2023 Total
Loans and receivables from banks and other financial institutions	645,521	400,164	23,549	1,069,234
Loans and receivables from customers	3,400,939	1,584,334	37,034	5,022,307
TOTAL LOANS AND RECEIVABLES	**4,046,460**	**1,984,498**	**60,583**	**6,091,541**

	Serbia	Europe	Other	December 31, 2022 Total
Loans and receivables from banks and other financial institutions	123,700	143,396	13,369	280,465
Loans and receivables from customers	1,915,234	1,503,307	13,594	3,432,135
TOTAL LOANS AND RECEIVABLES	**2,038,934**	**1,646,703**	**26,963**	**3,712,600**

Loans and receivables due from customers per industry sector:

	December 31, 2023			December 31, 2022		
Industry sector	**Gross carrying value**	**%**	**Impairment allowance**	**Gross carrying value**	**%**	**Impairment allowance**
Manufacturing	760,330	14.79%	16,957	546,594	15.64%	9,496
Wholesale and retail trade, repair of motor vehicles and motorcycles	673,380	13.10%	9,596	437,374	12.51%	7,532
Real estate activities	420,893	8.19%	7,226	336,876	9.64%	5,397
Construction	336,918	6.56%	8,089	228,968	6.55%	2,558
Information and communication	231,863	4.51%	3,720	114,833	3.29%	1,479
Electricity, gas, steam and air conditioning supply	210,048	4.09%	3,095	185,187	5.30%	3,198
Transportation and storage	183,489	3.57%	3,772	142,095	4.07%	4,241
Accommodation and food service activities	123,659	2.41%	2,236	135,446	3.87%	7,548
Mining and quarrying	76,862	1.50%	585	41,312	1.18%	110
Professional, scientific and technical activities	70,709	1.38%	2,066	72,719	2.08%	846
Other service activities	58,498	1.14%	755	3,133	0.09%	31
Administrative and support service activities	47,232	0.92%	1,206	56,970	1.63%	1,634
Agriculture, forestry and fishing	43,113	0.84%	1,204	45,082	1.29%	629
Public administration and defense, compulsory social security	39,090	0.76%	189	15,547	0.44%	48
Financial and insurance activities	25,631	0.50%	477	14,171	0.41%	129
Arts, entertainment and recreation	21,601	0.42%	1,032	19,983	0.57%	975
Water supply, sewerage, waste management and remediation activities	19,893	0.39%	270	15,441	0.44%	250
Human health and social work activities	9,325	0.18%	169	10,295	0.29%	177
Education	6,431	0.13%	86	6,938	0.20%	49
Retail	1,780,451	34.64%	54,379	1,066,437	30.51%	16,939
Total	**5,139,416**	**100%**	**117,109**	**3,495,401**	**100%**	**63,266**

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Credit risk hedges (Collaterals)

For the purpose of protection against credit risk, in addition to regular monitoring of the customer business operations, the Group most commonly obtains security instruments (collaterals) to secure the collection of receivables and minimize credit risk.

As a standard type of loan security instrument, the Group receives from clients contractual authorizations for account withdrawals and bills of exchange, whereas, depending on the credit risk assessment and loan type, additional collaterals agreed upon include the following: mortgages assigned over property; pledge liens assigned over movable assets; partial or full loan coverage with deposits; obtaining guarantees from another bank or a legal entity; adequate securities; arranging co-surety or debt adherence whereby another legal entity becomes a co-debtor; and other.

In the event that the Group arranges for mortgage or pledge lien, assigned over property or movable assets, the Group always demands an appraisal performed by a certified independent appraiser in order to minimize potential risks.

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

The values of collaterals and guarantees received in order to mitigate credit risk exposure inherent in the loans approved to customers as of December 31, 2023 and 2022 are provided in the table below:

				December 31, 2023	
	Mortgages	**Guarantees**	**Deposits**	**Other**	**Total**
Corporate loans	2,208,582	65,507	178,184	625,843	3,078,116
Loan to entrepreneurs	32,425	577	2,513	52,724	88,239
Total corporate	***2,241,007***	***66,084***	***180,697***	***678,567***	***3,166,355***
Cash loans	23,356	-	4,885	316,313	344,554
Credit cards	-	-	2,457	-	2,457
Current account overdrafts	-	-	-	-	-
Housing loans	952,508	-	1,754	63,232	1,017,494
Agricultural loans	2,193	-	107	15	2,315
Other	3,953	-	805	6	4,764
Total retail	*982,010*	***-***	***10,008***	***379,566***	***1,371,584***
Total	**3,223,017**	**66,084**	**190,705**	**1,058,133**	**4,537,939**

				December 31, 2022	
	Mortgages	**Guarantees**	**Deposits**	**Other**	**Total**
Corporate loans	1,654,721	88,102	137,038	502,022	2,381,883
Loan to entrepreneurs	20,256	3,388	1,253	41,829	66,726
Total corporate	***1,674,977***	***91,490***	***138,291***	***543,851***	***2,448,609***
Cash loans	14,202	-	4,664	283,607	302,473
Credit cards	-	-	2,492	-	2,492
Current account overdrafts	-	-	34	-	34
Housing loans	464,360	-	17,858	58,437	540,655
Agricultural loans	2,981	-	203	-	3,184
Other	1,185	-	304	-	1,489
Total retail	482,728	***-***	***25,555***	***342,044***	***850,327***
Total	**2,157,705**	**91,490**	**163,846**	**885,895**	**3,298,936**

Other collaterals include pledge liens assigned over goods, receivables, equipment, shares and precious metals.

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

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Credit risk hedges (Collaterals) (Continued)

Breakdown of housing loans per LTV ratio spread

	December 31, 2023	December 31, 2022
<50%	233,234	110,120
51% - 70%	154,878	111,043
71% - 100%	156,594	82,449
100% - 150%	17,544	8,202
>150%	12,694	9,683
Other	26,008	72,962
Total	**600,952**	**394,459**
Average LTV ratio	56.58%	52.40%

Assets acquired in lieu of debt collection

Assets representing security instruments (collaterals) acquired by the Group in the process of debt collection are provided in the table below:

	December 31, 2023	December 31, 2022
Business premises (Note 30)	14,433	6,777
Equipment (Note 30)	707	406
Total	**15,140**	**7,183**

4.2. Liquidity risk

Liquidity risk management objective is managing of assets and liabilities in each subsidiary in a way that enables fulfilment of all obligations at any time in order to eliminate the possibility of negative effects on the financial result and capital taking into the consideration the specific business activities, strategic goals and organizational structure of the Group. Liquidity risk measurement is performed through the calculation and monitoring of liquidity ratios which have to meet internally and regulatory defined limits. In order to protect itself against liquidity risk and for its measurement, the Group performs GAP analysis and stress testing.

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

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. Within liquidity risk measures, Group monitors regulatory LCR (Liquidity coverage ratio) and NSFR (Net stable funding ratio). LCR and NSFR were within regulatory prescribed limits during 2023 within the Group. At the begging of 2023, monitoring and daily calculation of LCR and NSFR ratios have been introduced.

As of 31st of December 2023	Liquidity coverage ratio (LCR)
Group level	**386%**
Regulatory limit	100%

As of 31st of December 2023	Net Stable Funding Ratio (NSFR)
NSFR on consolidated level	**155%**
Regulatory limit	100%

In the process of liquidity risk management, the Group is using Gap analysis. Differences in gaps (modelled and maturity) are coming from different perspective, contractual and modelled gap.

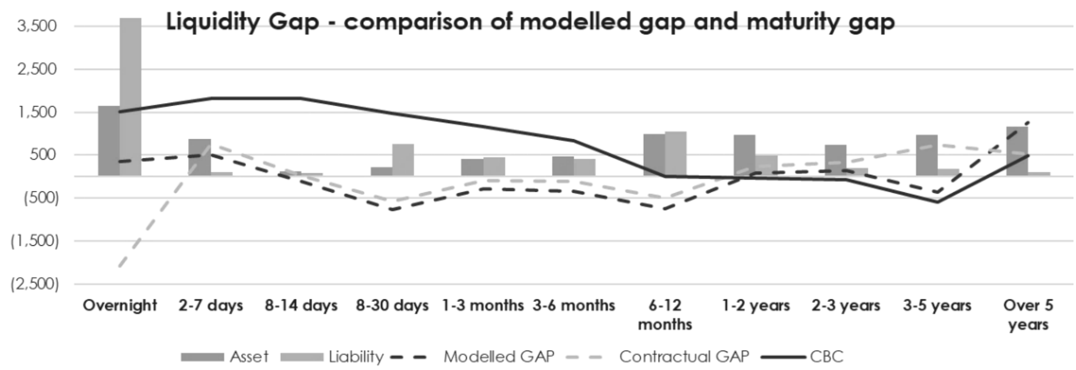
4. RISK MANAGEMENT (Continued)

4.2. Liquidity risk (Continued)

Modelled position within the Gap, are the following:

- mandatory reserve, based on modelled deposit outflow
- sight deposits outflow is based on new Monte Carlo simulation for calculation of VaR for the liquidity risk
- term deposits withdrawal based on historical data
- OFF B/S (committed and uncommitted lines) min volume on the level of 2Y historical average usage

Presented results of Group Liquidity Gap as of 31.12.2023 are under unified implemented Group approach, developed by Group ALM (all amounts in mEUR):



Results shows adequate liquidity position (CBC) within next 12 month under modelled liquidity gap.

The Group also prepares additional monitoring metrics regulatory reports for liquidity risk on consolidated level a monthly basis which include the required reports listed below:

- Maturity ladder time bucket
- Concentration of funding by counterparty
- Concentration of funding by product type
- Prices for various lengths of funding
- Roll-over of funding
- Concentration of counterbalancing capacity by issuer/counterparty

In addition to managing liquidity in regular business conditions, the Group also monitors the exposure to liquidity risk in stress circumstances (liquidity crisis). The main objective of liquidity stress test is to create counterbalancing capacity, which consist of liquidity buffer (the most liquid and high-quality assets available immediately to cover stressed situation outflows during one month survival period) and other unencumbered high liquid assets that can be used outright for covering outflows when stress conditions remain in place longer than foreseen by the liquidity buffer survival period.

Liquidity risk in stress situations is monitored and controlled through a liquidity contingency plan. The Liquidity Contingency Plan clearly sets out the detailed information on liquidity contingency measures, including an assessment of the potential contingent liquidity that can be generated during times of stress, the time the measures would take to execute and likelihood and prioritisation of completion of the measures under stressed conditions. Within the Local Framework on Liquidity Contingency Plan, each credit institution subsidiary has to define the measures which would be taken (in addition to the defined obligatory activities) to improve its liquidity situation and to ensure that all financial obligations could be met.

The breakdown of maturity structure of monetary assets and monetary liabilities as of December 31, 2023 and 2022 is provided in the following tables. The monetary items are grouped as per the outstanding maturity. The Group applied a rather conservative assumption on the transaction deposits and demand deposits, which, accordingly, were allocated to the time bucket of up to 1-month maturity. In addition, it should be noted that the new entity that was acquired in Q4 2023 affected the breakdown of maturity structure of monetary assets and monetary liabilities in 2023 compared to 2022, however as shown in the Liquidity GAP above, this change did not have negative effect on the overall liquidity structure of the Group.

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.2. Liquidity risk (Continued)

							December 31, 2023
	Up to 1 month	**From 1 - 3 months**	**From 3 - 6 months**	**From 6 -12 months**	**From 1 - 5 years**	**Over 5 years**	**Total**
Cash and cash funds held with the central bank	1,274,412	29,516	30,460	75,477	78,429	58,401	1,546,695
Receivables under derivatives	496	480	-	-	88	2,081	3,145
Securities	48,943	19,057	27,308	85,647	475,472	202,278	858,705
Loans and receivables due from banks and other financial institutions	1,012,495	3,720	4,763	8,244	34,230	5,782	1,069,234
Loans and receivables due from customers	324,055	342,550	463,169	828,842	2,255,893	807,798	5,022,307
Other assets	7,240	1,367	-	-	6,661	4,035	19,303
TOTAL ASSETS	**2,667,641**	**396,690**	**525,700**	**998,210**	**2,850,773**	**1,080,375**	**8,519,389**
Liabilities under derivative financial instruments	184	-	-	-	85	2,067	2,336
Deposits and other liabilities due to banks, other financial institutions and the central bank	100,452	100,792	75,465	136,322	353,472	81,832	848,335
Deposits and other liabilities due to customers	3,573,959	548,438	418,328	1,049,265	691,710	273,330	6,555,030
Liabilities under securities	-	-	-	-	72,326	-	72,326
Other liabilities	78,574	6,300	3,319	2,059	6,626	169	97,047
TOTAL LIABILITIES	**3,753,169**	**655,530**	**497,112**	**1,187,646**	**1,124,219**	**357,398**	**7,575,074**
Net liquidity GAP as at December 31, 2023	**(1,085,528)**	**(258,840)**	**28,588**	**(189,436)**	**1,726,554**	**722,977**	**944,315**
Cumulative liquidity GAP as at December 31, 2023	**(1,085,528)**	**(1,344,368)**	**(1,315,780)**	**(1,505,216)**	**221,338**	**944,315**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023
All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.2. Liquidity risk (Continued)

							December 31, 2022
	Up to 1 month	**From 1 - 3 months**	**From 3 - 6 months**	**From 6 -12 months**	**From 1 - 5 years**	**Over 5 years**	**Total**
Cash and cash funds held with the central bank	927,539	-	-	-	-	-	927,539
Receivables under derivatives	113	32	-	-	-	-	145
Securities	96,738	40,463	2,594	74,889	391,833	284,631	891,148
Loans and receivables due from banks and other financial institutions	223,753	6,889	4,375	20,446	15,377	9,625	280,465
Loans and receivables due from customers	194,869	214,441	348,266	509,763	1,562,456	602,340	3,432,135
Other assets	31,342	551	566	3	988	11,582	45,032
TOTAL ASSETS	**1,474,354**	**262,376**	**355,801**	**605,101**	**1,970,654**	**908,178**	**5,576,464**
Liabilities under derivative financial instruments	67	-	-	-	-	-	67
Deposits and other liabilities due to banks, other financial institutions and the central bank	124,791	16,321	12,632	19,124	56,427	23,435	252,730
Deposits and other liabilities due to customers	3,109,051	280,365	213,470	368,362	457,250	9,176	4,437,674
Other liabilities	36,254	3,191	1,995	888	7,796	146	50,270
TOTAL LIABILITIES	**3,270,163**	**299,877**	**228,097**	**388,374**	**521,473**	**32,757**	**4,740,741**
Net liquidity GAP as at December 31, 2022	**(1,795,809)**	**(37,501)**	**127,704**	**216,727**	**1,449,181**	**875,421**	**835,723**
Cumulative liquidity GAP as at December 31, 2022	**(1,795,809)**	**(1,833,310)**	**(1,705,606)**	**(1,488,879)**	**(39,698)**	**835,723**	**-**

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.3. Market risk

Market risk represents the possibility of occurrence of negative effects on the financial result and equity due to changes in values of balance sheet and off-balance sheet items due to the movements in market prices. Market risks include foreign exchange risks for all banking operations, position risk per items in the trading book and commodity risk. In the broader sense, market risk also includes the risk of changes in interest rates within the banking book.

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

During 2023 the Group was exposed to the foreign exchange risk and position risk in equities per items in the trading book, while there was not any exposure relating to commodity risk. Acquiring of new entity as of 2nd November 2023, the Group became exposed to position risk in traded debt securities (interest rate swaps).

4.3.1. Foreign exchange risk

Foreign exchange risk represents the possibility of negative effects on the Group's financial result and equity due to fluctuations in exchange rates. All the Group's items denominated in a foreign currency different from reporting currency and gold, including reporting currency items indexed to foreign currency clause are exposed to the foreign exchange risk.

The process of foreign exchange risk management entails identifying, measuring, minimizing, monitoring, control and foreign exchange risk reporting. The Group identifies its exposure to the foreign exchange risk by means of open positions in certain currency and for all currencies it operates with in the aggregate. Every credit institution subsidiary of the Group monitors and manages FX risk on a daily basis through calculation of the foreign currency positions including local currency positions which are indexed to foreign currency (there are positions in RSD currency in AIK and Eurobank Direktna indexed to a foreign currency clause) in all individual currencies.

The Group also calculates total net FX position in order to monitor and control FX risk exposure of the whole Group which cannot exceed internal limit defined in Risk Appetite Statement (RAS). Limit per each currency on credit institution subsidiary level are defined in Group Policy on Market Risk Management and they are monitored on a daily basis by local risk controlling unit and Group Risk Controlling and Monitoring Unit. The Group has no positions in gold.

The Group calculates minimum capital requirement for FX risk as a sum of individual capital requirements for this risk of all members if sum of total net open FX position exceeds 2% of Group's own funds. Capital requirement for FX risk of every Group subsidiary is calculated as defined in Capital Requirements Regulations (CRR).

FX risk ratios as of 31.12.2023 and 31.12.2022 are presented in the below table:

	2023	2022
As of December 31	4.14%	1.67%
Internal limit	<15%	<10%

As of 31.12.2023, the sum of overall net FX position is 4.14% of Group's total own funds which is above 2%, therefore Group calculated own funds requirement for FX risk.

The Group performs regular stress testing of foreign exchange risk in order to estimate the impact of extraordinary circumstances and stress events on the financial result, equity and foreign exchange risk ratio.

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.3. Market risk (Continued)

4.3.1. Foreign exchange risk (Continued)

The table below illustrates the Group's foreign exchange risk exposure per currency as at December 31, 2023:

						December 31, 2023
	RSD	EUR	USD	CHF	Other currencies	Total
Cash and cash funds held with the central bank	756,466	771,694	5,155	11,589	1,791	1,546,695
Receivables under derivatives	977	2,168	-	-	-	3,145
Securities	387,389	470,378	817	-	121	858,705
Loans and receivables due from banks and other financial institutions	610,416	340,048	53,542	53,679	11,549	1,069,234
Loans and receivables due from customers	1,120,449	3,892,599	4,308	4,951	-	5,022,307
Other assets	10,214	9,020	69	-	-	19,303
TOTAL ASSETS	**2,885,911**	**5,485,907**	**63,891**	**70,219**	**13,461**	**8,519,389**
Deposits and other liabilities due to banks, other financial institutions and the central bank	201,756	636,388	5,897	1,494	2,800	848,335
Deposits and other liabilities due to customers	1,922,424	4,417,649	86,446	117,006	11,505	6,555,030
Provisions	12,962	6,183	2	-	4	19,151
Other liabilities	37,205	58,727	842	72	201	97,047
TOTAL LIABILITIES	**2,174,347**	**5,118,947**	**93,187**	**118,572**	**14,510**	**7,519,563**

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.3. Market risk (Continued)

4.3.1. Foreign exchange risk (Continued)

The table below illustrates the Group's foreign exchange risk exposure per currency as at December 31, 2022:

						December 31, 2022
	RSD	**EUR**	**USD**	**CHF**	**Other currencies**	**Total**
Cash and cash funds held with the central bank	403,088	512,967	4,336	6,251	897	927,539
Receivables under derivatives	-	145	-	-	-	145
Securities	434,904	455,963	192	-	89	891,148
Loans and receivables due from banks and other financial institutions	90,522	136,200	24,192	19,207	10,344	280,465
Loans and receivables due from customers	716,546	2,706,904	7,356	1,335	-	3,432,141
Other assets	26,681	18,076	75	2	198	45,032
TOTAL ASSETS	**1,671,741**	**3,830,225**	**36,151**	**26,795**	**11,528**	**5,576,470**
Deposits and other liabilities due to banks, other financial institutions and the central bank	51,697	194,138	5,428	774	693	252,730
Deposits and other liabilities due to customers	1,009,878	3,250,181	89,643	77,968	10,004	4,437,674
Provisions	10,805	4,979	12	-	-	15,796
Other liabilities	16,219	32,794	728	16	512	50,269
TOTAL LIABILITIES	**1,088,599**	**3,482,092**	**95,811**	**78,758**	**11,209**	**4,756,469**

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.3. Market risk (Continued)

4.3.2. Interest rate risk

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

Interest rate risk management involves a trade-off between maximizing the economic value of the interest rate position, optimizing yield / risk ratio and realizing the desired earnings. Generally, there are two approaches in analysing Interest Rate Risk:

- Earnings perspective (or income effect) with main focus on the impact of interest rate changes on near-term earnings, and thus this approach is rather short term, typically up to 1 year.
- The net present value perspective (or economic value perspective) is designated to capture the potential impact of interest rate changes on the net present value of all future cash flows of the bank.

The process of interest rate risk management consists of identification, measurement, minimizing, monitoring, control and interest rate risk reporting. The interest rate risk arising from the banking book activities is monitored by computing the interest rate gaps and calculating the impact of changes in market interest rates on EVE and NII. The Group identifies, measures and manages interest rate risk on a quarterly basis per all significant currencies in the banking book.

Interest rate risk management is based on the system of interest rate risk limits on Group level and its members. As of December 31, 2023, the Group complied with the regulatory and internal EVE and NII prescribed limits (for Economic value of equity and Net interest income). Internally defined EVE limits are set at more conservative level compared to regulatory EVE limits.

	Internal Limits	**December 31, 2023**
The impact on EVE of a sudden parallel +/- 200 bp shift of the yield curve	Max 15% of Own funds	-0.77%
The impact of EVE, the worst of six prescribed scenarios	Max 14% of Tier 1	-4.92%
Impact of + 100bp change in interest rates on NII over 1Y	*<5% of own funds*	-1.96%

Interest rate risk exposure is considered based on the report on interest rate GAP in monetary assets and liabilities. Exposure towards interest rate risk in banking book is at acceptable level and within defined limits. Interest rate GAP is provided in the following tables:

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4. RISK MANAGEMENT (Continued)

4.3. Market risk (Continued)

4.3.2. Interest rate risk (Continued)

									December 31, 2023
	Up to 1 Month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total interest-bearing	Non-interest bearing	Total
Cash and cash funds held with the central bank	1,067,426	37,638	42,643	99,826	87,242	839	1,335,614	211,081	1,546,695
Receivables under derivatives	-	-	-	-	-	-	-	3,145	3,145
Securities	42,794	7,559	24,892	83,402	471,454	199,798	829,899	28,806	858,705
Loans and receivables due from banks and other financial institutions	1,011,164	25,023	7,872	5,743	2,509	3,838	1,056,149	13,085	1,069,234
Loans and receivables due from customers	1,800,991	1,356,297	378,716	406,666	774,327	295,168	5,012,165	10,142	5,022,307
Other assets	-	-	-	-	-	-	-	19,303	19,303
TOTAL ASSETS	**3,922,375**	**1,426,517**	**454,123**	**595,637**	**1,335,532**	**499,643**	**8,233,827**	**285,562**	**8,519,389**
Liabilities under derivatives	-	-	-	-	-	-	-	2,336	2,336
Deposits and other liabilities due to banks, other financial institutions and the central bank	347,895	177,175	87,837	109,003	40,526	80,694	843,130	5,205	848,335
Deposits and other liabilities due to customers	3,462,169	736,779	468,911	1,127,114	723,005	9,446	6,527,424	27,606	6,555,030
Liabilities under securities	-	-	-	-	72,326	-	72,326	-	72,326
Other liabilities	-	-	-	31	430	-	461	96,586	97,047
TOTAL LIABILITIES	**3,810,064**	**913,954**	**556,748**	**1,236,148**	**836,287**	**90,140**	**7,443,341**	**131,733**	**7,575,074**
Net interest rate GAP as at December 31, 2023	**112,311**	**512,563**	**(102,625)**	**(640,511)**	**499,245**	**409,503**	**790,486**	**153,829**	**944,315**
Cumulative interest rate GAP as at December 31, 2023	**112,311**	**624,874**	**522,249**	**(118,262)**	**380,983**	**790,486**			

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4. RISK MANAGEMENT (Continued)

4.3. Market risk (Continued)

4.3.2. Interest rate risk (Continued)

December 31, 2022

	Up to 1 Month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total interest-bearing	Non-interest bearing	Total
Cash and cash funds held with the central bank	614,637	-	-	-	-	-	614,637	312,902	927,539
Receivables under derivatives	-	-	-	-	-	-	-	145	145
Securities	75,195	73,533	-	72,414	352,568	278,265	851,975	39,173	891,148
Loans and receivables due from banks and other financial institutions	224,088	30,805	7,376	386	4,583	7,693	274,931	5,534	280,465
Loans and receivables due from customers	516,500	546,238	631,305	268,248	840,244	620,858	3,423,393	8,742	3,432,135
Other assets	-	-	-	-	-	-	-	45,032	45,032
TOTAL ASSETS	**1,430,420**	**650,576**	**638,681**	**341,048**	**1,197,395**	**906,816**	**5,164,936**	**411,528**	**5,576,464**
Liabilities under derivatives	-	-	-	-	-	-	-	67	67
Deposits and other liabilities due to banks, other financial institutions and the central bank	119,119	4,451	17,158	37,076	52,298	21,676	251,778	952	252,730
Deposits and other liabilities due to customers	2,919,621	321,502	159,518	450,293	532,766	42,177	4,425,877	11,797	4,437,674
Other liabilities	-	-	-	-	565	-	565	49,705	50,270
TOTAL LIABILITIES	**3,038,740**	**325,953**	**176,676**	**487,369**	**585,629**	**63,853**	**4,678,220**	**62,521**	**4,740,741**
Net interest rate GAP as at December 31, 2022	**(1,608,320)**	**324,623**	**462,005**	**(146,321)**	**611,766**	**842,963**	**486,716**	**349,007**	**835,723**
Cumulative interest rate GAP as at December 31, 2022	**(1,608,320)**	**(1,283,697)**	**(821,692)**	**(968,013)**	**(356,247)**	**486,716**			

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4. RISK MANAGEMENT (Continued)

4.3. Market risk (Continued)

4.3.2. Interest rate risk (Continued)

The Group implemented the new regulatory requirements prescribed in EBA/GL/2022/14, EBA/RTS/2022/10 and EBA/RTS/2022/09 in the Group Framework on Interest rate Risk in Banking Book and Group Methodology on Interest Rate Risk in Banking Book. The Group is 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, prepaying loans or other instruments with future cash flows subject to customer behaviours, according to general/behavioural 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. For certain interest rate sensitive items, the contractual maturity is undetermined, therefore the Group classifies them into interest rate gaps according to the historical data and the characteristics of the markets in which credit institution operates. Sight deposits are classified in accordance with the Group rules for modelling of sight 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. Embedded options have been implemented into IRR Gap report, meaning that early prepayment rate has been applied at loans with fixed interest rate while at term deposits has been applied early repayment rate.

One of the elements of interest rate risk management entails considering interest rate risk exposure in stress circumstances. The Group performs stress tests in order to identify and measure interest rate risk in extraordinary circumstances, by analysing possible impact on the financial result and equity. Stress tests consist of several different interest rate shock scenarios for measuring net interest income and economic value of equity on consolidated level, considering different shock sizes for significant currencies EUR and RSD. Results of the conducted stress tests are considered against the internally set limits.

NII (Net interest income)

Key risk indicator	**IRR NII result**
+/-100bp change in interest rates on NII over 1Y (mEUR)	20.2
Own funds as of 31.12.2023 mEUR	1.030
% of own funds	-1.96%

EVE (Economic Value of Equity)

Scenarios		**mEUR**	**% of Reg. Cap.**	**Regulatory limit**
Worst outcome of the two interest rate shock scenarios (parallel shock up and a parallel down)	Parallel shock up +200bp	-5,18	-0,50%	
	Parallel down -200bp	-7,90	-0,77%	
Outcome of the supervisory outlier test (according to draft EBA/RTS/2022/10)	Parallel shock up	-43,35	-4,49%	<15% of Tier 1
	Parallel down	3,37	0,35%	<15% of Tier 1
	Steepener shock	-47,50	-4,92%	<15% of Tier 1
	Flattener shock	37,10	3,84%	<15% of Tier 1
	Short rates shock up	-23,40	-2,42%	<15% of Tier 1
	Short rates shock down	4,18	0,43%	<15% of Tier 1

During the whole 2023, there were not any limit breaches, therefore the Group was in full compliance with all the set limits.

4. RISK MANAGEMENT (Continued)

4.3. Market risk (Continued)

4.3.3. Credit Spread Risk in Banking Book

Credit spread risk is the risk of reduction in value of securities held in banking book due to increase in the levels of market interest rates and required returns. The risk is driven by changes in the market perception about the price of credit risk, liquidity premium and potentially other components of credit-risky instruments inducing fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by IRRBB or by expected credit/(jump-to-) default risk.

CSRBB captures a combination of two elements:
- The changes of the “market credit spread” or “market price of credit risk” (distinct from the idiosyncratic credit spread) representing the credit risk premium required by market participants for a given credit quality; and
- The changes of the “market liquidity spread” representing the liquidity premium that sparks market appetite for investments and presence of willing buyers and sellers.

According the EBA/GL/2022/14, perimeter of instruments subject to credit spread volatility has been defined within the Group. After comprehensive analysis performed within the Group, instruments that are considered in CSRBB calculation are debt securities at FVtOCI and debt securities at amortized cost, on asset side. More details about CSRBB perimeter analysis can be found in Group Framework on Credit Spread Risk in Banking Book.

4.3.4. Equity Position Risk

Trading book portfolio of the Group, consist of equities with total market value in amount of EUR 8.34 million as of December 31, 2023. Recently acquired new entity, caused impact on market risk, due to its trading book portfolio structure, namely interest rate swaps (IRS).

Throughout the year, the Group's trading book was in compliance with the Group's internally defined limits.

Total own funds requirement for position risk as of 31.12.2023. is sum of risk exposure to traded debt instruments (IRS) and equities, both in trading book portfolio, in amount of EUR 1.33 million.

The Group performs regular stress testing of positions arising from trading book in order to estimate the impact of extraordinary circumstances and stress events on the financial result and equity.

4.4. Operational risk

Operational risk represents the possibility of negative effects on the Group’s financial result and equity due to employee errors (intentional or accidental), inadequate procedures and processes in the Group, inadequate management of information and other systems in the Group, as well as occurrence of unforeseen external events. Fraud risk is an integral part of operational risk as well as following subtypes: legal risk, ICT risk, model risk and outsourcing risk.

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

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

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

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

4. RISK MANAGEMENT (Continued)

4.4. Operational risk (Continued)

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

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

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 2023, it amounted to 54,022 thousand EUR.

4.5. Investment risks

The Group's investment risks include risks of the Group's investments in other legal entities and capital expenditures, where:

- where the Group's investment in a single non-FSI entity may not exceed 10% of its own assets (the Group's acquisition of shares or equity interest in non-FSI entity); and
- the sum of the total Group's investments in non-FSI entities and capital expenditures may not exceed 60% of the Group's equity; this restriction however does not apply to acquisition of shares for further sale within 6 months from the acquisition date.

The Group's exposure to the investment risk was within the prescribed limits throughout 2023.

4.6. Concentration/Exposure risk

Concentration risk is the risk that directly or indirectly arises from the Group's exposure to the same or similar source of risk, or the same or similar type of risk. Concentration risk monitoring is carried out at the level of individual receivables, i.e. debtors, as well as at the level of a group of related parties and/or clients at the level of the industry sector, geographical structure (country risk) and credit protection provider.

Concentration risk monitoring and control is performed at the level of each subsidiary and on Group level by setting limits and monitoring compliance with regulatory and internally prescribed limits.

Key risk indicators regarding concentration risk are included in Group Risk Appetite Statement. As of December 31, 2023 the Group's exposures to a single entity or a group of related entities were within the prescribed limits.

4.7. Country risk

Country risk relates to:

- the risk of the country of origin of the entity with which the Group has entered or is to enter into the business relationship; and
- risk of negative effects on the Group's financial result and equity due to inability to collect receivables from abroad and is caused by political, economic and social conditions in the borrower's country of origin.

Country risk includes the following risks:

- Political and economic risk (inability of the Group to collect receivables due to due to limitations prescribed by government regulations or due to other general and system circumstance in the given country);
- Transfer risk relates to the probability of losses due to the inability to collect receivables in a currency which is not the official currency in the borrower's country of origin, due to limitations to liability settlement toward creditors from other countries in specific currency that is predetermined by the official state regulations and bylaws of state and other bodies of the borrower's country of origin.

4. RISK MANAGEMENT (Continued)

4.7. Country risk (Continued)

Country risk is measured by determining the amount of the claim from the person to whom it is exposed, and whose country of origin is not the country of residence of the subsidiary, and by monitoring the utilization of the limit for each individual country. The country's risk is assessed when considering the limit for each individual country by looking at available country data (including country ratings), which may indicate an increased country risk.

The risk managers of each subsidiary at day-to-day level identify and measure exposure to country risk-utilization of limits.

The process of monitoring and controlling the country risk is defined as the monitoring of the limits and the adopted measures for the decrease or mitigation of the country risk.

The Group's exposure to the country risk was within the prescribed limits..

4.8. Climate related and environmental risk

The AEC Group is committed to the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement as a global plan for the transition to a low-carbon economy and achieving Net-zero target. According to the ECB, climate change and environmental degradation are sources of structural change that affect economic activity and, in turn, the financial system i.e., Bank's business.

Group ESG & Sustainability Management focuses on the integration of ESG factors in Risk Managements through its governance and risk framework. Group RAS include KRIs for Environmental and Climate related risk.
Climate-related and environmental risks are commonly understood to comprise two main risk drivers:

• 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, for example, damage to property or reduced productivity, or indirectly lead to subsequent events, such as the disruption of supply chains.

• Transition risk refers to an institution'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.

Physical and transition risks are drivers of existing risk, in particular credit risk, operational risk, market risk and liquidity risk, as well as non-Pillar 1 risks such as model risk, IRRBB risk, business (including profitability) risk, strategic risk, compliance/AML risk etc.

The Group identifies climate related and environmental risks as material risks that can have effects on the Group's result and capital via transmission channels, on traditional types of risks.

Materiality assessment

Materiality assessment comprehensively includes C&E risks in Group assessment of materiality, for all business areas in the short, medium and long term under various scenarios.

The first step in the process of materiality assessment is identification of risk drivers. 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.

In the process of the assessment of the physical risk drivers the Group considers all available data and publications from the relevant and credible institutions (e.g. institutions stated as third-party data provider). Materiality assessment consists of several different phases including:

4. RISK MANAGEMENT (Continued)

4.8. Climate related and environmental risk (Continued)

Materiality assessment (Continued)

1. Identification of risk drivers and transmission channels,
2. Gathering of the expert assessments,
3. Preparation of the portfolio analysis,
4. Implementation of the qualitative and quantitative methods of analysis, and
5. Interpretation of the results and conclusion on the materiality assessment.

To perform comprehensive materiality assessment and minimize the possibility of the occurrence of "pockets of risks", the Group has performed a multi-layer materiality assessment analysis. Several dimensions of the materiality assessment are considered:
1. Risk type,
2. Geography of exposure, and
3. Entity subject to prudential consolidation.

The materiality assessment report is prepared in line with regulatory requirements and recommendations. Regulatory requirements and recommendations are provided and disclosed in several different risk management frameworks. Significant ones, which are applicable to the Group's business are:
- Capital requirements regulation (hereinafter: CRR) & Capital requirements directive (hereinafter: CRD)
- ECB Guide on climate-related and environmental risks;
- ECB Good practices for climate-related and environmental risk management;
- Observations from the 2022 thematic review, November 2022;
- TCFD – Task force on climate related financial disclosures;
- ECB Guide to the internal capital adequacy assessment process (ICAAP); and
- Other relevant regulations

The materiality assessment is performed for AIK and Gorenjska bank, while for Eurobank Direktna is planned to be performed in H1 2024. The materiality assessment is concentrated on the geographies of each individual bank subsidiary (GB – Slovenia and AIK – Serbia) as well as geographies where Group has material exposure (e.g. Croatia, Switzerland, Montenegro etc.).

Transmission channels are examined and assessed per each type of risk, split by climate transition risk, climate physical risk and environmental risk. Transmission channels should be based on authoritative sources (NGFS, ECB guides, MNB guide, Blackrock's study for EU etc.).

After all steps of the materiality assessment process are performed, a Heat map which identifies the sectors most exposed to C&E risks is created The result of risk materiality assessment process is a Risk Materiality Assessment report that contains list of all identified risk types with assigned responsible unit and way of consideration under ICAAP/ILAAP, a materiality assessment of each identify risk with details related to risk assessment criteria i.e., indicators that is used for materiality assessment, indicators values on reference date, defined thresholds, and assessments whether the risk is material or not.

The C&E KRIs inclusion in the RAS

Integration of C&E risks into internal acts, the Risk Appetite for the short, medium, and long term by using (stress) scenario analyses and incorporate the C&E risks into the Risk Inventory and Risk Appetite Framework (RAF):
- Review of the existing Materiality Assessment and Portfolio Screening to identify any new factors which may affect the Group
- Identification of Physical Risk
- Identification of Transition Risk

In the process of deciding on the final KRI materiality score, the scoring scale calibration rules are complemented with other criteria. A non-exhaustive list is presented below:
- Nature of the KPI/KRI;
- Plans to which Group is already committed;
- Ability to mitigate C&E risks impacts; and
- Rationale behind internal limit thresholds.

4. RISK MANAGEMENT (Continued)

4.8. Climate related and environmental risk (Continued)

The C&E KRIs inclusion in the RAS *(Continued)*

If the final materiality score is marked as medium-high or high, the impact of C&E risks on the Group operations and financial risks is considered to be significant (material) and follow-up actions should be initiated. Setting interim targets for mid-term C&E risk indicators is crucial for effectively steering the Group towards its long-term sustainability objectives and effectively steering climate change efforts.

The Green financing ratio in the set of KPIs for banks is internally set ratio according to the internal definition aligned with Grean Loan Principles (GLP) published by Loan Market Association (LMA). It represents the proportion of a portfolio that's directed towards environmentally sustainable or green projects. Green finance ratio provides a clear, quantifiable metric that the Group can report to stakeholders. Transparent reporting can build trust and might become a requirement as ESG (Environmental, Social, and Governance) criteria become standardized in financial reporting.

The initial set of KRIs stated below are adopted as a result of the performed Materiality assessment in accordance with the Group Methodology on materiality assessment for physical and transitional risk.

Exposure to electricity, gas, steam, and air conditioning supply (NACE code 35)- this KRI is relevant in the context of managing climate change and environmental risks. The production and consumption of energy, particularly from non-renewable sources, is one of the largest contributors to greenhouse gas (GHG) emissions worldwide. By understanding the exposure to these specific energy sectors, stakeholders can better grasp the potential carbon footprint and environmental impacts.

Exposure toward sectors with highest CO2 emission: By quantifying exposure to high-emission sectors, this ratio provides a direct metric for assessing the carbon intensity of an entity's operations or investments. It allows for more targeted and effective risk management strategies in reduction and mitigate GHG emissions of managing portfolio. Changes in financed CO2 emissions over time at the level of asset classes, NACE code exposures and individual clients - introduction of financed GHG emission KRIs in Group’s (subsidiaries’) monitoring systems is a response to the growing recognition of the financial sector's role in addressing climate change. This move aligns with broader global efforts to transition to a low carbon economy and manage climate-related risk. These new KRIs are based on the yearly comparison of financed GHG emission at the different levels of aggregation: asset class (as per PCAF methodology), NACE code or client level.

4.9. Capital management

The Group has established a risk management system in accordance with the volume and structure of its business activities and the capital management is aimed at unhindered achievement of the Group’s business strategy goals. The Group defines its business strategy goals and periods for their realization in its Business Policies and Business Strategy with a three-year strategic plan.

The calculation of the amount of capital and capital adequacy ratio is reconciled with the Basel III Standards.

The Group manages capital on an ongoing basis in order to:

- Comply with the minimum regulatory capital adequacy ratios in accordance with CRR;
- Maintain customer trust in the safety and stability of the Group’s operations;
- Achieve business and financial plans that can support the expected increase in placements, future sources of funds and their usage; and
- Implement a dividend policy.

The Group’s strategic goal is to maintain the capital adequacy ratios at the level above the prescribed minimum (4.5% for the common equity Tier 1 capital adequacy ratio (CET1 ratio), 6% for the Tier 1 capital adequacy ratio (T1 ratio) and 8% for the total capital adequacy ratio (CAR) and not below the level that allows coverage of the requirement for the combined capital buffer in accordance with CRR regulation.

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.9. Capital management (Continued)

As of December 31, 2023, the Group calculated CET1, T1 and CAR in accordance with the effective CRR regulation.

4.10. Capital Adequacy Ratios

	December 31, 2023 ADJ*	December 31, 2023	December 31, 2022
Common equity Tier 1 capital – CET 1	**1,027,314**	965,403	736,346
Total capital	**1,092,055**	**1,030,144**	**736,346**
Risk weighted exposure amount for credit risk	5,173,835	5,173,835	3,521,879
Risk exposure amount for market risk	59,202	59,202	42,833
Risk exposure amount for operational risk	675,280	675,280	406,667
Risk exposure amount for credit valuation adjustment risk	7,803	7,803	1,266
Total risk exposure amount	**5,916,120**	**5,916,120**	**3,972,645**
CET 1 adequacy ratio (minimum 4.5%)	17.36%	16.32%	18.54%
Tier 1 adequacy ratio (minimum 6%)	17.36%	16.32%	18.54%
Total capital adequacy ratio – CAR (minimum 8%)	**18.46%**	**17.41%**	**18.54%**

ADJ - in this calculation of CET 1 are included post balance sheet events regarding the distribution of profit/retained earnings of subsidiaries in line with CRR requirements.*

The amount and structure of the Group's capital must at all times enable coverage of the minimum capital requirements and capital requirements regarding the risks the Group is exposed to in its operations and in full compliance with the Risk Management Strategy and policies.

In the course of 2023 the Group's capital adequacy ratio was well in excess of the prescribed regulatory limit of 8%. In the following period, based on „Decision establishing prudential requirement" issued by ECB, Agri Europe Cyprus Limited Group shall at all times meet on a consolidated basis Overall Capital Requirement (OCR, consisting of Total SREP capital requirements (TSCR) and capital buffers) including Pillar 2 capital guidance (P2G) at the level of level is 15.50%, and including Countercyclical Capital Buffer currently valid, OCR+P2G is at the level of 15.66%.

The overall objective of the Group's capital management is that at any moment the Group has at its disposal adequate level and structure of available internal capital that ensures the fulfilment of legal obligations, maintaining the trust of shareholders and depositors in safety and stability of its business, the realization of business and financial plans that can support the expected growth of placements, future sources of funds and their use.

The Group by capital management implies:

- Organization of the internal capital management process, which includes determining competences and responsibilities of the Group's bodies, divisions and departments;
- Planning adequate internal capital levels;
- Definition of the Group's capital – core capital, supplementary capital and deductible items;
- Process of internal capital adequacy assessment (described in detail in the Group ICAAP and ILAAP Framework);
- Calculation of capital requirements for credit risk (determining risk-weighted assets, capital 'requirements for settlement risk and counterparty risk);
- Calculation of capital requirements for market risks;
- Calculation of capital requirements for operational risks;
- Basic principles of the internal capital adequacy assessment; and
- Available internal capital management.

5. USE OF ESTIMATES AND JUDGMENTS

The preparation and presentation of the consolidated financial statements in accordance with IFRS requires the Group's management to make judgments, estimates and assumptions that affect the application of the accounting policies and amounts of assets and liabilities and income and expenses presented in the financial statements. Actual results may vary from these estimates.

Estimates and assumptions are subject to constant review and are based on previous (historical) experience and other factors, including anticipation of future events deemed reasonable under the current circumstances. Revised accounting estimates are recognized in the period in which the revisions were made, as well as in those future periods affected by the revisions of the estimates.

5.1. Key sources of estimation uncertainty

Depreciation and Amortization Charge and Rates Applied

The calculation of depreciation and amortization, as well as depreciation and amortization rates are based on the economic useful life of property, plant, equipment and intangible assets. Once a year, the Group assesses the economic useful life based on the current estimates. In addition, due to the significance of fixed assets in the total Group's assets, any change in the aforementioned assumptions may lead to material effects on the Group's financial position, as well as in its financial performance.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax credits as arising from capital expenditures, to the extent that it is probable that taxable profit will be available against which these tax credit carry forwards can be utilized. The Group's management needs to make prudent assessments of deferred tax assets which may be recognized, based on the period when these arise and the amount of future taxable income and tax policy planning strategy.

Impairment of financial assets

Impairment of assets carried at amortized cost is estimated in the manner described in accounting policy 3.10 – Identification and Measurement of Impairment.

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

Provisions assessed on a group-level cover credit losses inherent in the portfolios of loans and receivables and securities held to maturity sharing similar credit risk characteristics due to the objective evidence of impaired items that are not yet identifiable. Upon estimating the need for forming group-level provisions for losses, the management takes into accounts factors such as loan quality, assize of the portfolio, risk concentration and economic factors.

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

Loss Allowance of Equity Investments

The Group makes impairment allowance of equity investments (interests) measured at FVTOCI when there are indications that the recoverable value of an investment may be below its carrying value.

When the fair value is directly observable in a market, the determination is straightforward, otherwise a valuation technique is used.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.1. Key sources of estimation uncertainty (Continued)

Loss Allowance of Equity Investments (Continued)

The Group use the following valuation techniques

- *the market approach*, the Group uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities; and
- *the income approach*, the Group converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount.

Provisions for Employee Retirement Benefits

Costs of retirement benefits paid to employees upon retirement upon fulfillment of the retirement criteria are determined by actuarial assessment. Actuarial calculation involves the assessment of the discount rate, future salary growth rate, mortality rates and future growth of retirement benefits. Due to the long term nature of such plans, significant uncertainties affect the estimate outcome. Assumptions underlying the actuarial calculation of the employee benefits are disclosed in Note 33 to the consolidated financial statements.

Provisions for Litigations

There are a number of legal suits involving the Group that arise from the daily operations and relate to the commercial and labor issues that are addressed or considered in the course of regular business operations. The Group makes regular estimates of the probability of negative outcomes of such issues and amounts of probable or reasonable losses arising therefrom. The required provisions may vary in the future due to occurrence of new events or obtaining new information. Matters that either represent contingent liabilities or do not meet the criteria for provisioning are disclosed, except if the probability of outflow of resources containing economic benefits is remote.

Fair Value

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

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

The fair value of financial instruments for which an active market does not exist is determined by applying alternative valuation methods. The Group applies its professional judgment in the selection of alternative methods and assumptions.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and other option models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

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

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.1. Key sources of estimation uncertainty (Continued)

Fair Value **(Continued)**

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

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

Fair values of financial instruments which are rarely traded and the prices of which are not very transparent are less objective and require estimating to a greater extent, depending on the liquidity, concentration, uncertainty of the market factors, assumptions on pricing and other risks related to the specific instruments.

It is a policy of the Group to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different than their recorded amounts. In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result of this, fair value cannot readily or reliably be determined in the absence of an active market for these instruments.

Estimation of fair value of land and buildings and investment properties

Fair values of land and buildings presented in Property, plant and equipment as well as land and buildings presented within Investment properties and foreclosed assets or material values are estimated by certified appraisers.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

a. current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
b. recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
c. discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Determining the fair value of financial assets and liabilities for which there is no observable market price requires estimation techniques described in accounting policy 3.10. – Fair Value Measurement. Fair values of financial instruments which are rarely traded and the prices of which are not very transparent are less objective and require estimating to a greater extent, depending on the liquidity, concentration, uncertainty of the market factors, assumptions on pricing and other risks related to the specific instruments.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.1. Key sources of estimation uncertainty (Continued)

Significant influence over associates

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. It is presumed that the entity has significant influence if it holds 20 per cent or more of the voting power of the investee, unless it can be clearly demonstrated that significant influence does not exist due to the inability of the investor to exercise its rights.

In assessing whether the Group has significant influence over associates management of the Group uses judgement and considers facts and circumstances that might affect the ability of the Group to exercise significant influence.

5.2. Key accounting estimates in the application of the Group's accounting policies

The key accounting estimates in the application of the Group's accounting policies include:

Measurement of financial instruments

The Group's accounting policy on the fair value measurement is disclosed in Note 3.10.

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques based on inputs other than quoted prices included within Level 1 that are observable either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes instruments measured by way of the official active market prices of instruments with similar characteristics, official market prices of identical or instruments with similar characteristics in a market deemed less active or using other valuation techniques with all significant inputs directly or indirectly available on the market.
- Level 3 - Valuation techniques involve unavailable or unobservable inputs. This level includes all instruments the fair values of which are assessed based on unavailable or unobservable input data, which therefore have significant effects on the instrument's fair value measurement. Such instruments are measured based on the official market prices for instruments with the similar characteristics, where significant adjustment or assumptions are required to reflect the differences between the instruments.

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

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

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

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

All amounts expressed in thousands of EUR, unless otherwise stated.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.2. Key accounting estimates in the application of the Group's accounting policies (Continued)

Accounting estimates related to the assessment whether the Group has control over another legal entity:

In accordance with the requirements of IFRS 10 and IFRS 12, the Group reassesses whether it truly exercises control over its investee and considers all the facts, events, and circumstances indicating that there may have been a change in one or more of the three elements of control. The Group also considers changes that affect its exposure to or rights to variable returns from its involvement with the investee. The Group 's initial assessment of control does not change merely due to the occurrence of different market conditions (e.g., change in the returns from the investee triggered by market conditions), unless such changes in market conditions cause changes in one or more of the three elements of control or the entire relationship with the investee has changed.

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

(1) power over the investee,
(2) exposure, or rights, to variable returns from its involvement with the investee, and
(3) the ability to use its power over the investee to affect the amount of returns.

6. FINANCIAL ASSETS AND LIABILITIES – ACCOUNTING CLASSIFICATION AND FAIR VALUE

The following table provides the breakdown of financial instruments measured at fair value at the end of the reporting period per fair value hierarchy levels, according to which fair value measurement is categorized:

				December 31, 2023
	Level 1	**Level 2**	**Level 3**	**Total assets at fair value**
Assets				
Receivables under derivatives	-	2,168	977	3,145
Financial assets at FVtPL	19,242	-	6,384	25,626
Financial assets at FVtOCI	6,436	518,929	1,180	526,545
Total	**25,678**	**521,097**	**8,541**	**555,316**
Liabilities per derivatives held for trading	**-**	**2,152**	**184**	**2,336**

				December 31, 2022
	Level 1	**Level 2**	**Level 3**	**Total assets at fair value**
Assets				
Receivables under derivatives	-	-	145	145
Financial assets at FVtPL	30,347	4,302	5,997	40,646
Financial assets at FVtOCI	6,392	491,814	-	498,206
Total	**36,739**	**496,116**	**6,142**	**538,997**
Liabilities per derivatives held for trading	**-**	**-**	**67**	**67**

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

All amounts expressed in thousands of EUR, unless otherwise stated.

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

The carrying value and fair value of the financial assets and liabilities measured at other than fair value are presented in the table below:

					December 31, 2023
	Carrying value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Loans and receivables due from banks	1,069,234	1,064,791	19,151	23,036	1,022,604
Loans and receivables due from customers	5,022,307	5,070,930	-	-	5,070,930
Securities measured at AC	306,534	280,293	6,028	265,985	8,280
	6,398,075	**6,416,014**	**25,179**	**289,021**	**6,101,814**
Financial liabilities					
Deposits and other liabilities due to banks	781,820	769,155	-	153,979	615,176
Deposits and other liabilities due to customers	6,555,030	6,592,711	-	1,888,352	4,704,359
	7,336,850	**7,361,866**	**-**	**2,042,331**	**5,319,535**
	(938,775)	**(945,852)**	**25,179**	**(1,753,310)**	**782,279**

					December 31, 2022
	Carrying value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Loans and receivables due from banks	280,465	279,608	32,436	45,839	201,333
Loans and receivables due from customers	3,432,135	3,525,726	-	-	3,525,726
Securities measured at AC	352,296	315,812	16,407	277,459	21,946
	4,064,896	**4,121,146**	**48,843**	**323,298**	**3,749,005**
Financial liabilities					
Deposits and other liabilities due to banks	(252,730)	(248,119)	-	(204,122)	(43,997)
Deposits and other liabilities due to customers	(4,437,674)	(4,443,537)	-	(1,806,341)	(2,637,196)
	(4,690,404)	**(4,691,656)**	**-**	**(2,010,463)** -	**(2,681,193)**
	(625,508)	**(570,510)**	**48,843**	**(1,687,165)**	**1,067,812**

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

Assets whose fair values approximate their carrying values

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

Financial instruments at fixed interest rates

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

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

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

All amounts expressed in thousands of EUR, unless otherwise stated.

7. INTEREST INCOME AND EXPENSES

Interest income and expenses per financial instrument classes are presented below:

	Year Ended December 31, 2023	2022
Interest income per:		
Loans and receivables due from customers	237,077	136,159
Loans and receivables due from banks	6,737	1,131
Deposits held with the National Bank of Serbia	6,767	1,397
Securities:		
- repo transactions	29,201	303
- Republic of Serbia RSD - denominated bonds	14,458	13,705
- Republic of Serbia RSD - denominated bills		605
- Corporate RSD-denominated bonds	645	1,961
- Republic of Serbia foreign currency bonds	1,802	2,001
- foreign currency structured papers	4,447	4,146
Interest on financial leasing	33,180	19,676
Interest on investments in bills of exchange	356	374
Total	**334,670**	**181,458**
Interest expenses per:		
Borrowings received from banks	(7,544)	(357)
Borrowings received from customers	(6,662)	(3,213)
Borrowings received from National Bank	-	(456)
Deposits and liabilities due to customers	(79,287)	(27,138)
Deposits and liabilities due to banks	(4,923)	(838)
Lease liability	(233)	(159)
Securities	(5,296)	(3,470)
Other interest expenses	(12)	(485)
Total	**(103,957)**	**(36,116)**
Net interest income	**230,713**	**145,342**

8. FEE AND COMMISSION INCOME AND EXPENSES

	Year Ended December 31, 2023	2022
***Fee and commission* income**		
Fees arising from payment card operations	17,620	16,055
Fees for payment transfer operations	21,504	18,664
Fees on issued guarantees	7,265	5,473
Fees for loan agreement	1,789	1,511
Commission income arising from trading shares	273	294
Fees earned for corporate services rendered	185	193
Other fees and commissions	14,687	34,247
Total	**63,323**	**76,437**
Fee and commission expenses		
Fees arising from payment card operations	(9,917)	(8,877)
Fees for payment transfer operations	(2,131)	(2,121)
Fees for received guarantees	(15)	(1)
Fees for transaction costs	(233)	(44)
Other fees and commissions	(1,962)	(13,466)
Total	**(14,258)**	**(24,509)**
Net fee and commission income	**49,065**	**51,928**

All amounts expressed in thousands of EUR, unless otherwise stated.

9. NET GAINS ON CHANGES IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS

	Year Ended December 31, 2023	2022
Gains / (Losses) on the changes in the fair value of securities FVtPL	3,322	(158)
Gains on the changes in the fair value of investment units	469	280
Gains on changes in the fair value of other instruments	1,361	959
Net gains	**5,152**	**1,081**

10. NET GAINS ON DERECOGNITION OF THE FINANCIAL ASSETS MEASURED AT FAIR VALUE

	Year Ended December 31, 2023	2022
(Losses) on the sales of securities measured at FVtPL	(24)	(1,189)
Gains on the sales of securities measured at FVtOCI	525	67
Net gains / (losses)	**501**	**(1,122)**

11. NET FOREIGN EXCHANGE (LOSSES) / GAINS AND CURRENCY (LOSSES)/GAINS ON FINANCIAL INSTRUMENTS

	Year Ended December 31, 2023	2022
Foreign exchange (losses) / gains		
Foreign exchange gains	463	2,073
Negative currency clause effects	(1,591)	(1,802)
Net foreign exchange (losses) / gains	**(1,128)**	**271**

12. NET GAINS ON DERECOGNITION OF THE FINANCIAL ASSETS MEASURED AT AMORTIZED COST (AC)

	Year Ended December 31, 2023	2022
Net gains from derecognition of the financial instruments recognized at amortized costs - credit sales	1,035	135
Net losses from derecognition of the financial instruments recognized at amortized costs - housing loans	(41)	(23)
Net gains / (losses) from derecognition of the financial instruments recognized at amortized costs - other credits	58	(13)
Net gains	**1,052**	**99**

All amounts expressed in thousands of EUR, unless otherwise stated.

13. OTHER OPERATING INCOME

	Year Ended December 31, 2023	2022
Rental income (Note 27)	9,839	8,156
Cost refunds	822	731
Dividend income	1,415	1,128
Other operating income	309	423
Total	**12,385**	**10,438**

Rental income in the amount of EUR 9,839 (2022: 8,156 thousand) mostly pertain to income from the lease of business premises totaling EUR 3,946 thousand (2022: EUR 4,578 thousand) that entirely relates to income from the lease of investment property to third parties (Note 27) and income from operate lease of movables in the amount of EUR 5,820 thousand (2022: 3,386 thousand).

Income from cost refunds of EUR 822 thousand (2022: EUR 731 thousand) mostly, in the amount of EUR 261 thousand (2022: EUR 301 thousand), relates to the refunds of costs relating to the leased out real estate properties.

Dividend income in the total amount of EUR 1,415 thousand (2022: EUR 1,128 thousand) mainly relate to dividend received from Ljubljanske Banke d.d., Ljubljana, Slovenia in the amount of EUR 798 thousand (2022: EUR 802 thousand).

14. NET IMPAIRMENT GAINS / (LOSSES) ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVtPL)

	Year Ended December 31, 2023	2022
Losses on impairment of balance sheet items		
Cash and balances held with the central bank (Note 20)	(339)	(508)
Securities measured at amortized cost (AC) (Note 21.3)	(245)	(329)
Loans and receivables due from banks (Note 22)	(5,891)	(3,868)
Loans and receivables due from customers (Note 23)	(175,371)	(143,399)
Other assets (Note 30)	(1,630)	(1,604)
	(183,476)	**(149,708)**
Provisioning charge for off-balance sheet items (Note 33)	**(10,473)**	**(8,775)**
Losses on impairment of financial assets measured at FVtOCI	**(501)**	**(2,135)**
Losses on modification of financial instruments	**(9,843)**	**(113)**
Write-off of uncollectable receivables		
Loans and receivables due from customers	(246)	(77)
Other assets	(229)	(5)
	(475)	**(82)**
Total losses	**(204,768)**	**(160,813)**
Gains on the reversal of impairment of balance sheet items		
Cash and balances held with the central bank (Note 20)	517	308
Securities measured at amortized cost (AC) (Note 21.3)	278	423
Loans and receivables due from banks (Note 22)	4,236	2,758
Loans and receivables due from customers (Note 23)	138,780	126,125
Other assets (Note 30)	1,270	1,549
	145,081	**131,163**
Gains on the reversal of provisions for off-BS items (Note 33)	**10,670**	**8,025**
Gains on reversal of impairment of fin. assets at FVtOCI	**1,338**	**842**
Gains on modification of financial instruments	**265**	**93**
Collected receivables previously written off		
Loans and receivables due from customers	15,374	13,414
Other assets	144	-
	15,518	**13,414**
Total gains	**172,872**	**153,537**
Net (losses) / gains on impairment of financial assets not measured at fair value through profit or loss	**(31,896)**	**(7,276)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023
All amounts expressed in thousands of EUR, unless otherwise stated.

14. NET GAINS / (LOSSES) ON IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVtPL) (Continued)

MOVEMENTS ON IMPAIRMENT ALLOWANCE ACCOUNTS AND PROVISIONS FOR OFF-BALANCE SHEET ITEMS

	Cash (Note 20)	Securities at AC (Note 21.3)	Loans due from banks (Note 22)	Loans due from customers (Note 23)	Other assets (Note 30)	Off-balance sheet liabilities (Note 33)	Total
Balance at January 1, 2023	**(268)**	**(1,384)**	**(2,151)**	**(63,266)**	**(1,498)**	**4,283**	**(64,284)**
Effects of Eurobank Direktna acquisition	(4)	-	(19)	(57,722)	(1,102)	1,905	(56,942)
Charge for the year	(339)	(245)	(5,891)	(175,371)	(1,630)	10,473	(173,003)
Decrease – reversal	517	278	4,236	138,780	1,270	(10,670)	134,411
Interest income adjustment	-	-	-	(909)	-	-	(909)
Write-offs	-	565	69	4,147	111	-	4,892
Transfer to off-balance sheet items	-	-	59	5,680	-	-	5,739
Derecognition of financial instruments	-	-	-	31,605	-	-	31,605
Foreign exchange effects	(1)	(1)	(3)	(53)	(1)	1	(58)
Other movements	-	-	-	-	401	-	401
Balance at December 31, 2023	**(95)**	**(787)**	**(3,700)**	**(117,109)**	**(2,449)**	**5,992**	**(118,148)**

15. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONNEL EXPENSES

	Year Ended December 31, 2023	2022
Net salaries	(34,159)	(30,060)
Net salary refunds and benefits	(4,338)	(3,886)
Payroll taxes and contributions per salaries, refunds and benefits	(15,975)	(12,778)
Other staff costs and considerations paid to seasonal and temporary staff	(1,356)	(1,118)
Provision charge for long-term employee benefits (Note 33)	(1,074)	(2,558)
Provision reversal for long-term employee benefits (Note 33)	62	752
Total	**(56,840)**	**(49,648)**

16. DEPRECIATION AND AMORTIZATION CHARGE

	Year Ended December 31, 2023	2022
Depreciation charge – buildings (Note 26.a)	(882)	(779)
Depreciation charge – leasehold improvements	(479)	(587)
Depreciation charge – equipment and other assets (Note 26.a)	(5,662)	(4,081)
Amortization charge – intangible assets (Note 25)	(9,767)	(7,614)
Depreciation charge – buildings - Right of use asset (Note 26.b)	(4,498)	(3,787)
Total	**(21,288)**	**(16,848)**

17. OTHER INCOME

	Year Ended December 31, 2023	2022
Reversal of provisions for litigations liabilities (Note 33)	1,868	97
Gains on the sale of property, plant, equipment and fixtures, other asset	1,370	2,925
Write-off of liabilities	1,377	766
Recovery of purchased receivables (POCI)	5,207	764
Gains on the valuation of property	1,948	753
Other income*	58,827	150,079
Total	**70,597**	**155,384**

** Majority related to negative goodwill (note 24.3.2)*

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18. OTHER EXPENSES

	Year Ended December 31, 2023	2022
Cost of materials	(3,337)	(3,098)
Rental costs and other costs relating to leased business premises	(2,540)	(1,893)
Telecommunications and postage	(10,994)	(7,677)
Cost of other services	(1,603)	(1,056)
Property and equipment maintenance costs	(10,507)	(6,556)
Marketing and advertising	(2,632)	(1,995)
Donations and sponsorships	(1,187)	(742)
Entertainment	(1,058)	(433)
Auditing and consulting costs	(6,652)	(4,802)
Insurance premiums	(8,983)	(7,697)
Membership fees	(71)	(79)
Lawyer, appraiser and valuer fees	(3,041)	(1,698)
Court and other fees and costs	(664)	(766)
Broker and Central Depository fees	(133)	(218)
Security services	(1,913)	(1,682)
Other non-material costs	(3,923)	(4,261)
Taxes and contributions payable	(2,195)	(3,844)
Re-invoiced costs	(254)	(510)
Provisions for litigations (Note 33)	(3,196)	(3,968)
Other expenses	(7,582)	(7,316)
Losses on the sale of other investments	(1,632)	(3,385)
Losses on the valuation of property	(2,304)	(663)
Total	**(76,401)**	**(64,339)**

19. INCOME TAXES

19.a) Components of income taxes

	2023	2022
Current income tax expense	(11,722)	(38,584)
Deferred income tax benefits	4,467	4,343
Deferred tax expenses	(8,463)	(6,837)
Total	**(15,718)**	**(41,078)**

19.b) Reconciliation of the income tax and profit before taxes

	2023	2022
Profit for the year before taxes	181,912	230,623
Tax calculated using the statutory income tax rate (15%)	27,574	34,593
Tax effects of expenses not recognized for tax purposes	(1,297)	128
Tax effects of income not recognized for tax purposes	(6,002)	(1,250)
Tax effects of capital gains/(losses)	(18)	335
Tax effects of income adjustment	1,496	(1,532)
Tax loss carryforwards utilized		656
Tax credits utilized	(1,171)	(215)
Unrecognized tax losses	(3,469)	(2,819)
Tax effects on debt securities	(7)	(8)
Effects arising due to difference in the tax rates	2,319	1,217
Temporary difference due to impairment of assets	(630)	(13)
Tax effects on gains on derecognition of investments in subsidiaries excluded from consolidated profit for the year before taxes	-	8,695
Other temporary differences	(2,790)	1,291
Tax effects presented within the income statement	**15,718**	**41,078**
Effective tax rate	***8.64%***	***17.81%***

All amounts expressed in thousands of EUR, unless otherwise stated.

20. CASH AND CASH FUNDS HELD WITH THE CENTRAL BANK

	December 31, 2023	December 31, 2022
In RSD		
Gyro account	530,577	338,974
Cash on hand	90,112	64,060
Surpluses of liquid assets held with the central bank	135,696	-
Prepayments on funds held with the central bank	77	85
Other cash funds	-	43
	756,462	**403,162**
In foreign currencies		
Gyro account	20,268	23,911
Cash on hand	96,295	72,060
Balances with Central bank	381,050	194,250
Other cash funds	292,715	234,424
	790,328	**524,645**
Less: Allowance for impairment	**(95)**	**(268)**
Total	**1,546,695**	**927,539**

	December 31, 2023	December 31, 2022
Cash and cash funds held with the Central Bank		
Foreign currency accounts held with foreign and domestic banks (Note 22)	150,340	117,900
Prepayments on funds held with the central bank	(77)	(85)
Surpluses of liquid assets held with the central bank	(135,696)	-
Obligatory foreign currency reserve held with NBS	(381,050)	(194,250)
	(366,483)	**(76,435)**
Cash and cash equivalents reported in the statement of cash flows	**1,180,212**	**851,104**

Movements on the impairment allowance	**2023**	**2022**
Balance at January 1	**(268)**	(59)
Effects of Eurobank Direktna acquisition	(4)	-
Charge for the year (Note 14)	(339)	(508)
Reversal of impairment allowance (Note 14)	517	308
Foreign exchange effects	(1)	(3)
Other movements	-	(6)
Balance at December 31	**(95)**	**(268)**

The amount of EUR 530,577 thousand entirely relates to the funds of AIK Bank and Eurobank DIrektna on domestic gyro accounts (2022: EUR 338,974 thousand only AIK bank). In addition, the amount of EUR 20,268 thousand (2022: EUR 23,911 thousand) fully relates to the funds of Gorenjska Bank on foreign gyro accounts.

Obligatory foreign currency reserve held with the central bank in the amount of EUR 381,050 thousand fully relates to the funds of AIK Bank and Eurobank Direktna (2022: EUR 194,250 thousand only AIK Bank).

Other cash funds in foreign currency as of December 31, 2023 in the amount of EUR 292,715 thousand mainly relate to the short - term deposits of Gorenjska Bank held with Bank of Slovenia (2022: EUR 234,424 thousand).

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21. SECURITIES

	December 31, 2023	December 31, 2022
Securities measured at fair value through profit or loss (FVtPL)	25,626	40,646
Securities measured at fair value through the other comprehensive income (FVtOCI)	526,545	498,206
Debt securities measured at amortized cost (AC)	306,534	352,296
Total	**858,705**	**891,148**

21.1 Financial assets initially recognized at fair value through profit and loss

	December 31, 2023	December 31, 2022
Securities at FVtPL – shares - trading	8,211	21,414
Securities initially recognized at fair value – investment units	13,298	11,366
Securities initially recognized at fair value – shares foreign currency – non trading	4,117	7,866
Total	**25,626**	**40,646**

The Group's investments in shares - trading as of December 31, 2023 comprise of:

- investments in RSD shares in the amount of EUR 6,190 thousand (December 31, 2022: EUR 6,201 thousand) mostly refers to the purchased shares of the Fintel energija a.d., Beograd of EUR 6,184 thousand (December 31, 2022: EUR 6,201 thousand).

- investments in foreign currency securities held for trading totaling EUR 2,021 thousand (December 31, 2022: EUR 15,213 thousand).

The Group's investments in investments units as of December 31, 2023 comprise of investment units in RSD currency in the amount of EUR 10,250 thousand (December 31, 2022: EUR 9,768 thousand) and investment units in EUR currency in the amount of EUR 3,048 thousand (December 31, 2022: EUR 1,598 thousand). The investment units in RSD currency refer to AIK Bank's investment units in Raiffeisen Cash in the amount of EUR 3,776 thousand (December 31, 2022: EUR 3,612 thousand), Kombank Cash Fund EUR 3,721 thousand (December 31, 2022: EUR 3,548 thousand) and Intesa Invest Cash EUR 2,753 thousand (December 31, 2022: EUR 2,608 thousand). The investment units denominated in euros pertain to Gorenjska Bank's holdings in the Alfi Distressed Assets Fund.

21.2 Financial assets at fair value through other comprehensive income (FVtOCI)

	December 31, 2023	December 31, 2022
Securities		
In RSD:		
Republic of Serbia bonds	361,721	370,041
Corporate bonds	-	39,241
Equity investments	5,346	4,262
	367,067	**413,544**
In foreign currencies:		
Republic of Serbia bonds	81,900	56,297
Equity investments and shares	1,742	1,752
Sovereign bonds (EU countries)	47,224	21,683
Other bonds	28,599	4,923
Shares	13	7
	159,478	**84,662**
Total securities	**526,545**	**498,206**

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21. SECURITIES (Continued)

21.2 Financial assets at fair value through other comprehensive income (FVtOCI) (Continued)

As of December 31, 2023 Group had investments in the Republic of Serbia RSD bonds only at fixed interest rate with maturities from 24 to 144 months and interest rates ranging from 2.07% to 6.30% p.a. (2022: maturities from 24 to 144 months and interest rates ranging from 2.07% to 5.64% p.a.).

As of December 31, 2023 group investments in the Republic of Serbia foreign currency bonds have maturities from 60 months to 180 months at interest rates ranging from 1.6% to 5.44% p.a. (2022: maturities from 60 to 180 months and interest rates ranging from 1.60% to 3.38% p.a.).

Group investments in the Sovereign foreign currency bonds (EU Countries) have maturities from 18 months to 10.3 years at interest rates ranging from 0.10% to 2.00% p.a. (2022: 18 months to 8 years at interest rates ranging from 0.10% to 2.00% p.a.).

Equity investments in other legal entities and other securities available for sale net of any impairment, nominated both in RSD and foreign currencies, stated as of December 31, 2023 in the amount of EUR 7,101 thousand (December 31, 2022: EUR 6,021 thousand). These investments primarily consist of securities available for sale within the markets of Serbia, Montenegro, and Slovenia.

21.3 Debt securities measured at amortized cost (AC)

	December 31, 2023	December 31, 2022
Bonds	302,976	347,231
Corporate bills of exchange	4,280	6,449
Less: Impairment allowance	(722)	(1,384)
Total	**306,534**	**352,296**

Movements on the impairment allowance	**2023**	**2022**
Balance at January 1	**(1,384)**	(1,432)
Charge for the year (Note 14)	(245)	(329)
Reversal of impairment allowance (Note 14)	278	423
Translation effects	(1)	(2)
Write-off, foreign exchange effects	565	-
Sales	-	(18)
Other movements	-	(26)
Balance at December 31	**(787)**	**(1,384)**

Bonds in total gross amount of EUR 302,976 thousand as of December 31, 2023 (December 31, 2022: EUR 347,231 thousand) fully relate to debt securities measured at AC. In accordance to IFRS 3 those securities have been initially recognized in the Group's consolidated financial statements at fair value as of August 31, 2018.

As of December 31, 2023, out of total gross amount of EUR 302,976 thousand (December 31, 2022: EUR 347,231 thousand) EUR 270,506 thousand relates to investments in bonds issued by the government (December 31, 2022: EUR 290,381 thousand), EUR 20,028 thousand (December 31, 2022: EUR 23,051 thousand) of investments in bonds issued by banks and EUR 12,442 thousand (December 31, 2022: EUR 31,911 thousand) of investments in bonds issued by other.

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22. LOANS AND RECEIVABLES DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31, 2023	December 31, 2022
RSD loans and receivables		
Receivables on repo transactions	603,629	85,235
Transaction account overdrafts	1,085	232
Domestic currency accounts held with domestic banks	20	273
Loans for liquidity maintenance and working capital	2,538	1,754
Investment loans	19	-
Other loans	2,970	1,703
Other RSD receivables	46	352
Interest and fee receivables	388	80
Deferred income from fees	(48)	(48)
	610,647	**89,581**
Foreign currency loans and receivables		
Foreign currency accounts held with foreign banks (Note 20)	150,340	117,900
Receivables on repo transactions	12,391	9,490
Overnight deposits	69,000	19,000
Other loans	3,291	3,538
Time deposits from Banks	157,150	-
Loans to other financial institutions	48,360	23,181
Investment loans	315	3,917
Loans for liquidity maintenance and working capital	150	-
Other general-purpose deposits	6,081	-
Earmarked deposits	-	40
Other earmarked deposits	2,214	4,740
Other receivables	12,595	11,008
Interest and fee receivables	547	218
Deferred income from fees as part of the effective interest rate	(147)	3
	462,287	**193,035**
Loans and receivables, gross	**1,072,934**	**282,616**
Less: Impairment allowance	(3,700)	(2,151)
Balance as of December 31	**1,069,234**	**280,465**

Movements on the impairment allowance	**2023**	**2022**
Balance at January 1	(2,151)	(621)
Effects of Eurobank Direktna acquisition	(19)	-
Charge for the year (Note 14)	(5,891)	(3,868)
Reversal of impairment allowance (Note 14)	4,236	2,758
Write-off, foreign exchange effects and other changes	69	(415)
Translation effects	(3)	(3)
Transfer to off-balance sheet items	59	-
Other movements	-	(2)
Balance at December 31	**(3,700)**	**(2,151)**

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23. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

	December 31, 2023	December 31, 2022
Corporate customers		
Transaction account overdrafts	13,936	12,841
Working capital loans	814,420	715,947
Investment loans	1,871,602	1,224,647
Deposits placed	270	7
Foreign currency loans	229,665	165,426
Receivables for financial leasing	138,973	114,054
Receivables for factoring	163,959	150,285
Receivables per guarantees and acceptances	1,517	72
Other loans and receivables	115,720	38,816
Interest and fee receivables	22,413	19,540
Deferred income from fees	(9,543)	(6,188)
	3,362,932	**2,435,447**
Retail customers		
Transaction account overdrafts	28,707	21,012
Consumer loans	15,343	882
Housing loans	544,934	387,115
Cash loans	801,896	350,793
Other loan and receivables	70,666	39,541
Receivables for financial leasing	299,936	256,744
Interest and fee receivables	18,799	7,293
Deferred income from fees	(3,797)	(3,426)
	1,776,484	**1,059,954**
Loans and receivables, gross	**5,139,416**	**3,495,401**
Less: Impairment allowance	**(117,109)**	**(63,266)**
Balance at December 31	**5,022,307**	**3,432,135**

Movements on the impairment allowance	**2023**	**2022**
Balance at January 1	**(63,266)**	(50,852)
Effects of Eurobank Direktna acquisition	(57,722)	-
Charge for the year (Note 14)	(175,371)	(143,399)
Reversal of impairment allowance (Note 14)	138,780	126,125
Interest income adjustment	(909)	(380)
Write-off of foreign exchange effects	4,147	3,190
Transfer to off-balance items	5,680	8,996
Derecognition of financial instruments / Other changes	31,605	(6,813)
Translation effects	(53)	(133)
Balance at December 31	**(117,109)**	**(63,266)**

24. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

24.1. Investments in joint ventures

	December 31, 2023	December 31, 2022
Equity investments in joint ventures		
- „Super Kartica“ d.o.o., Belgrade	1,281	1,279
Balance at December 31	**1,281**	**1,279**

As of December 31, 2023 and 2022, Group has investment in joint venture that entirely relate on equity interest in „Super Kartica“ d.o.o., Belgrade.

All amounts expressed in thousands of EUR, unless otherwise stated.

24. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

24.2. Investments in associates

During 2022 Group has sold entirely equity interest in Sveti Stefan Hoteli a.d. Budva and Hotelska grupa Budvanska Rivijera a.d. Budva and recognized gains within consolidated income statement:

	December 31, 2023	December 31, 2022
Net gains/(losses) from derecognition of investments in associated companies and joint ventures	-	5,313
Balance at December 31	**-**	**5,313**

24.3. Investments in subsidiaries

24.3.1 Gorenjska Bank

As of December 30, 2022, AIK Bank has sold 100% equity interest in subsidiary – Gorenjska Bank d.d., Kranj, Slovenia to the Parent Company Agri Europe Cyprus Limited, Cyprus. This intra – group transaction impacted on transfer of the direct ownership of Gorenjska bank shares from AIK bank to Agri Europe Cyprus.

24.3.2 Eurobank Direktna

One of the strategic goals on the AEC Group level is further growth, both organic and inorganic. In line with this goal, the Group's subsidiary AIK Bank, which operates on Serbian market in March 2023 signed a contract for the acquisition of the subsidiary of the Eurobank Greece, Eurobank Direktna ad Belgrade. The closing of the transaction was the subject of regulatory approvals. After obtaining of all regualtory approvals, on 2nd November, 2023, AIK Bank completed the acquisition of a 100% equity interest in its subsidiary, Eurobank Direktna a.d., Belgrade.

The purchase consideration for the 100% of shares amounted to EUR 282.087 thousand and was fully pain in cash. AIK Bank owns 100% of Eurobank Direktna, therefore no non-controlling interests were recognised as a result of acquisition.

Assets and liabilities recognised as a result of the acquisition of Eurobank Direktna are as follows:

	Eurobank Direktna
ACQUIRED ASSETS	
Cash and Securities	1,011,931
Loans and receivables	1,896,548
Intangible asset, plant and equipment, Investment property	81,719
Other asset	15,406
TOTAL ACQUIRED ASSETS	**3,005,604**
ACQUIRED LIABILITIES	
Deposits	2,560,848
Subordinated Liabilities	66,630
Provisions	6,612
Other liabilities	31,651
TOTAL ACQUIRED LIABILITIES	**2,665,741**
Net identifiable assets aquired (100%)	**339,863**
Consideration given	**282,087**
Bargain Purchase (Negative goodwill)	**57,776**

24. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

24.3.2 Eurobank Direktna (Continued)

Acquired assets relate mostly to loans and receivables, as well as acquired liabilities which refer to deposits. The acquired loans and receivables in the amount as of EUR 1,896,548 thousand relates to performing and non-performing loans. The latter was recognised as purchased or originated credit-impaired financial assets (POCI).

EUR 36,429 thousand of revenue and EUR (6,011) thousand loss related to Eurobank Direktna is included in the consolidated statement of profit or loss for the reporting period, starting from the day of acquisition.

If the acquisition has occurred on 1 January 2023, management estimates that consolidated revenue would have been EUR 593 million and consolidated profit for the year would have been EUR 127 million (both excluding negative goodwill).

Acquisition of Eurobank Direktna resulted in a gain from a bargain purchase (negative goodwill) in the amount of EUR 57,776 thousand, which is recognised in income statement under line item Other income.The main reasons for negative goodwill is the result of an negotiation and acquisition agreement between acquirer and acquiree.

As a result of the acquisition, Agri Europe Cyprus Group's off-balance sheet liabilities increased by EUR 483,072 thousand on the moment of the acquistion.

Agri Europe Cyprus obtained all the necessary information for measuring fair values, therefore no amounts were measured and recognised on a provisional basis.

24.3.3 AIK Bank

Shares of Eurobank Direktna a.d., Belgrade are pledged according to Agreement on pledge of the shares that AIK bank (acting as the pledgor) has been concluded with Eurobank S.A. Athens, Greece (as the pledgee) on November 2nd, 2023. It represents securitization for liabilities which Eurobank Direktna a.d., Belgrade has to Eurobank S.A. Athens, Greece according to funding agreement. Repayment of the loan proportionally reduced number of the pledged shares. During first quarter of 2024, Eurobank Direktna a.d., Belgrade in majority has repaid the funding amount.

24.3.4 Naša AIK Bank (merged with AIK Bank in 2022)

As of March 1, 2022, the Parent Company, throughout the AIK Bank as its subsidiary, owned 100.00% of equity interests held in Sberbank Srbija a.d., Belgrade. The name of acquired entity was changed as of March 2, 2022 into Naša AIK Bank a.d., Belgrade. The value of the share in the capital of the acquired entity amounts to EUR 70,3 million.

Naša AIK Bank a.d., Belgrade and AIK Bank a.d., Belgrade has been merged as of December 1, 2022. As a result of the merger, AIK Bank a.d., Belgrade as a recipient company has become the legal successor of the Naša AIK Bank a.d., Belgrade and Naša AIK Bank a.d., Belgrade ceases to exist as a legal entity. The merger did not involve an increase in the share capital of the recipient bank (AIK Bank a.d., Belgrade).

All amounts expressed in thousands of EUR, unless otherwise stated.

24. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

24.3.4 Naša AIK Bank (merged with AIK Bank in 2022) (Continued)

In accordance with IFRS 3 „Business Combinations“, the acquisition method is applied for the accounting treatment of the above mentioned transaction.

Assets and liabilities of acquired Naša AIK bank are presented in the table bellow:

	Naša AIK Bank
ACQUIRED ASSETS	
Cash and Securities	384,532
Loans and receivables	1,049,657
Intangible asset, plant and equipment	16,344
Other asset	98,519
TOTAL ACQUIRED ASSETS	**1,549,052**
ACQUIRED LIABILITIES	
Deposits	1,256,777
Provisions	4,411
Other liabilities	68,454
TOTAL ACQUIRED LIABILITIES	**1,329,642**

Acquired assets relate mostly to loans and receivables, as well as acquired liabilities which refers to deposits. Having in mind that, the main input which is used to determine fair value of acquired asset and committed liabilities in accordance with IFRS 3 are average market interest rates for loans and deposits on domestic and European market with exclusion of instability caused by Russian – Ukraine crises on business and reputation of acquired entity which existed in the moment of acquiring of the entity. From the date of acquisition until the status change, the acquirer managed to mitigate negative impact on business and reputation of acquired entity, first of all, by supporting liquidity, stability of client relations and infrastructural and application support services needed to ensure business continuity of acquired entity.

The difference between the carrying value of equity investment of the acquired entity, i.e. acquisition cost of Naša AIK bank and its amortized fair value of acquired net assets is recognized within the other income for the relevant period. The management of the acquirer subsequently confirms that acquired assets and committed liabilities of Naša AIK bank are correctly identified.

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25. INTANGIBLE ASSETS

	December 31, 2023	December 31, 2022
Patents, license and software	59,819	32,395
Intangible assets in progress	2,826	1,461
Other intangible assets	2,016	1,406
	64,661	**35,262**
The Accumulated amortization of intangible assets	(33,644)	(24,110)
Net book value	**31,017**	**11,152**

Movements on the account of intangible assets in 2022 and 2023 are presented below:

	Patents, licenses and software	Intangible assets in progress	Other intangible assets	Total
Cost				
Balance at December 31, 2021	**22,941**	**557**	**1,522**	**25,020**
Balance at January 1, 2022	22,941	557	1,522	25,020
Effects of Naša AIK acquisition	4,429	1,500	-	5,929
Additions	3,667	2,044	-	5,711
Activation	1,785	(1,785)	-	-
Disposal and retirement	(477)	(859)	(119)	(1,455)
Transaltion effects	50	4	3	57
Balance at December 31, 2022	**32,395**	**1,461**	**1,406**	**35,262**
Balance at January 1, 2023	**32,395**	**1,461**	**1,406**	**35,262**
Effects of Eurobank Direktna acquisition	12,469	12,834	608	25,911
Additions	2,406	1,099	-	3,505
Activation	12,568	(12,568)	-	-
Disposal and retirement	(24)	-	-	(24)
Transaltion effects	5	-	2	7
Balance at December 31, 2023	**59,819**	**2,826**	**2,016**	**64,661**
Accumulated amortization				
Balance at January 1, 2022	15,406	-	1,403	16,809
Charge for the year (Note 16)	7,614	-	-	7,614
Disposal and retirement	(356)	-	-	(356)
Transaltion effects	40	-	3	43
Balance at December 31, 2022	**22,704**	**-**	**1,406**	**24,110**
Balance at January 1, 2023	**22,704**	**-**	**1,406**	**24,110**
Charge for the year (Note 16)	9,735	-	32	9,767
Disposal and retirement	(236)	-	-	(236)
Transaltion effects	2	-	1	3
Balance at December 31, 2023	**32,205**	**-**	**1,439**	**33,644**
Net book value as at:				
December 31, 2023	**27,614**	**2,826**	**577**	**31,017**
December 31, 2022	**9,691**	**1,461**	**-**	**11,152**

26.a) PROPERTY, PLANT AND EQUIPMENT

	December 31, 2023	December 31, 2022
Property, plant and equipment		
Property – buildings	109,886	74,908
Equipment	62,618	46,781
Investment in progress	19,680	10,179
Right of use assets	32,440	13,275
Leasehold improvements	4,439	1,805
Cost	**229,063**	**146,948**
Accumulated depreciation	(106,239)	(93,162)
Net book value	**122,824**	**53,786**

As of December 31, 2023, the Group had no buildings assigned under mortgage as collateral securing repayment of borrowings.

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26.a) PROPERTY, PLANT AND EQUIPMENT (Continued)

As a result of incomplete land (real estate cadaster) registers, as of December 31, 2023, the Group did not have title deeds as proof of ownership for seven buildings with the net book value of EUR 1,264 thousand (2022: EUR 69 thousand).

The Group's management is undertaking all actions necessary to obtain the appropriate property titles for these buildings. According to the degree of availability of inputs for fair value assessment, the fair value of the Group's properties as of December 31, 2023 and 2022, belongs to Level 3 of the fair value hierarchy in accordance with IFRS 13.

Movements on the account of property and equipment in 2022 and 2023 are presented below:

	Buildings	Equipment and other assets	Advances paid and investment in progress	Leasehold improvements	Right of use assets	Total
Cost						
Balance at December 31, 2021	**82,231**	**41,862**	**968**	**1,850**	**8,887**	**135,798**
Effects of Naša AIK acquisition	-	2,594	149	958	6,714	10,415
Additions	65	9,082	10,082	231	1,393	**20,853**
Revaluation effects	(4,463)	-	-	-	-	**(4,463)**
Impairment in accordance with IAS 36	(145)	-	-	-	-	(145)
Disposal and retirement	(2,976)	(7,185)	(429)	(1,283)	(3,759)	**(15,632)**
Modifications increase / (decrease)	-	-	-	-	-	**-**
Other	186	372	(590)	34	-	2
Translation effects	10	56	(1)	15	40	**120**
Balance at December 31, 2022	**74,908**	**46,781**	**10,179**	**1,805**	**13,275**	**146,948**
Effects of Eurobank Direktna acquisition	23,090	7,661	226	2,364	19,561	52,902
Additions	75	16,261	11,121	300	5,153	**32,910**
Revaluation effects	9,708	-	-	-	-	**9,708**
Transfer from investment property	1,717	-	-	-	-	1,717
Disposal and retirement	(129)	(7,299)	-	(22)	(5,787)	**(13,237)**
Modifications increase / (decrease)	-	-	-	-	241	**241**
Other	517	(789)	(1,859)	(1)	-	(2,132)
Translation effects	-	3	13	(7)	(3)	**6**
Balance at December 31, 2023	**109,886**	**62,618**	**19,680**	**4,439**	**32,440**	**229,063**
Accumulated depreciation						
Balance at January 1, 2022	65,434	26,319	-	1,374	3,942	97,069
Charge for the year (Note 16)	779	4,081	-	587	3,787	9,234
Revaluation effects	(4,383)	-	-	-	-	(4,383)
Disposal and retirement	(817)	(4,285)	-	(1,186)	(2,546)	(8,834)
Translation effects	3	46	-	13	14	76
Balance at December 31, 2022	**61,016**	**26,161**	**-**	**788**	**5,197**	**93,162**
Balance at January 1, 2023	**61,016**	**26,161**	**-**	**788**	**5,197**	**93,162**
Charge for the year (Note 16)	882	5,662	-	479	4,498	11,521
Revaluation effects	8,696	-	-	-	-	8,696
Disposal and retirement	(370)	(3,544)	-	(13)	(2,927)	(6,854)
Translation effects	(1)	(1)	-	(13)	(8)	(23)
Other	13	(272)	-	-	(4)	(263)
Balance at December 31, 2023	**70,236**	**28,006**	**-**	**1,241**	**6,756**	**106,239**
Net book value as at:						
- December 31, 2023	**39,650**	**34,612**	**19,680**	**3,198**	**25,684**	**122,824**
- December 31, 2022	**13,892**	**20,620**	**10,179**	**1,017**	**8,078**	**53,786**

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All amounts expressed in thousands of EUR, unless otherwise stated.

26.b) RIGHT OF USE ASSETS

26.b) 1. Right of use assets comprise:

	December 31, 2023	December 31, 2022
Buildings	24,435	6,709
Parking lots and vehicles	112	57
ATM's	1,137	1,312
Total	**25,684**	**8,078**

Movements on the account of right of use assets in 2023 and 2022 are presented below:

	Buildings	Parking lots and vehicles	ATM's	Total
Gross carrying amount				
Balance at January 1, 2022	**8,475**	**124**	**288**	**8,887**
Effects of Naša AIK acquisition	5,210	52	1,452	6,714
Additions	1,368	1	24	1,393
Disposals	(3,568)	(9)	(182)	(3,759)
Modifications increase / (decrease)	-	-	-	-
Translation effects	35	1	3	40
Balance at December 31, 2022	**11,520**	**169**	**1,585**	**13,275**
Effects of Eurobank Direktna acquisition	19,136	149	277	19,562
Additions	4,398	13	742	5,153
Disposals	(4,871)	(117)	(799)	(5,787)
Modifications increase / (decrease)	241	-	-	241
Translation effects	6	(2)	(8)	(4)
Balance at December 31, 2023	**30,430**	**212**	**1,798**	**32,440**
Accumulated depreciation				
Balance at January 1, 2022	3,736	62	144	3,942
Charge for the year (Note 16)	3,455	56	276	3,787
Disposals	(2,394)	(6)	(146)	(2,546)
Modifications increase / (decrease)	-	-	-	-
Translation effects	14	-	-	14
Balance at December 31, 2022	**4,811**	**112**	**274**	**5,197**
Charge for the year (Note 16)	3,595	59	844	4,498
Disposals	(2,408)	(69)	(450)	(2,927)
Other	(4)	(1)	-	(5)
Translation effects	1	(1)	(7)	(7)
Balance at December 31, 2023	**5,995**	**100**	**661**	**6,756**
Net book value as at:				
- December 31, 2023	**24,435**	**112**	**1,137**	**25,684**
- December 31, 2022	**6,709**	**57**	**1,312**	**8,078**

27. INVESTMENT PROPERTY

	December 31, 2023	December 31, 2022
Investment property	56,340	65,799
Total	**56,340**	**65,799**

Movements on the account of investment property in 2022 and 2023 are presented below:

Balance at January 1, 2022	**95,977**
Additions	434
Retirement and disposal	(33,012)
Transfer from Non-current assets held for sale (Note 28)	2,028
Valuation/appraisal effects	265
Translation effects	107
Balance at December 31, 2022	**65,799**
Effects of Eurobank Direktna acquisition	2,892
Additions	940
Retirement and disposal	(8,191)
Transfer to Non-current assets held for sale (Note 28)	(3,500)
Transfer to PPE	(1,717)
Valuation/appraisal effects	94
Translation effects	23
Balance at December 31, 2023	**56,340**

All amounts expressed in thousands of EUR, unless otherwise stated.

27. INVESTMENT PROPERTY (Continued)

The total amount of investment properties as of December 31, 2023 and 2022 fully relate to investment properties held by AIK Bank, Eurobank Direktna and Gorenjska Bank.

According to the degree of availability of inputs for fair value assessment, the fair value of the Group's investment property belongs to Level 3 of the fair value hierarchy in accordance with IFRS 13. All of the Group's investment property is held under freehold interests. There were no changes in the valuation techniques applied during the year.

The Group rental income for 2023 was EUR 3,946 thousand (2022: EUR 4,578 thousand) (Note 13).

As a result of incomplete land (real estate cadaster) registers, as at December 31, 2023, the Group did not have title deeds as proof of ownership for seven properties classified as investment property with the total net book value of EUR 752 thousand. The Bank's management is undertaking all actions necessary to obtain the appropriate property titles for these buildings.

28. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS

	December 31, 2023	December 31, 2022
Balance at January 1	340	11,042
Assets acquired in lieu of debt collection	3,205	182
Transfer from/(to) investment property (Note 27)	3,500	(2,028)
Losses on value adjustment of assets	500	-
Sales during the year	(962)	(8,856)
Balance at December 31	**6,583**	**340**

The Group is in possession of valid title deeds as proof of ownership for all properties classified as non-current assets held for sale.

29. DEFERRED TAX ASSETS AND LIABILITIES

29.1. Balances on the Accounts of Deferred Tax Assets and Liabilities

			December 31, 2023
	Tax assets	Tax liabilities	Net tax effect
Effects of building property valuation	-	(2,223)	(2,223)
Impairment of assets	3,622	-	3,622
Financial assets at FVtOCI	1,397	-	1,397
Actuarial losses	55	-	55
Tax loss carryforwards	2,082	-	2,082
Financial assets at AC	-	(140)	(140)
Severance provision	41	-	41
Deferred tax asset regarding unrecognized other provisions	529	-	529
Balance at year-end	**7,726**	**(2,363)**	**5,363**

			December 31, 2022
	Tax assets	Tax liabilities	Net tax effect
Effects of building property valuation	-	(365)	(365)
Impairment of assets	4,009	-	4,009
Financial assets at FVtOCI	4,225	-	4,225
Actuarial losses	125	-	125
Tax loss carryforwards	4,140	-	4,140
Financial assets at AC	-	(308)	(308)
Balance at year-end	**12,499**	**(673)**	**11,826**

Tax loss carryforwards of Gorenjska bank amounted EUR 113,375 thousand as of December 31, 2023 (2022: EUR 142,589 thousand). Within this total, the recognized Deferred Tax Assets (DTA) amount to EUR 2,078 thousand (2022: EUR 4,137 thousand) whereas unrecognized are EUR 19,963 thousand (2022: EUR 23,472 thousand).

All amounts expressed in thousands of EUR, unless otherwise stated.

29. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

29.2. Movements on the Accounts of Deferred Tax Assets and Liabilities

Movement on deferred tax assets/liabilities were as follows:

2023

	Opening balance	Effects of Eurobank Direktna acquisition	Within profit or loss	Within equity	Translation differences	Closing balance
Effects of building property valuation	(365)	-	(1,856)	-	(2)	(2,223)
Impairment of assets	4,009	(1,242)	845	-	10	3,622
Financial assets at FVtOCI / AFS	4,225	-	(76)	(2,752)	-	1,397
Actuarial losses	125	(4)	(18)	(48)	-	55
Tax loss carry forwards	4,140	929	(2,987)	-	-	2,082
Financial assets at AC	(308)	-	168	-	-	(140)
Provision for severance payment	-	93	(52)	-	-	41
Deferred tax assets regarding unrecognized other provisions	-	549	(20)	-	-	529
Total	**11,826**	**325**	**(3,996)**	**(2,800)**	**8**	**5,363**

2022

	Opening balance	Effects of Naša AIK acquisition	Within profit or loss	Within equity	Translation differences	Closing balance
Effects of building property valuation	(1,074)	187	522	-	-	(365)
Impairment of assets	3,373	-	635	-	1	4,009
Financial assets at FVtOCI / AFS	(1,311)	108	(1,718)	7,146	-	4,225
Actuarial losses	132	-	(7)	-	-	125
Tax loss carry forwards	4,287	1,487	(1,634)	-	-	4,140
Financial assets at AC	(512)	-	204	-	-	(308)
Provision for severance payment	-	34	(34)	-	-	-
Assets acquired in lieu of debt collection	-	5	(5)	-	-	-
Deferred tax assets regarding unrecognized other provisions	-	457	(457)	-	-	-
Total	**4,895**	**2,278**	**(2,494)**	**7,146**	**1**	**11,826**

30. OTHER ASSETS

	December 31, 2023	December 31, 2022
Other RSD receivables:		
Fee receivables relating to other assets	1,649	402
Interest receivables per other assets	13	-
Receivables for advances paid for working capital	1,500	1,865
Receivables for advances paid for capital expenditures	4,556	102
Other receivables from operating activities	2,178	25,771
Receivables in settlement	2,448	586
	12,344	**28,726**
Other foreign currency receivables:		
Fee receivables relating to other assets	1,247	1,001
Receivables for advances paid for working capital	230	2,525
Receivables in settlement	1,325	3,919
Other receivables from operating activities	6,394	10,152
	9,196	**17,597**
Other investments:		
Equity investments	7,079	6,771
	7,079	**6,771**
Prepayments:		
Deferred interest expenses	110	115
Deferred other expenses	3,380	1,753
	3,490	**1,868**
Inventories:		
Other inventories	309	1
Assets acquired in lieu of debt collection	8,604	6,890
	8,913	**6,891**
Other receivables, gross	**41,022**	**61,853**

All amounts expressed in thousands of EUR, unless otherwise stated.

30. OTHER ASSETS (Continued)

	December 31, 2023	December 31, 2022
Less: Impairment allowances of:		
- other RSD receivables	(860)	(919)
- other foreign currency receivables	(1,377)	(372)
- equity investments	(207)	(207)
- prepayments	(5)	-
	(2,449)	**(1,498)**
Balance at December 31, net	**38,573**	**60,355**

Movements on the impairment allowance	**2023**	**2022**
Balance at January 1	(1,498)	(1,354)
Effects of Eurobank Direktna acquisition	(1,102)	-
Charge for the year (Note 14)	(1,630)	(1,604)
Reversal of impairment allowance (Note 14)	1,270	1,549
Write-off of foreign exchange effects	111	391
Derecognition of financial instruments	-	203
Other changes	401	(680)
Translation effects	(1)	(3)
Balance at December 31	**(2,449)**	**(1,498)**

As of 31 December, 2023 and 2022, the Group's tangible assets acquired in lieu of debt collection amounted to:

	December 31, 2023	December 31, 2022
Buildings	7,897	6,484
Equipment	707	406
Total	**8,604**	**6,890**

Movements on the Group's tangible assets acquired in lieu of debt collection were as follows:

	2023	2022
Balance at January 1	**6,890**	7,195
Effects of Eurobank Direktna acquisition	1,753	-
Additions – assets acquired during the year	2,102	2,151
Sales	(1,661)	(2,443)
Impairment of assets (Note 18)	(487)	(30)
Translation effects	7	17
Balance at December 31	**8,604**	**6,890**

The Group's management is undertaking all the necessary measures to complete the sales of the acquired assets.

As a result of incomplete land (real estate cadaster) registers, as at December 31, 2023, the Group did not have a valid title deed as proof of ownership for two items of property classified as tangible assets acquired in lieu of debt collection, with the total net book value of EUR 160 thousand.

The Group's management is undertaking all actions necessary to obtain the appropriate property title for these properties.

All amounts expressed in thousands of EUR, unless otherwise stated.

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

	December 31, 2023	December 31, 2022
Transaction deposits	54,459	99,162
Deposits redeemable at notice	2,111	-
Earmarked deposits	925	555
Other deposits	180,488	102,441
Overnight deposits	1,707	-
Savings	-	1,868
Borrowings	531,518	45,935
Other financial liabilities	2,857	1,868
Interest payable, accrued interest liabilities and fees	7,755	901
Total	**781,820**	**252,730**

As of December 31, 2023 total borrowings in the amount of EUR 531,518 thousand (December 31, 2022: EUR 45,935 thousand) relate to: borrowings from Eurobank S.A. in the amount of EUR 250,000 thousand, borrowing from EBRD in the amount of EUR 121,892 thousand, borrowing from International Finance Corporation (IFC) in the amount of EUR 50,000 thousand, and the remainder relates to borrowings from other banks in the amount of EUR 109,626 thousand (December 31, 2022: EUR 45,935 thousand).

Subordinated liabilities in the amount of EUR 66,515 thousand entirely relate to funds received from Eurobank S.A.

32.a DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS

	December 31, 2023	December 31, 2022
Corporate customers		
Transaction deposits	1,166,383	749,132
Deposits redeemable at notice	29,932	-
Savings	-	60,734
Deposits for loans approved	156,383	129,183
Earmarked deposits	52,645	25,639
Other deposits	1,097,947	558,741
Overnight deposits	82,546	97,340
Borrowings	16,509	15,334
Other financial liabilities	1,724	2,792
Interest payable, accrued interest liabilities and fees	14,690	3,570
	2,618,759	**1,642,465**
Retail customers		
Transaction deposits	1,742,594	1,368,649
Savings deposits	2,137,760	1,387,409
Deposits for loans approved	24,291	20,662
Earmarked deposits	2,005	3,189
Other deposits	6,383	8,336
Other financial liabilities	987	812
Interest payable, accrued interest liabilities and fees	22,251	6,152
	3,936,271	**2,795,209**
Total	**6,555,030**	**4,437,674**

32.b LIABILITIES UNDER SECURITIES

On November 22nd, 2023, Gorenjska bank successfully concluded the issue of bonds in the total nominal amount of EUR 72.6 million, aimed at fulfilling the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) requirement. The bonds were offered to Slovenian and international investors (banks, insurance companies, fund managers and other financial institutions), Gorenjska banka thereby re-established itself on the capital markets. The bond will mature in 4 years, with an option for early redemption after three years. The principal interest rate is set at 9.25% per annum. Due to the issue, the Bank exceeded the required capital amount of eligible liabilities on 1 January 2024.

All amounts expressed in thousands of EUR, unless otherwise stated.

33. PROVISIONS

	December 31, 2023	December 31, 2022
Provisions for litigations (Note 37.1)	8,681	7,265
Provisions for employee benefits	4,289	4,248
Provisions for losses per off-balance sheet items	5,992	4,283
Other provisions	189	-
Total	**19,151**	**15,796**

Movements on provisions for litigations during the year are presented in the table below:

	2023	2022
Balance at January 1	**7,265**	2,783
Charge for the year (Note 18)	3,196	3,968
Reversal of provisions (Note 17)	(1,868)	(97)
Used provisions	(3,112)	(2,262)
Translation effects	9	16
Other*	3,191	2,857
Balance at December 31	**8,681**	**7,265**

Movements on provisions for employee benefits (retirement benefits, jubilee awards and other benefits) during the year are presented in the table below:

	2023	2022
Balance at January 1	**4,248**	3,284
Charge for the year (Note 15)	1,074	2,558
Reversal of provisions (Note 15)	(62)	(752)
Actuarial losses	(429)	(43)
Release of provisions	(1,879)	(1,478)
Translation effects	(1)	1
Other*	1,338	678
Balance at December 31	**4,289**	**4,248**

The main actuarial assumptions used in calculation of provisions for retirement benefits were as follows:

	December 31, 2023				December 31, 2022		
	M&V Investments	AIK Bank	Eurobank Direktna	GB	M&V Investments	AIK Bank	GB
Discount rate	7%	7.0%	6.25%	3,6%	5%	6%	3,7%
Salary growth rate	4.5%	7.5%	8.50%	3,5%	4.5%	7.5%	4,5%
Employee turnover rate	5%	11%	13%	4,2%	5%	11%	3,5%

Movements on provisions for losses per off-balance sheet items during the year are presented in the table below:

	2023	2022
Balance at January 1	**4,283**	2,658
Charge for the year (Note 14)	10,473	8,775
Reversal of provisions (Note 14)	(10,670)	(8,025)
Foreign exchange effects	1	(2)
Other*	1,905	877
Balance at December 31	**5,992**	**4,283**

** Other comprise effects of acquisitions*

All amounts expressed in thousands of EUR, unless otherwise stated.

34 CURRENT TAX

34.a Current tax assets

	December 31, 2023	December 31, 2022
Current tax assets	21,877	19,614
Total	**21,877**	**19,614**

34.b Current tax liabilities

	December 31, 2023	December 31, 2022
Current tax liabilities	2,540	35,853
Total	**2,540**	**35,853**

35. OTHER LIABILITIES

	December 31, 2023	December 31, 2022
Other liabilities:		
Account trade payables	9,475	6,107
Advances received	4,411	2,461
Lease liabilities	25,738	7,790
Liabilities per guarantees and acceptances called on	2	1
Profit sharing liabilities	1,043	1,115
Liabilities per managed funds	119	111
Other liabilities from operating activities	21,624	11,372
Liabilities in settlement	13,327	6,115
Suspense and temporary accounts	62	63
Liabilities to employees	1,192	1,106
Other foreign currency liabilities	5,080	4,842
	82,073	**41,083**
Tax liabilities:		
Value added tax payable	993	289
Other taxes and contributions payable	1,550	1,365
	2,543	**1,654**
Accruals:		
Accrued liabilities per other accrued expenses	8,386	5,650
Deferred interest income	1,660	367
Deferred other income	2,385	1,515
	12,431	**7,532**
Total	**97,047**	**50,269**

35.1 Lease liabilities

Maturity analysis of lease liabilities in 2023 and 2022 are presented in the table below:

	December 31, 2023	December 31, 2022
Maturity:		
- less than one year	2,550	2,328
- up to 2 years	2,541	2,758
- up to 3 years	1,677	1,264
- up to 4 years	1,494	797
- up to 5 years	3,164	365
- more than five years	14,312	278
Total	**25,738**	**7,790**

All amounts expressed in thousands of EUR, unless otherwise stated.

35. OTHER LIABILITIES (Continued)

35.1 Lease liabilities (Continued)

Maturity analysis of contractual undiscounted cash flows of lease payments including interest payments in 2023 and 2022 are presented in the table below:

	December 31, 2023	December 31, 2022
Maturity:		
- less than one year	3,667	2,577
- up to 2 years	2,776	3,082
- up to 3 years	1,877	1,422
- up to 4 years	1,479	884
- up to 5 years	3,189	400
- more than five years	19,619	309
Total	**32,607**	**8,674**

Structure of total payments / outflows based on leasing in 2023 and 2022 are presented in the table below:

	2023	2022
Fixed lease payments	14,886	3,290
Variable lease payments	14,162	234
Total	**29,048**	**3,524**

Variable lease payments included in lease liability depends on an index. Out of total amount of the lease outflows in the amount of EUR 29,048 thousand (December 31, 2022: EUR 3,524 thousand), the amount of EUR 14,886 thousand (December 31, 2022: EUR 3,290 thousand) relates on principal portion of lease payments within financing activities, while EUR 14,162 thousand (December 31, 2022: EUR 234 thousand) relates on interest portion within operating activities.

Income and expences structure based on leasing in 2023 and 2022 is presented in the table below:

	2023	2022
Depreciation of right - of - use assets (Note 26.b)	(4,498)	(3,787)
Interest expense on lease liability (Note 7)	(233)	(159)
Rental expenses (Note 18)	(2,540)	(1,893)
Total	**(7,271)**	**(5,839)**

36. EQUITY

The structure of the issued capital of the Parent Company as of December 31, 2023, and December 31, 2022 was as follows:

	December 31, 2023		December 31, 2022	
	In EUR	%	In EUR	%
Foreign entities				
Agri Holding AG	40,000,001	100.00	1,213	100.00
	40,000,001	100.00	1,213	100.00

Movements in share capital can be presented as follows:

	2023		2022	
	Number of shares	In EUR	Number of shares	In EUR
Authorised				
Ordinary shares of EUR 1 each	40,005,000	40,005,000	5,000	5,000
Issued and fully paid				
Balance at 1 January	1,213	1,213	1,213	1,213
Issue of shares	40,000,000	40,000,000	-	-
Balance December 31	**40,001,213**	**40,001,213**	**1,213**	**1,213**

36. EQUITY (Continued)

Authorized capital

Upon the date of incorporation of the Parent Company on 16 March, 2011, the authorized share capital of the Parent Company was EUR 5,000 divided into 5,000 ordinary shares of EUR 1 each.

Issued capital and share premium

During 2013 the Parent Company issued to its shareholders 100 shares of nominal value EUR 1 each at a premium of EUR 47.62 per share (Agri Holding AG) and 72 shares of nominal value EUR 1 at a premium of EUR 694,437.50 per share (EBRD). During 2016 Agri Holding AG transferred to EBRD 26 ordinary shares out of the Agri Holding AG shares, being the effect of an upward adjustment per the terms of Shareholders Agreement signed during 2013.

On September 7, 2017, the ultimate holding Company Agri Holding A.G., Switzerland signed a Capital Contribution Agreement for the transfer of 100% of the shares in the company Hotel Palace Portoroz d.o.o., Slovenia (hereinafter "HPP") with Agri Europe Cyprus Limited, Cyprus. As consideration payable for the contribution, Agri Europe Cyprus Limited issued 41 ordinary shares with the nominal value of EUR 1 in favour of Agri Holding AG, while the value of capital contribution amounted to EUR 23,000 thousand (the difference represents the share premium in the amount of EUR 22,999,959).

In December 2019 the AEC has transferred 3 out of 4 subsidiaries (all except NordAgri N.V.) to the newly established company MK Group Global, whereas both AEC and MK Group Global are wholly owned by the common owner - Agri Holding AG. As a part of this reconstruction, AEC transferred to the MK Group Global following:

- 1,000 ordinary shares of EUR 1.00 each in Oseane Holding Limited, with book value of EUR 1 thousand;
- 1,300 ordinary shares of EUR 1.00 each in AEC Hotels Limited, with book value of EUR 23,000 thousand;
- 1,101 ordinary shares of EUR 1.00 each in AEC Agrinvestment Limited, with book value of EUR 49,307 thousand;
- Cash and cash equivalents in the amount of EUR 695 thousand and
- Share premium in the amount of EUR 73,004 thousand.

During the financial year 2023 the authorized share capital was increased and as of December 31, 2023, amounts to EUR 40,005,000 divided into 40,005,000 ordinary shares of EUR 1 each.

The Company issued and allotted additional 40,000,000 (forty million) ordinary shares with a nominal value of EUR 1 each to its sole Shareholder namely AGRI HOLDING AG of 18 Rue St-Pierre, 1700 Fribourg, Switzerland, according to Resolution of the Board of Directors dated the 2nd of October 2023. Sole Shareholder of the Company proceeded with the payment of the amount of EUR 40,000,000 (forty million Euro) in full settlement of the consideration for the allotment of 40,000,000 (forty million) ordinary shares with a nominal value of EUR 1 each issued in the Company. Full payment and realized capital increase was finalized as of October 25th, 2023.

37. CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET ITEMS

37.1. Litigation

As legal proceedings involve the Group members individually, brief descriptions are provided for each Group member separately:

Parent Company

As of December 31, 2023, Agri Europe Cyprus did not have any legal proceedings.

Nord Agri

As of December 31, 2023, Nord Agri N.V. did not have any legal proceedings.

M&V Investments

As of December 31, 2023, there were no legal suits with expected negative outcome involving the Broker-Dealer as a defendant.

AIK Bank

As of December 31, 2023 there were 8,016 (December 31, 2022: 11,102) legal suits where the plaintiffs seek monetary claims from the AIK Bank. The aggregate value of legal suits filed against the AIK Bank, which includes any monetary amounts the Bank would be obligated to pay in instances of lost cases (as damage compensation, debt payment and the like) amounted to EUR 34,637 thousand (December 31, 2022: EUR 52,374 thousand) (excluding any interest claims).

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

37.1. Litigation (Continued)

***AIK Bank* (Continued)**

Based on the opinion of the attorneys, legal suits with a positive estimated outcome represent 89.26% of total amount of the legal suits with monetary claims of the plaintiffs against AIK Bank as of December 31, 2023. Based on the opinion of the attorneys, legal suits with a negative estimated outcome and with monetary claims of the plaintiffs against AIK Bank, as of December 31, 2023, in accordance with the requirements IAS 37 and methodology of AIK Bank, AIK Bank made provisions in the amount of EUR 5,157 thousand (December 31, 2022: EUR 7,265 thousand).

The current level of provisions was assessed as adequate by AIK Bank's management. However, AIK Bank will closely monitor the market situation and outcomes of such litigation proceedings and, according to the best estimates, make adequate provisions in the future reporting periods in order to avoid unexpected effects on AIK Bank's performance.

AIK Bank was also involved in a number of lawsuits filed against third parties, mostly for debt collection.

Eurobank Direktna

As of December 31, 2023 there were 25,481 legal suits. The aggregate value of legal suits filed against the Eurobank Direktna, which includes any monetary amounts the Eurobank Direktna would be obligated to pay in instances of lost cases (as damage compensation, debt payment and the like) amounted to EUR 81,589 thousand (excluding any interest claims).

Based on the opinion of the attorneys, legal suits with a negative estimated outcome and with monetary claims of the plaintiffs against Eurobank Direktna, as of December 31, 2023, in accordance with the requirements IAS 37 and methodology of Eurobank Direktna, Eurobank Direktna made provisions in the amount of EUR 3,524 thousand.

Eurobank Direktna will closely monitor the market situation and outcomes of such litigation proceedings and, according to the best estimates, make adequate provisions in the future reporting periods in order to avoid unexpected effects on Eurobank Direktna’s performance. The current level of provisions was assessed as adequate by Eurobank Direktna’s management.

Under the Share Purchase Agreement (SPA) finalized on 2 March 2023 and subsequently amended and restated on 2 November 2023, concerning the sale of Eurobank Direktna a.d., specific provisions have been outlined for indemnity claims. These claims pertain to losses the Buyer or the Company might incur due to Material Customer Disputes, Material Future Disputes, Litigation Warranty Claims, and Material Specific Disputes. Material Customer Disputes include significant legal actions initiated by customers before or after the transaction's completion, based on pre-completion activities, with damages exceeding EUR 500,000 for an individual claim or EUR 1 million in total for multiple claims. The Material Future Disputes encompass claims related to the company's migration processes and previous transactions. Additionally, Litigation Warranty Claims arise from any breaches of litigation warranties by the Sellers. The indemnity claims for these disputes are bound by specific limitations, including time constraints - 30 months post-completion. Moreover, Sellers' liability for a specific indemnity claim is nullified if legal proceedings are not initiated within nine months after the Sellers receive formal notice of the claim.

Gorenjska Bank

In 2022 and 2023 the Bank was involved in some legal proceedings in which it did not expect to lose money.

Among the legal proceedings in which the Bank was involved as a defendant in 2022 and 2023 it is worth noting, in view of the substance and value of the litigation, a collective action brought against several Slovenian banks by the Kolektiv 99 Institute on behalf of consumers who had concluded a variable-rate consumer or housing loan agreement with the Bank, seeking reimbursement of the alleged disadvantage suffered by the borrowers as a result of the Bank's failure to take account of the negative value of the Euribor in the calculation of the interest rate. By the present action, the applicant seeks a declaration that the so-called Floor practice (disregard of negative Euribor values without any basis in the loan agreement) and the so-called Floor clause (invalidity of the provision in the loan agreement according to which, in the event of a negative Euribor value, the Euribor value is deemed to be zero, or the invalidity of a comparable provision to the same effect) are null and void. The Bank did not carry out the Floor practice.

As regards the alleged nullity of the Floor clause, the Bank will argue and prove in the litigation that such a clause is not null and void as it does not constitute an unfair contractual term, but rather a valid agreement between the parties on the price of the money lent. The Bank's position is supported by the legal opinion of leading civil law experts.

The Bank received the complaint in May 2022 and replied to it within the prescribed time limit. The collective action procedure is a two-stage procedure.

All amounts expressed in thousands of EUR, unless otherwise stated.

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

37.1. Litigation (Continued)

Gorenjska Bank **(Continued)**

First, the court decides on the admissibility of the action and the representativeness of the claimant (eligibility to represent consumers) and if the action is admissible, then on the merits of the claim. At the time of writing the Annual Report, the hearing on the admissibility of the action had not yet been convened.

In view of all the arguments put forward, the Bank does not expect any negative financial effects.

The Bank did not make any provision for pending legal proceedings in 2023.

37.2. Other Off-Balance Sheet Items (assets and liabilities)

	December 31, 2023	December 31, 2022
Managed funds	100,281	15,359
Guarantees and other sureties issued	1,560,165	1,062,566
Financial assets securitizing liability settlement	174,272	-
Derivatives held for trading at contractually agreed value	262,166	213,658
Securities received as pledges	1,404,939	589,092
Other off-balance sheet assets	12,210,229	5,837,433
Total	**15,712,052**	**7,718,108**

	December 31, 2023	December 31, 2022
a) Managed funds		
Loans per managed funds in RSD		
- current	8,313	41
- non-current	91,968	15,318
	100,281	**15,359**
b) Contingent liabilities		
Payment guarantees		
- in RSD	84,955	70,149
- in foreign currencies	88,207	48,925
Performance guarantees		
- in RSD	474,813	329,944
- in foreign currencies	238,475	132,020
	886,450	**581,038**
Unsecured letters of credit	4,460	3,067
Undrawn loan facilities	526,918	386,515
	531,378	**389,582**
Irrevocable commitments per own guarantees and spot		
- in RSD	70,120	37,551
- in foreign currencies	72,217	54,395
	142,337	**91,946**
	1,560,165	**1,062,566**
c) Assets securitizing liabilities		
Financial assets securitizing liability settlement	174,272	-
	174,272	**-**
d) Derivatives		
Currency swaps and forwards	262,166	213,658
	262,166	**213,658**
e) Sureties received to secure liabilities		
Securities received to secure loan repayment	1,404,939	589,092
	1,404,939	**589,092**
f) Other off-balance sheet items		
Tangible assets, guarantees and other sureties received to secure loan repayment	10,268,996	4,676,776
Unused revocable lines of credit	590,707	476,315
Depositary operations	300,488	4
Loro guarantees	122,462	136,728
Suspended interest	101,232	267
Receivables transferred to the off-balance sheet items	504,251	478,328
Other	322,093	69,015
	12,210,229	**5,837,433**
Total	**15,712,052**	**7,718,108**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023
All amounts expressed in thousands of EUR, unless otherwise stated.

38. RELATED PARTY DISCLOSURES

Transactions with Entities Related to the Group

In the normal course of business, a number of banking transactions are performed with the Group's shareholders and other persons/entities related to the Group at arm's length.

The following table provides details of related party transactions (balances of receivables, payables, income, expenses and off-balance sheet items) as of the reporting date:

						December 31, 2023
Entity	**Balance sheet exposure**	**Off-balance sheet exposure**	**Total**	**Liabilities**	**Income**	**Expenses**
MK Group d.o.o., Beograd	29,839	427	30,266	(50,270)	369	(692)
Čista voda projekt d.o.o., Savudrija	13,150	-	13,150	(970)	2,301	(317)
Preston holding d.o.o., Novi Sad	3,961	995	4,956	(124)	215	(30)
Agrounija Indjija d.o.o.	-	517	517	(1,507)	124	(140)
Sava Kovacevic d.o.o., Vrbas	384	-	384	(3)	7	-
Pro M Logistika d.o.o., Vrbas	81	54	135	(5)	1	-
Monetic d.o.o., Ljubljana	14	3	17	(2,604)	64	-
MK Holding d.o.o., Beograd	1	7	8	(35,667)	3	(330)
Pik-Bečej a.d., Bečej	-	4	4	(4,273)	12	(163)
Pleston nekretnine d.o.o. Savudrija	3	-	3	(1)	1,248	-
Carnex d.o.o., Vrbas	-	-	-	(11,183)	24	(170)
MK Mountain Resort d.o.o., Kopaonik	-	-	-	(4,557)	20	(162)
TCK d.o.o., Ljubljana	-	-	-	(3,001)	1	-
Sunoko d.o.o., Novi Sad	-	-	-	(2,645)	87	(1,185)
Other	185	748	933	(7,116)	229	(1,812)
Total	**47,618**	**2,755**	**50,373**	**(123,926)**	**4,705**	**(5,001)**

						December 31, 2022
Entity	**Balance sheet exposure**	**Off-balance sheet exposure**	**Total**	**Liabilities**	**Income**	**Expenses**
Čista voda projekt d.o.o., Savudrija	31,154	13	31,167	(1,102)	1,987	(399)
Pleston nekretnine d.o.o. Savudrija	21,780	-	21,780	(1)	852	-
Monetic d.o.o., Ljubljana	77	1,517	1,594	(7,308)	115	(162)
MK Group d.o.o., Beograd	5	47	52	(25,302)	37	(509)
MK Holding d.o.o., Beograd	50	-	50	(4,310)	196	(298)
MK Agriculture d.o.o., Novi Sad	-	15	15	(107)	1	(1)
Pik-Bečej a.d., Bečej	1	6	7	(5,501)	21	(44)
MK Mountain Resort d.o.o., Kopaonik	3	-	3	(1,051)	36	(143)
Sunoko d.o.o., Novi Sad	-	-	-	(19,438)	56	(124)
Carnex d.o.o., Vrbas	-	-	-	(3,649)	16	(34)
TCK d.o.o., Ljubljana	-	-	-	(3,871)	1	-
TCV d.o.o., Ljubljana	-	-	-	(1,031)	-	-
Other	97	854	951	(6,735)	139	(257)
Total	**53,167**	**2,452**	**55,619**	**(79,406)**	**3,457**	**(1,971)**

39. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations is stated after charging the following items:

a) The remuneration to members of the Board of Directors of the ultimate Group parent institution during the year in absolute EUR was as follows:

	Year Ended December 31, 2023	2022
Directors' total remuneration	614,696	398,429
	614,696	**398,429**

All amounts expressed in thousands of EUR, unless otherwise stated.

39. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS (Continued)

b) Auditors' fees during the year in absolute EUR was as follows:

	Year Ended December 31, 2023	2022
Auditors' fee for the audit of consolidated report	311,760	170,065
Auditors' fee for other auditing services	5,150	15,660
	316,910	**185,725**

40. EVENTS AFTER THE REPORTING PERIOD

Parent Company

As of March 25, 2024, Agri Europe Cyprus Limited acquired 1.947.901 shares in Addiko Bank AG from Infenity Management Limited corresponding to approximately 9.99% of share capital. The purchase price share is EUR 15.15 Euro. The purchase price for all shares is therefore the purchase price per share multiplied by the number of shares and amounts to EUR 29,510,700.20. For the avoidance of doubt, AEC shall be entitled to distributed dividends for the business year ending on 31 December 2023, if any.

Infenity Management Limited is a related party to the Group therefore an arm's length approach has been applied and offered price per share corresponded to the daily closing price per Addiko Bank AG share at the Vienna Stock Exchange on March 22, 2024.

As a share of 9,99% in Addiko Bank AG's share capital does not trigger threshold for regulatory approvals, closing of this transaction was not subject to regulatory approvals.

Additionally, on March 25, 2024, Agri Europe Cyprus Limited has announced its intention to launch an all-cash voluntary offer (the Offer) at an offer price 17.50 EUR (cum dividend) per Addiko Bank AG share with the aim to acquire up to 3,315,344 shares corresponding to approx. 17.00% of the share capital in Addiko Bank AG.

Combining the Offer and already finalized acquisition from Infenity Management Limited, Agri Europe intends to acquire up to 5,263,245 shares corresponding to 26.99% of the share capital of Addiko Bank.
The consummation of the Offer will be subject to merger control and foreign investment control clearance in Austria, banking regulatory clearance by the Austrian Financial Market Authority and the European Central Bank, banking regulatory clearances in Serbia, Montenegro, Federation of Bosnia & Herzegovina, Republic of Srpska, Croatia, Slovenia, foreign investment control clearance in Slovenia as well as other customary closing conditions.

Based on the decision for allocation of the consolidated profit generated by the Agri Europe Cyprus Group during the fiscal year of 2023 to own funds, in the total amount of EUR 60 million, which is subject to approval by Board of Directors scheduled for 25th April 2024 as well as by following General meeting, the result of the previously mentioned the Group's own funds will increase by EUR 60 million as of 31st December 2023. For further insights into this impact, please refer to Note 4.10.

There have been no other significant events after the reporting period that would require adjustments to or disclosures in the notes to the accompanying consolidated financial statements of the Group as of December 31, 2023.

Nord Agri

There have been no significant events after the reporting period that would require adjustments to or disclosures in the notes to the accompanying consolidated financial statements of the Group as of December 31, 2023.

M&V Investments

There have been no significant events after the reporting period that would require adjustments to or disclosures in the notes to the accompanying consolidated financial statements of the Group as of December 31, 2023.

All amounts expressed in thousands of EUR, unless otherwise stated.

40. EVENTS AFTER THE REPORTING PERIOD (Continued)

AIK Bank

As of January 1, 2024, Bank has appointed Mr. Petar Jovanović as a new chairman of the Executive Board after obtaining approval from the National Bank of Serbia.

In accordance with the strategy for further expansion and development, the AIK bank became the sole owner of the NDM Leasing d.o.o., Belgrade, through a successful purchase transaction concluded on February 29, 2024, which subsequently underwent a name change to AIK Leasing d.o.o., Belgrade. The acquisition price was EUR 4,575 thousand. This acquisition presents an opportunity to expand the range of products and services available to existing clients through simultaneous strengthening of the position within the financial services market. Leasing will be an important channel for the attraction of new clients, encompassing both individual and corporate entities.

There have been no other significant events after the reporting period that would require adjustments to or disclosures in the notes to the accompanying consolidated financial statements of the Group as of December 31, 2023.

Eurobank Direktna

During the first quarter of 2024, Eurobank Direktna a.d., Belgrade prematurely repaid EUR 100 million funding from Eurobank S.A. Athens which is guaranteed by pledge agreement (note 24.3.3) and Annex of the pledge agreement for reduction of the pledged number of shares is in process.

There have been no other significant events after the reporting period that would require adjustments to or disclosures in the notes to the accompanying consolidated financial statements of the Group as of December 31, 2023.

Gorenjska Bank

There have been no significant events after the reporting period that would require adjustments to or disclosures in the notes to the accompanying consolidated financial statements of the Group as of December 31, 2023.

GB Leasing

There have been no significant events after the reporting period that would require adjustments to or disclosures in the notes to the accompanying consolidated financial statements of the Group as of December 31, 2023.

41. OPERATING ENVIRONMENT OF THE COMPANY

The Israel Gaza conflict has escalated significantly after Hamas launched a major attack on 7 October 2023. Companies with material subsidiaries, operations, investments, contractual arrangements or joint ventures in the War area might be significantly exposed. Entities that do not have direct exposure to Israel and Gaza Strip are likely to be affected by the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war. This is a volatile period and situation, however, the Company is not directly exposed. The management will continue to monitor the situation closely and take appropriate actions when and if needed.

42. EXCHANGE RATES

The official middle exchange rates for major currencies as determined at the interbank currency market and used in the translation of financial statements of the components in foreign currencies into EUR were as follows:

	December 31, 2023	December 31, 2022
RSD	117.1737	117.3224
USD	1.1068	1.0651
CHF	0.9334	0.9838