



AGRI EUROPE



Disclosure Report 2023

pursuant to Part Eight
of the Capital Requirements Regulation (CRR)



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1. Introduction

Agri Europe Cyprus Limited Group publishes Disclosure Report based on figures as of 31st December 2023 in accordance with Article 13 of the Regulation No.575/2013 of the European Parliament (Capital Requirements Regulation or CRR).

Agri Europe Cyprus Limited Group (AEC Group or Group) consists of the following members:

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

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 are continuing to operate as two separate entities without any changes that would affect the clients and the services that these banks provide to them.

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

Beside obtaining new Group member, as described in paragraph above, there are no significant changes in place compared to previous disclosures. Group has not identified any disclosure waivers (no omission of required disclosures takes place).

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

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

Based on EU banking legislation and relevant EBA regulations, AEC Group is assessed as large, non listed institution. In line with that, Disclosure Report as main document is published annually, and Disclosure of key metrics and overview of risk-weighted exposure amounts, in accordance with Article 447 of CRR, is published semi-annually.

Pursuant to Article 434 (1) CRR, the Group publishes the Report annually on the website <https://www.gbkr.si/> and on <https://www.agrieuropa.com.cy/>. Pursuant to Article 434 (2) of CRR, the Group makes available on its website an archive of Disclosure Reports for previous dates.

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



1.1. Overview of non-applicable disclosures

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

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

1.2. Disclosures in other published reports

Some of disclosure requirements are already contained in AEC Group Notes to the Consolidated Report and Financial Statements for the year ended December 31, 2023. If that is the case, under respective point of this Disclosure, article of CRR and corresponding AEC Group Notes to the Consolidated Report and Financial Statements paragraph is clearly mentioned.

2. Risk Management Objectives and Policies

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

Details regarding risk types and risk managements within AEC Group are described in AEC Group Notes to the Consolidated Report and Financial Statements for the year ended December 31, 2023.

The Notes are available at the web site of AEC Group: <https://agriurope.com.cy/>, within section "Annual Reports".

2.1. General information on risk management strategies and policies

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

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

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

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

The basic principles of risk taking are:

- Group accepts risks it can manage,
- establishing clear rules for managing individual types of risk, with accompanying procedures for managing each individual type of risk with clearly defined objectives,
- making business decisions based on qualitative and/or quantitative analysis of risk parameters, in order to timely detect changes in the risk profile,
- collecting complete, timely and accurate data important for risk management and providing adequate technical infrastructure for data storage and processing,
- the principle of caution in assuming risk, with continuous monitoring and control of exposure to certain types of risks and respect for the established system of limits,



- using a number of methods for identifying and measuring risk, and
- using past experiences and lessons learned to avoid future mistakes.

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

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

In order to satisfy the principle of risk taking, following principles of risk management is considered:

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

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

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

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



and are subject to regular analysis, monitoring and verification by the Group's governing bodies.

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

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

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

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

- sensitivity analysis, measuring potential impact of a specific single risk factor affecting capital or liquidity on portfolio, subsidiary or Group-wide level; it is used under ICAAP and for ad-hoc stress testing,
- scenario analysis, assessing the Group's resilience towards a specified macroeconomic scenario; it is used under ICAAP and Recovery Plan, also for capital planning,
- reverse stress testing, as form of scenario analysis where the goal is to identify a scenario or a combination of scenarios that lead to an outcome in which the Group's business model might become unviable. It is used within the Recovery plan, the ICAAP and ILAAP at least annually,
- liquidity stress testing.

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

List of all risks Group has identified and assessed as material, and their definitions, is presented in the table below:

Table 1_List of risk types assessed as material

Risk type	Risk subcategory	Risk definition
Credit risk	Credit default risk	Possibility of occurrence of adverse effects on the financial result and capital of the Group due to debtor's failure to fulfil its obligations towards the Group
	Counterparty credit risk	Possibility of adverse effects on the financial result and the Group's capital due to default of the other party's obligation in the transaction before the final settlement of the cash flows of the transaction, i.e. the settlement of monetary liabilities under that transaction



Risk type	Risk subcategory	Risk definition
	FX lending risk	Risk arising from the impact of the change in the domestic currency's exchange rate on financial position and creditworthiness of the borrower due to the currency mismatch between the borrower's receivables and his obligations towards a group member
	Credit risk induced by interest rate risk	Risk of loss due to changes in the reference interest rates to which the repayment of the loan is related, which may adversely affect the client's creditworthiness or client's ability to settle liabilities in a timely manner
	Concentration risk	Risk that directly or indirectly arises from the Group's exposure to the same or similar source of risk
Market risk	FX risk	Risk of losses stemming from adverse exchange rate movements in foreign currencies
	Position risk	Risk of losses, which arise from the price movements of stocks, funds and other types of direct or indirect investments into firms the bank is holding
	Credit Valuation Adjustment (CVA) risk	Risk of loss caused by changes in the credit spread of a counterparty on derivatives transactions due to deterioration of counterparty credit worthiness and changes in its credit quality
Interest rate risk	Interest Rate risk (Banking Book)	Risk of losses arising from adverse movements in the absolute levels of interest rates, the spread between two rates, in the shape of the yield curve or in any other interest rate relationship
	Credit spread risk (Banking Book)	Risk of reduction in value of securities held in banking book due to increase in the levels of market interest rates and required returns
Liquidity risk	Short Term Liquidity risk	Represents the risk that is unable to meet all of its payment obligations in short term (up to 1 year)
	Long Term Liquidity risk	Risk that cannot generate sufficient long-term funding to refinance its business activity
	Liquidity market concentration risk	Liquidity market concentration risk is referred to the various types of concentration of liquidity buffer (issuers, geographical distribution, security types, etc.)
	FI Funding Concentration risk	Funding concentration risk arises from an insufficient level of diversification of liquidity sources in terms of term, product type or creditor
	Customer Funding Concentration risk	Funding concentration risk arises from an insufficient level of diversification of liquidity sources in terms of term, product type or creditor, when it comes to customer deposits
Operational risks	Operational risk in general	Risk of possible negative effects on the financial result and capital of the Group due to omissions (inadvertent and intentional) in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems in the Group, and the occurrence of unpredictable external events. Includes also risk of adverse effects and losses arising from fraudulent activities performed by external parties, internal parties or combined
	Legal Risk	Risk of adverse effects on the financial result and the Group's capital based on court or off-court procedures related to the Group's operations (obligatory relations, labor relations, etc.).
	Information and communication technology (ICT) risk	Risk of threat to business data, critical systems and business processes. It is the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an organization. It also comprises cyber risk.
	Information security risk	Risk of loss due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data or inability to change information technology (IT) within a reasonable time and with reasonable. This includes inadequate or failed internal processes or external events including cyber-attacks or inadequate physical security.
	Model risk	Probability of loss resulting from the weaknesses in the financial model used in assessing and managing a risk
	Third-party risk	Risk of possible negative effects on the financial institution in case proper risk management system that covers Outsourcing, ICT and Cyber security is not in place
Other risks	Sovereign risk	Risk of a country defaulting on its commercial debt obligations i.e. risk that a foreign central bank will alter its foreign exchange regulations; risk of a government becoming unwilling or unable to meet its loan obligations.
	Reputational risk	Possibility of adverse effects on the financial result and the Group's capital due to the failure to harmonize the Group's operations with



Risk type	Risk subcategory	Risk definition
		legal acts, bylaws, internal acts of the Group, as well as with the rules of profession, good business practices and business ethics of the Group and as a consequence possible loss of public confidence, that is, the unfavorable attitude of the public towards the Group's operations, regardless of whether there is a basis for it or not
	Compliance risk	Possibility of adverse effects on the financial result and the Group's capital due to failure to align its operations with law and other regulations, operating standards, procedures for the prevention of money laundering and terrorist financing and other procedures, as well as other acts regulating the operations of Groups, in particular, includes the risk of sanctions of the regulatory body, the risk of financial losses and reputation risk.
	Risk of Money Laundering, Terrorism Financing, or Circumvention of Financial Sanctions	Risk that a contractual party will misuse a business relationship, a transaction for money laundering, terrorism financing activities or circumvention of applicable financial sanctions, the risk of possible negative effects on the financial result, capital or reputation of the Group due to the use of the Group (direct or indirect use of a business relationship with the Group, transaction, service or product of the Group) for money laundering, terrorism financing, and/or circumvention of applicable financial sanctions regimes.
	Strategic and Business risk	Possibility of adverse effects on the financial result and/or the Group's capital due to the lack of appropriate policies and strategies, their inadequate implementation, as well as due to changes in the environment in which the Group operates or lack of adequate Group reactions to these changes
	Climate related and environmental risk	Compromises of two main risk drivers: a) Physical risk refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. Physical risk is therefore categorized as "acute" when it arises from extreme events, such as droughts, floods and storms, and "chronic" when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity. This can directly result in damage to property or reduced productivity, or indirectly lead to subsequent events, such as the disruption of supply chains. b) Transition risk refers to Group's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences
	Human resource risk	The risk associated with the recruitment and retention of skilled and qualified staff, due to market situation, turnover, sick leave or extreme situations such as epidemics or other natural disasters

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

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

For the purpose of adequate risk management, at the Group level as well as on each subsidiary an appropriate organizational structure has been established. The organisational structure on the subsidiary level corresponds to the scope, type and complexity of the tasks it

performs and in order to prevent the conflict of interest, the separation of the functions of taking risks (front office) from the function of risk management (middle office) and activities of support (back office).

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

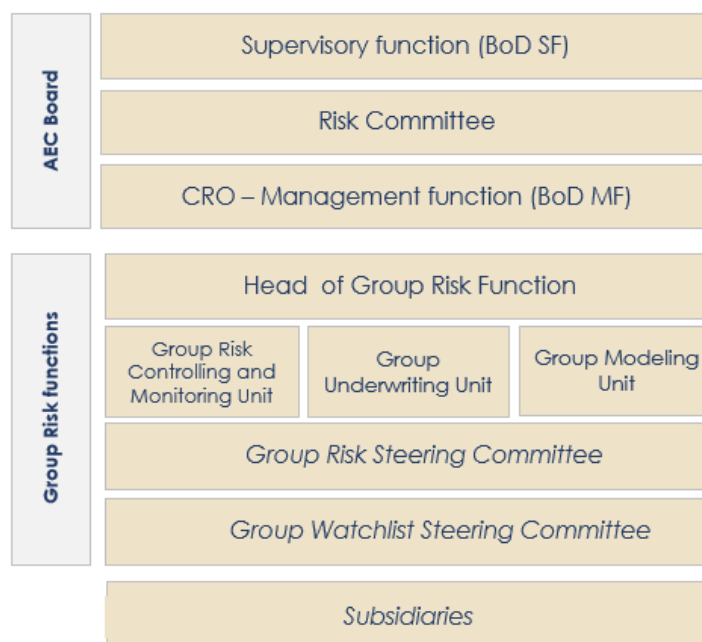


Figure 1_AEC Group risk management structure

Supervisory function oversees and monitors Group strategic objectives, organizational structure and risk strategy, including its risk appetite and risk management framework, as well as other policies (e.g. remuneration policy) and the disclosure framework are implemented consistently, oversees and monitors management decision-making and actions and provides effective oversight of the management function, monitors that the risk culture of the Group is implemented consistently, and performs other activities in line with internal rules on governance.

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

Management function is responsible for the implementation of the strategies and discusses regularly the implementation and appropriateness of those strategies and performs other activities in line with internal rules on governance. **CRO** is responsible for setting up comprehensive risk management framework on the Group level, oversees and manages Group Risk Function and coordinates the preparation of Group Risk Strategy and Group Risk appetite statement.

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



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

Group Watchlist Steering Committee monitors the risk exposure of clients on Watchlist (- non-credit decision), more specifically activities of approving the classification and re-classification of watch listed and other selected clients, approving mitigating action plans for watch listed and other selected clients, and reviewing the effectiveness of the implemented mitigating action plans.

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

First line of defence is on the level of business units as risk taking units. Their roles are compliance with risk appetite limits, implementation of risk governance principles and risk management procedures and considering risk mitigation vs profitability when decision making.

Second line of defence is on the level of Risk Management function and Compliance function. Their responsibilities are development of processes, risk models and tools, setting and allocation of limits, proposing strategies, providing internal policies, methodologies and procedures, setting internal validation framework, assessment of the use of the models and their correct application in practice, reliability of input data (risk management function), reviewing and monitoring regulatory changes with which the Group is required to comply and offering support to follow regulatory requirements properly (compliance function).

The third line of defence is on the level of Internal audit function. It is responsible for monitoring the effectiveness of the Group's internal quality control and risk management systems, reliability of reporting process and general risk assessment of all aspects.

2.3. The Scope and Nature of Risk Reporting

Risk reporting process in AEC Group includes two segments:

- Internal reporting,
- Regulatory reporting.

Internal reporting provides a comprehensive view of the Group risk position, compliance with Group risk appetite, warning signals in case of increase in exposure to certain risks beyond the Group risk tolerance. Reports include forward-looking component and present development of the risk exposure in order to ensure prompt reaction and setting up the mitigation measures to prevent potential breach. Internal risk reporting includes a set of reports to which the sectors in charge of risk management and control are submitted to the relevant bodies on the subsidiary level and to Group Risk Committee and Group Management body in its Management function (monthly) and in its Supervisory function (quarterly) in accordance with the deadlines defined by the Group Risk Management Policy. Reporting could be arranged more often if necessary and as defined by relevant policies and frameworks.

Regulatory reporting implies submission of regulatory prescribed reports to the regulator. The reports on risk management and control are submitted on consolidated level in the forms and within the deadlines prescribed by the regulator. The Group functions are responsible for reviewing consolidated reports before submission to the regulator. In addition, each subsidiary member is responsible for regulatory reporting based on local regulation.

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



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

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

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

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

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

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

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

Overview of Group risk profile and key indicators i.e. indicators that has set limits as strict requirements for taking risks in a certain category or type of risk, as of 31.12.2023 is presented in the table below. Group Risk Appetite Statement is discussed and reported to Risk Committee and AEC BoD.

Table 2_Risk Appetite Statements indicators as of 31.12.2023

Risk Area	Key Risk Indicator	31.12.2023
Capital metrics	Common Equity Tier 1 ratio (CET1)	17.36%
	Tier 1 ratio (T1)	17.36%
	Total Capital ratio (TCR)	18.46%
	Risk bearing capacity (RBC) utilization	65.9%
	Leverage ratio	11.06%
Credit risk	NPL ratio	2.81%
Concentration risk	Single Name Concentration ratio	21.52%
Market Risk	FX Risk indicator	3.90%
	Sum of all exposures in Trading book	12.50
Sovereign risk	Exposure towards Government bonds issued by RS/SI	61.34%
Liquidity Risk	Liquidity Coverage ratio (LCR)	385.69%
	Loan-to-deposit ratio (LTD gross)	76.93%
	Survival Horizon (days)	147
	Net Stable Funding Ratio (NSFR)	156.7%
Interest Rate Risk	Sensitivity of EVE (Parallel shift 200bp)/Own Funds	-0.72%
	Sensitivity of EVE (6 scenarios)/Tier 1 in stress scenario	-4.62%
	ΔNII/Own Funds	1.85%
Credit spread risk	Credit spread risk in Banking book	-0.17%
Operational risk	Operational risk losses ratio	9.24%
Compliance/AML	No. Of clients from the countries on Restricted list	15
	No. of anonymous accounts, anonymous passbooks or anonymous safe-deposit boxes	0

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

3. Governance Arrangement

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

In October 2023, AEC BoD adopted a new enhanced Group Policy on Internal Governance. The key purpose of the Group Policy on internal governance is to ensure effective and prudent governance of the Holding Company and the Group within applicable laws and regulations, bylaws, standards and corporate governance best practice recommendations.

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

On 31.12.2023, AEC BoD has 9 members, out of which 2 are executive BoD members in the capacity of management function and 7 are non-executive BoD members in the capacity of supervisory function. During 2023, AEC BoD was joined by one additional Board member approved by the ECB (Ms. Aleksandra Babić, CRO). At the same time, the previous executive member of the BoD, Mr. George Syrichas became a non-executive member of BoD.

In this manner and as a result of additional member in the AEC BoD, the Holding company improved collective suitability of the BoD and has strengthened the composition of BoD committees in 2023.

Committees of the Board of Directors in its supervisory function

In accordance with Article 109(1) Directive 2013/36/EU and in conjunction with Articles 76(3), 88(2), and 95(1) of Directive 2013/36/EU, and the Group Policy on Internal Governance, a Risk Committee, an Audit Committee, a Nomination Committee and an Remuneration Committee are established in AEC to advise the Board of Directors in its supervisory function and prepare the decisions to be taken by that Board of Directors. All Committees of the Board of Directors in its supervisory function have adequate access to all relevant information from relevant corporate and control functions, in order to perform their role. Committees support the Board of Directors in its supervisory function (non-executive directors) in specific areas and facilitate the development and implementation of a sound internal governance framework. All committees are chaired by a non-executive member of the BoD who is able to exercise objective judgement. Committees are composed of three members, while making sure that different committees are set up by different combinations of members. Independent members of the Board of Directors in its supervisory function are actively involved in the committees. Chairs and members of the committees occasionally rotate between the committees, taking into account the specific experience, knowledge and skills that are individually or collectively required for those committees.

The Risk Committee is composed of non-executive members of the Board of Directors. Members of the Risk Committee have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Group. Members of the Risk Committee have, individually and collectively, appropriate knowledge, skills and expertise concerning risk management and control practices.

The Audit Committee is composed of non-executive members of the Board of Directors. The Audit Committee members as a whole have competence relevant to the financial sector. The chair of the Audit Committee is an independent member of the Board of Directors in its supervisory function (non-executive director).

The Remuneration Committee is composed of non-executive members of the Board of Directors. Members of the Remuneration Committee have collectively appropriate knowledge, expertise and professional experience concerning remuneration policies and practices, risk management and control activities, namely with regard to the mechanism for aligning the remuneration structure to Group's risk and capital profiles.

The Nomination Committee is composed of non-executive members of the Board of Directors. Members of the Nomination Committee have, individually and collectively, appropriate



knowledge, skills and expertise relating to the Group's business and concerning the selection process and suitability requirements as set out under Directive 2013/36/EU, to be able to assess the appropriate composition of the Board of Directors, including recommending candidates to fill Board of Directors vacancies.

3.1. Directorships held by members of management body

AEC Board of directors in its management function comprises the following two (2) executive members as of 31st December 2023: Ms Jelena Galić as CEO and Ms Aleksandra Babić as CRO.

Table 3_Number of directorships of AEC BOD in its management function (executives)

	Group Directorships (all count as 1)		Other Directorships		Other functions
Group Management function					
	Executive directorships	Non-Executive directorships	Executive directorships	Non-Executive directorships	Other functions
Ms Jelena Galić	AEC - Member of The Board of Directors (CEO)	Gorenjska banka – President of the Supervisory Board AIK Banka – Member of the Supervisory Board	/	/	/
Ms Aleksandra Babić	AEC - Member of Board of Directors (CRO)	Gorenjska banka – Member of the Supervisory Board Eurobank Direktna banka - Member of the Supervisory Board	/	/	/

AEC Board of directors in its supervisory function comprises the following seven (7) non-executive members as of 31st December 2023: Mr Romeo Collina, Chairman, Mr Aleksandar Kostić, Vice-Chairman, Mr Nicos Anastasis Neophytou, Mr Martin Elling, Mr Richard Sharko, Mr Lambros Papadopoulos, Mr George Syrichas.

Table 4_Number of directorships of AEC BOD in its supervisory function (non-executives)

	Group Directorships (all count as 1)		Other Directorships		Other functions
Group Management function					
	Executive directorships	Non-Executive directorships	Executive directorships	Non-Executive directorships	Other functions
Mr Romeo Collina	/	AEC-Chairman of Board of Directors Eurobank Direktna banka - President of the Supervisory Board	/	/	/
Mr Aleksandar Kostić	/	AEC- Vice- Chairman of Board of Directors, AIK – President of the Supervisory Board	/	/	/
Mr Nicos Anastasīs Neophytou	/	AEC- Member of Board of Directors	/	2	/
Mr Martin Elling	/	AEC- Member of	/	1	/



	Group Directorships (all count as 1)	Other Directorships	Other functions
Group Management function			
		Board of Directors	
Mr Richard Sharko	/	AEC- Member of Board of Directors	/
Mr Lambros Papadopoulos	/	AEC- Member of Board of Directors	/
Mr George Syrichas	/	AEC- Member of Board of Directors	1

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

This section presents information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise.

On the Group level, the main principles on selection of members of the management body is defined in Group Policy on the assessment of the suitability of members of the management bodies and key function holders (hereafter: Group Suitability Policy). In accordance with the Group Suitability Policy members of the management body must have professional (theoretical) knowledge, skills and (practical) experience, including personal integrity, to independently exercise their judgement in taking decisions in the best interest of the AEC Group. Members must be competent to exercise a comprehensive and objective judgement on the relevant matters at all times.

The Suitability Policy is in line with the strategy, values and long-term vision of the Group. It sets out detailed selection strategy and procedures for the assessment of the suitability of members of the management body and Key Function Holders of the Group. It includes criteria for the assessment of the collective and individual suitability, while respecting the principles of diversity, proportionality and equal opportunities. The Suitability Policy also outlines the documentation required for the assessment, procedures to ensure the suitability, and procedures for the reassessment of the suitability if required.

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

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

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

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

All subsidiaries are required to follow the professional standards and ethical standards as defined by the Policy, as well as other professional standards (the obligation of diligent, loyal and independent behavior) of the management body's members.

Presentation of the AEC BoD in its management function (executive directors):



Ms Jelena Galic (CEO) graduated from the faculty of Economics at University of Belgrade and obtained PhD in Economics at the same University. Jelena Galic joined AIK bank in March 2015 as Chairperson of the Board of Directors. Before this position she was the Director of the Business Advisory Services Deloitte Belgrade and also Practice Leader in Financial Service Industry and Public Sector for the cluster composing of Serbia, Republic of Srpska, Macedonia and Montenegro with S&O and ICT. Her service line focus was on strategy development, business restructuring and change management. Before joining Deloitte, she was the Executive Director of Economics Institute in Belgrade. During her 25 years of professional experience Ms. Galić has taken a leading role in a number of projects performed for public and private sector clients in the area of strategy and business development. In addition to this, during her engagement with Economics Institute she has also been active in providing advisory services to the government in the area of economic policy and financial sector development (she led number of projects governed by International Development agencies such as ED, WB, IFC and performed for the government as a beneficiary). She attended many domestic and international conferences as invited speaker and published more than 40 working papers and was one of the founders and Vice President of the Serbian Association of Managers.

Ms Aleksandra Babić (CRO) graduated from Webster university, Vienna where she also received her master's degree. Ms. Babić has more than 15 years of experience in the financial sector. She started her career as an auditor of financial institutions in Ernst&Young. Later she joined Ernst&Young advisory team. She was engaged on the projects in risk management area including introduction and implementation of Basel standards. In 2014, she joined AIK bank, Belgrade as Head of risk controlling. In 2021, she became Head of AEC group risk management function and responsible for development of comprehensive risk management framework on the Group level and for monitoring of the implementation of the Group Risk Management and Group Risk Appetite on the subsidiary level. Both as Head of Risk controlling and Head of Group risk function Ms Babić was actively involved in numerous M&A processes. Since June 2023, she is a Group Chief Risk Officer.

Presentation of the AEC BoD in its supervisory function (non-executive directors):

Mr Romeo Collina (Chairman of the Board of Directors) started his banking career in Italy in 1980s, before moving thereafter the US for 10 years between Chicago and New York where he took over as Deputy Chief Branch Manager responsible for Corporate clients in US and Central&South America. In 2000, Mr. Collina moved to London as a Branch Manager until 2004 when he became the Head of Trade Financing, Corresponding banking and International Network, in more than 20 countries for Capitalia, the third largest Italian banking Group. After the merger with UniCredit he was involved in the most significant turnaround projects. In 2010 he was appointed as CEO in ATF Bank, the third largest Kazak Group. In 2013 he was Head of Restructuring and Workout in Italy, becoming the following year Deputy Chief Risk Officer. In 2015, Mr. Colina was nominated Deputy Chairman of the Management Board and GM in Zagrebačka, number one Bank in Croatia. From March 2016 to the end of 2018 he joined the Board of Bank Austria, as Deputy Chairman of the Management Board and COO. In 2019, he was part of the team who was working along with the Group CEO on the new 2020-2023 Business Plan. On January 2020, he was appointed as CEO again in Zagrebačka until he retired on September 2021.

Mr Aleksandar Kostić (Vice-Chairman of the Board of Directors) has more than six years of professional experience in financial management. In the past years he has been involved in the realization of banking division strategy with special focus in new investment and M&A processes. Before joining the Group, he has gained knowledge and experience in Private Equity, Credit and Real Assets through different assignments and investment projects within the region. Alexander graduated from the royal hall University of London where he studied at the Department of Economics.

Mr. Nicolas Anastasis Neophytou is an ACCA and has been in the accounting profession for more than 40 years. He worked in London for 12 years gaining experience in the fields of audit and corporate taxation. He joined PricewaterhouseCoopers (Cyprus) in 1989 and became a



partner in 1994 specializing in International Tax in diverse industry sectors, with special focus in financial service industry. From 2005 to retirement in 2013, he was heading the Global Corporate Services Department in Limassol, being in charge of large and diverse portfolio of clients ranging from multinational and local companies to high-net-worth individuals.

Mr Martin Elling is a Dutch national, graduated in economics in 1979 after which he joined United Nations where he worked for 11 years on sector policy lending in Asia, Eastern Europe and Africa mostly for the World Bank. In 1992, he joined the European Bank for reconstruction and development (EBRD) in London as a senior banker. He left the bank in 1997 and he has since then created several businesses in B2B services in Ukraine and Russia. After achieving 3 successful exits Martin Now works mostly as a non-executive director concentrating on strategic development and corporate governance.

Mr Richard Sharko is an American CPA (retired) and has been in the accounting profession for more than 40 years. He originally started with PricewaterhouseCoopers (PwC) in Los Angeles in 1983. Subsequently he worked in London, Budapest, Vladivostok, Moscow and Amsterdam offices in the PwC network. During that time, he gained experience in the areas of audit and accounting in the banking, insurance, investment, real estate and extractive industry sectors became a partner in the 1996 and retired from PwC in 2021. In addition to the auditing and accounting experience, Mr. Sharko was also a member of the Network Global Governance Board from 2009 to 2013 and the CRO for the PwC CEE region from 2013 till 2015. From 2015 -2020, he was a Board member of the International Auditing and Assurance Board.

Mr Lambros Papadopoulos has 29 years of experience in senior management and board positions in listed companies in the United States, the United Kingdom, Greece and Cyprus. Since January 2022 he is an Independent Member of Board of the Board of Directors of Agri Europe Cyprus Ltd and is currently the Chairman of the Risk Committee. Mr. Papadopoulos commenced his career in 1993 at Ernst&Young in London, where he qualified as a member of ICAEW and worked in the divisions of Audit and Corporate Finance until 1998. During 1989 till 2012 he worked at Citigroup London as the head of equities research for Greece and head of research for small and medium capitalization companies in continental Europe since 2006 he held the position of managing director and was a member of the operating committee in equity research. Amongst the other non-executive position that Mr. Papadopoulos held was being the Chairman of the Audit Committee and independent BoD member at Bank of Cyprus in 2013 and Hellenic bank between 2015 and 2018. Between 2018 - 2022 he was an independent BoD member and member of the Audit/ Strategy committees of the Board of Directors of Global Post Investments, which is listed on the London Stock Exchange Mr. Papadopoulos holds a B.A. (Hons) Accounting with Computing degree from the University of Kent at Canterbury (UK).

Mr George Syrighas has more than 30 years of experience in the financial sector. He served as an Executive Director and Board Member of the central Bank of Cyprus and the Resolution authority of Cyprus. He also follows and deeply understands international economic and financial developments and challenges. He has participated in numerous international for a, such as the European Commission, the International Monetary Fund, the European Central Bank and the ECB Governing Council as the Governor's accompanying expert. Mr. Syrighas holds the PhD in Economics from the University of Essex. He has taught economics and business executive courses at various Universities and Institutions in Cyprus and abroad. He frequently discusses current economic affairs in public media and has given numerous lectures in Cyprus and abroad on topics related to the Cyprus and European economies, banking, financial stability, monetary policy and exchange rate policy and European Union issues.

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

The Group as whole is committed to improving the gender ratio within the management body, while also taking into account the legal requirement that the members of the



management body must have adequate knowledge, skills and experience. The fulfilment of the latter requirements remains the top priority during the selection of suitable individuals. All management body appointments must primarily be based on merit, considering skills, ethics, and experience, without regard to color, race, nationality/ethnicity, disability, age, gender, religion, sexual orientation, political opinion, or any other unfair criteria. Organizations within the Group should not recruit members of the management body with the sole purpose of increasing diversity to the detriment of the functioning and suitability of the management body collectively, or at the expense of the suitability of individual members of the management body. The Group strives for a union of equality, where all genders can pursue their chosen path in life in a society free from violence and stereotypes, where leadership is shared equally and where individuals thrive in a gender-equal economy.

The Group is pursuing the principle of a balanced gender representation in a sense that in the management bodies of the Group, underrepresented gender collectively represents at least 20% of the members of the management bodies within the Group by end of 2026.

As of 31.12.2023 the Group's management bodies were represented by both genders with 28 % of underrepresented gender.

Regarding the other aspects of diversity, the Group is well balanced in its main structures, meaning that there are diversity in formal education, skills, work experience, age, nationality, etc.

3.4. Information on separate risk committee and the frequency of the meetings

The AEC Group has established a governance structure with the separate Risk Committee, which is a consultative body of the Board of Directors in its supervisory function and whose mission consists of supervising the senior management with regard to the implementation of the risk management strategy at the Group level. It also provides advice with regard to the Group current and future risk appetite as presented in the chapter 2.2 of this Report. In 2023, the Risk Committee has met 10 times.

3.5. Information Flow on Risk to the Management Body

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

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

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

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

4. Scope of Application

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

Agri Europe Cyprus Limited (hereinafter "AEC") is a legal entity incorporated and domiciled in Cyprus and is ultimate financial holding of banking Group. Its parent 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.

Prudential consolidation is done on AEC level as the AEC is subject to the CRR. In accordance with Articles 11 and 18 CRR, a prudential consolidation includes AEC as the parent company, and all other institutions, financial institutions and ancillary services undertakings that are its subsidiaries within the meaning of Article 4 (1) (16) CRR, or are jointly managed together with other parties within the meaning of Article 18 (4) CRR. Subsidiaries are fully consolidated.

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

AEC Group is obliged to publish disclosures on consolidated level, as required by the Regulation (EU) No 575/2013 of the European Parliament and of the Council. Group members are listed in the Introduction part of this Disclosure Report.

The Group's ownership structure with percentage of ownership is shown in the figure below. AEC owes 91.7% of Gorenjska bank, while others have 100% ownership shares in subordinate entity.

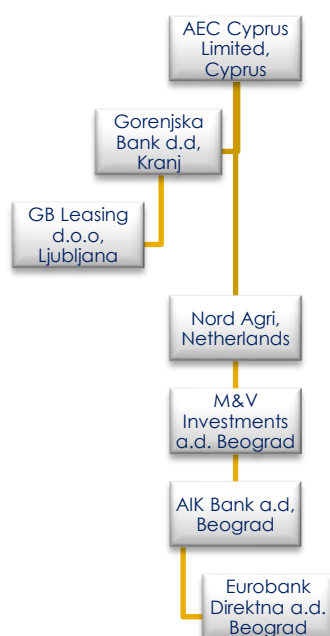


Figure 2_AEC Group ownership structure

4.1. Differences in the scopes of consolidation

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

The main differences between prudential and accounting consolidation as of December 31, 2023 are:

- Subsidiary outside the banking and financial sector is not consolidated within the regulatory group of institutions but is included in the consolidated financial statements according to IFRS (subsidiary Imobilia - GBK, d.o.o., Kranj), and
- Subsidiaries which, according to CRR Article 19, can be excluded due to immateriality (Filira, poslovne storitve d.o.o., Ljubljana).



As of year end 2023, prudential consolidation includes six entities, excluding the parent Agri Europe Cyprus Limited, where all entities were consolidated with full consolidation approach. The classification applied for these entities is in accordance with CRR. The regulatory group comprised: 3 credit institutions, 2 holding companies, 1 Broker company and 1 Leasing company.

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

Table 5_EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

a	b	c	d	e	f	g	h
Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Agri Europe Cyprus LTD, Cyprus	Full consolidation	X					Holding company
NordAgri NV, Netherlands	Full consolidation	X					Holding company
M&V Investmens a.d, Beograd	Full consolidation	X					Broker company
AIK Banka a.d, Beograd	Full consolidation	X					Credit institution
Eurobank direktna, a.d, Beograd	Full consolidation	X					Credit institution
Gorenjska banka d.d, Kranj	Full consolidation	X					Credit institution
GB Leasing d.o.o, Ljubljana	Full consolidation	X					Leasing company
Imobilija - GBK, d.o.o, Kranj	Full consolidation				X		Real estate activities
Filira, poslovne storitve d.o.o, Ljubljana	Full consolidation				X		Consulting company

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

The table EU LI1 below provides a comparison between the consolidated balance sheet for accounting and prudential purposes as of December 31, 2023.

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

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

Table 6_EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

000 EUR

	a	b	c	d	e	f	g	
	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds	References*
Breakdown by asset classes according to the balance sheet in the published financial statements								
1	Cash and cash funds held with the central bank	1,546,695	1,544,837	1,505,411	-	-	775,001	-
2	Receivables under derivatives	3,145	3,138	-	3,138	-	977	-
3	Securities	858,705	857,866	397,474	460,392	-	388,327	575
4	Loans and receivables due from banks and other financial institutions	1,069,234	1,067,200	963,736	-	-	729,186	-
5	Loans and receivables due from customers	5,022,307	5,018,040	5,018,040	-	-	1,129,708	-
6	Investments into subsidiaries	0	2,606	-	-	-	-	-
7	Investments into associates	1,281	1,278	-	-	-	-	-
8	Intangible assets	31,017	30,966	2	-	-	-	30,964
9	Property, plant and equipment	122,824	122,328	122,328	-	-	-	-
10	Investment property	56,340	52,675	52,675	-	-	-	-
11	Current tax assets	21,877	21,833	21,833	-	-	-	-
12	Deferred tax assets	7,726	7,799	5,721	-	-	-	2,078
13	Non-current assets held for sale and assets from discontinued operations	6,583	6,583	6,583	-	-	-	-
14	Other assets	38,573	38,782	38,782	-	-	17,360	-
15	Total assets	8,786,307	8,775,931	8,132,584	463,530	0	3,040,559	33,616
Breakdown by liability and equity classes according to the balance sheet in the published financial statements								
1	Liabilities under derivatives	2336	2331					
2	Deposits and other liabilities due to banks, other financial institutions and the central bank	781,820	780,365				211,947	
3	Deposits and other liabilities due to customers	6,555,030	6,550,129				2,137,381	
4	Liabilities under securities	72,326	72,326				12,968	
5	Subordinated liabilities	66,515	66,381					
6	Provisions	19151	19,125					
7	Current tax liabilities	2540	2,514					
8	Deferred tax liabilities	2363	2,446					
9	Other liabilities	97,047	97,046				38,320	
10	Total liabilities	7,599,128	7,592,663	0	0	0	2,400,616	0

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

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

Total difference is 10,376 EUR for asset and 6,465 EUR for liabilities. The main differences are on following categories:

- Loans and receivables due from customers,
- Investments in associates and joint ventures,
- Investment property,
- Deposits and other liabilities due to customers.

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

Table EU LI2 as of December 31, 2023 presents a description of the differences between the financial statements' carrying value amounts under the regulatory scope of consolidation and the exposure amounts used for regulatory purposes.

Table 7_EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

000 EUR

	a	b	Items subject to			e
			Credit risk framework	Securitisation framework	CCR framework	
	Total					
1	Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	8,775,931	8,132,584	-	463,530	3,040,559
2	Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	-	-	-	-	2,400,616
3	Total net amount under the scope of prudential consolidation	8,775,931	8,132,584	-	463,530	639,943
4	Off-balance-sheet amounts	2,010,510	2,010,510	-	-	
5	Differences in valuations	(575)	(575)			
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	
7	Differences due to consideration of provisions	-				
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(138,393)	(138,393)			
9	Differences due to credit conversion factors	(1,535,080)	(1,535,080)			
10	Differences due to Securitisation with risk transfer	-				
11	Other differences	-				
12	Exposure amounts considered for regulatory purposes	9,112,393	8,469,046	-	463,530	639,943

4.3. Impediments to fund transferst

The Group entities within the scope of prudential consolidation are subject to local regulatory and tax requirements as well as potentially exchange controls. During 2023 the Group did not have external capital distributions.

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

4.4. Potential capital shortfalls in unconsolidated subsidiaries

Group subsidiaries which were not included in prudential consolidation due to their immateriality did not have to comply with own regulatory minimum capital standards in 2023.

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

5. Own Funds

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

5.1. Own Funds composition, prudential filters and deduction items

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

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

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

In line with regulatory requirements, the Group must meet the Common Equity Tier 1 capital ratio of 4.5%, Tier 1 capital ratio of 6% and the total capital ratio of 8%. At the end of 2023, Common Equity Tier 1 capital exceeded the requirements for 761,089 thousand EUR, Tier 1 capital for 672,347 thousand EUR and total Own Funds for 618,766 thousand EUR.

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

Table 8_EU CC1 - Composition of regulatory own funds

000 EUR

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	40,001	E
	of which: Instrument type 1	40,001	
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	821,305	G, H
3	Accumulated other comprehensive income (and other reserves)	203,466	F
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,064,772	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(575)	A, B
8	Intangible assets (net of related tax liability) (negative amount)	(30,964)	C
9	Not applicable	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(2,078)	D
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	



000 EUR

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
24	Not applicable		
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	(3,841)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(37,458)	
29	Common Equity Tier 1 (CET1) capital	1,027,314	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	



000 EUR

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	
44	Additional Tier 1 (AT1) capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	1,027,314	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	64,741	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	Tier 2 (T2) capital before regulatory adjustments	64,741	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Not applicable		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
56b	Other regulatory adjustments to T2 capital	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	-	
58	Tier 2 (T2) capital	64,741	
59	Total capital (TC = T1 + T2)	1,092,055	
60	Total risk exposure amount	5,916,120	



000 EUR

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	17.36%	
62	Tier 1	17.36%	
63	Total capital	18.46%	
64	Institution CET1 overall capital requirements	8.99%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.16%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	-	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.83%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	7.21%	
69	Not applicable	n/a	
70	Not applicable	n/a	
71	Not applicable	n/a	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	11,278	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	2,606	
74	Not applicable	n/a	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	5,722	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
		-	
		-	
		-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

From total retained earnings as per regulatory consolidation in the amount of 935,053 thousand EUR (table EU CC2) in the calculation of regulatory Own funds in table EU CC1 is included 821,305 thousand

EUR. The difference represent the rest of consolidated retained earnings for which the exact future usage is not still determined.

Additional value adjustments as of December 31, 2023 in the amount of 575 thousand EUR relate to 0.1% of:

- Receivables under derivatives net amounting to 5,469 thousand EUR, and
- Following types of Securities:
 - equity instruments held for trading amounting to 8,189 thousand EUR,
 - equity instruments non-trading mandatorily at FVtPL amounting to 17,400 thousand EUR,
 - equity instruments FVtOCI amounting to 13,928 thousand EUR,
 - debt instrumets FVtOCI amounting to 518,604 thousand EUR,
- Other assets at Fair value amounting to 11,055 thousand EUR.

The difference to total amount presented under the table EU CC2 relate to debt instruments at amortized cost amounting to 302,718 EUR and for one part of equity instruments FVtOCI which are for FS consolidation presented under other assets.

Deferred tax assets that rely on future profitability excluding those arising from temporary differences in the amount of 2,078 thousand EUR fully relate to deferred tax assets on tax loss carryforwards, as presented in Note 29, of Audited consolidated financial statements.

"Other regulatory adjustments" amounts -3,618 thousand EUR as of December 31, 2023 according to Article 1 (1) second subparagraph of the Commission Delegated Regulation (EU) No 183/2014 represents a reduction of CET1 related to general and specific credit risk adjustments (impairments for assets and provisions for off-balance sheet items) included in year-end profits.

Based on (EU) No183/2014 which defines that the amounts required to be included in the calculation of general and specific credit risk adjustments by an institution shall be equal to all amounts by which an institution's Common Equity Tier 1 capital has been reduced in order to reflect losses exclusively related to credit risk according to the applicable accounting framework and recognised as such in the profit or loss account are included in the calculation of general and specific credit risk adjustments.

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

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



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

000 EUR

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
1 Cash and cash funds held with the central bank	1,546,695	1,544,837	
2 Receivables under derivatives	3,145	3,138	A
3 Securities	858,705	857,866	B
4 Loans and receivables due from banks and other financial institutions	1,069,234	1,067,200	
5 Loans and receivables due from customers	5,022,307	5,018,040	
6 Investments into subsidiaries	0	2,606	
7 Investments into associates	1,281	1,278	
8 Intangible assets	31,017	30,966	C
9 Property, plant and equipment	122,824	122,328	
10 Investment property	56,340	52,675	
11 Current tax assets	21,877	21,833	
12 Deferred tax assets	7,726	7,799	D
13 Non-current assets held for sale and assets from discontinued operations	6,583	6,583	
14 Other assets	38,573	38,782	
14 Total assets	8,786,307	8,775,931	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
1 Liabilities under derivatives	2,336	2,331	
2 Deposits and other liabilities due to banks, other financial institutions and the central bank	781,820	780,365	
3 Deposits and other liabilities due to customers	6,555,030	6,550,129	
4 Liabilities under securities	72,326	72,326	
5 Subordinated liabilities	66,515	66,381	
6 Provisions	19,151	19,125	
7 Current tax liabilities	2,540	2,514	
8 Deferred tax liabilities	2,363	2,446	
9 Other liabilities	97,047	97,046	
8 Total liabilities	7,599,128	7,592,663	
Shareholders' Equity			
1 Share capital	40,001	40,001	E
2 Retained earnings	775,454	769,618	G
3 Current year profit	166,194	165,435	H
4 Reserves	201,207	203,899	F
5 Non controlling interest	4,323	4,314	
6 Total equity	1,187,179	1,183,267	

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

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

A description of the main features of the Common Equity Tier 1 capital instruments issued by AEC Group is presented within following table.

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



		a
		Qualitative or quantitative information - Free format
1	Issuer	Agri Europe Cyprus Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
2a	Public or private placement	N/A
3	Governing law(s) of the instrument	Cyprus
3a	Contractual recognition of write down and conversion powers of resolution authorities	No
Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	N/A
5	Post-transitional CRR rules	N/A
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	40.00 mEUR
9	Nominal amount of instrument	EUR 1.00
EU-9a	Issue price	Seen Note (1)
EU-9b	Redemption price	N/A
10	Accounting classification	Shareholder's equity
11	Original date of issuance	Seen Note (1)
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all liabilities of the Company
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

6. Own funds requirements and risk-weighted exposure amounts

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

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

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

Within Pillar 1, the Group calculates its capital requirements for the credit (including counterparty credit risk), market risks, operational risk and credit valuation adjustment (CVA) risk. Group uses the standardised approach for Credit and CVA risk and Basic indicator approach for calculation of capital



requirements for operational risk, as defined within CRR. Within Pillar 1, the Group calculates minimum capital requirements for FX risk and position risk in trading book positions in equities.

Additional risk types are defined within Pillar 2. Under Pillar 2, the Group calculates internal capital requirements for risks assessed as material, using internal models in great extent as well as forward looking risk parameters within models.

are used. List of all material risk is defined under point 2.1 of this Report.

Under ICAAP, Group also defines Internal capital by applying internal approach. Internal capital represents amount of capital that is available for coverage of risks the Group is or might be exposed to. When defining it, Group takes into consideration relevant regulatory regulations in this area, as well as standards on the Group level regarding ICAAP and capital.

The Group determines available internal capital and distribute it among identified risk types. Total internal capital requirements indicate the amount of capital needed to cover all risks the Group is or might be expose to in its operations, while the internal capital requirement for an individual risk indicates the amount of capital required to cover the individual risk to which the Group is or might be exposed to.

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

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

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

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

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

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

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

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

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

- Credit default risk incl. Counterparty risk - approximation of IRB approach,
- FX lending risk - Internal model,
- Credit risk induced by interest rate risk – Internal model,
- Concentration risk - Internal model based on the Herfindahl-Hirschman Index (HHI),

- Market risks - Standardized approach,
- CVA risk – Standardized approach,
- Interest rate risks – Internal model,
- Liquidity risk – regulatory based approaches and internal models,
- Operational risk - Basic indicator approach and internal model,
- Other risks – internal approach.

Group tends to conduct stress testing for all material risks, and also performs stress testing of Internal capital

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

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

Economic capital utilization by total internal capital requirements, including stress test effects, as of 31.12.2023 amounts 65.9%, and excess capital is 355.4 mEUR.

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. One of buyers was M&V, related party within AEC Banking Group, holding GB issued debt security in amount of 1 mEUR. 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.

In the template EU KM1 the Group shows following items as of 31.12.2023, and as of previous disclosure periods, 30.6.2023 and 31.12.2022:

- own funds structure,
- risk exposure amounts,
- capital buffers,
- important ratios related to capital,
- leverage ratio,
- liquidity coverage ratio and
- net stable funding ratio.

Table 11_EU KM1 Key metrics template

000 EUR

		a	b	c
		31.12.2023	30.6.2023	31.12.2022
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	1,027,314	911,523	736,346
2	Tier 1 capital	1,027,314	911,523	736,346
3	Total capital	1,092,055	911,523	736,346
Risk-weighted exposure amounts				
4	Total risk-weighted exposure amount	5,916,120	3,936,256	3,972,645
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	17.36%	23.16%	18.54%
6	Tier 1 ratio (%)	17.36%	23.16%	18.54%
7	Total capital ratio (%)	18.46%	23.16%	18.54%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.25%	3.25%	3.25%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.83%	1.83%	1.83%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.44%	2.44%	2.44%
EU 7d	Total SREP own funds requirements (%)	11.25%	11.25%	11.25%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.16%	0.04%	0.02%
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer	-	-	-
11	Combined buffer requirement (%)	2.66%	2.54%	2.52%
EU 11a	Overall capital requirements (%)	13.91%	13.79%	13.77%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.16%	11.91%	7.29%
Leverage ratio				
13	Total exposure measure	9,290,200	6,346,056	6,244,000
14	Leverage ratio (%)	11.06%	14.36%	11.79%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				
EU 14d	Leverage ratio buffer requirement (%)	-	-	-
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1,153,020	1,131,148	1,137,652
EU 16a	Cash outflows - Total weighted value	1,079,476	944,278	867,127
EU 16b	Cash inflows - Total weighted value	836,113	477,847	317,545
16	Total net cash outflows (adjusted value)	326,184	477,468	549,582
17	Liquidity coverage ratio (%)	353.5%	236.9%	209.8%
Net Stable Funding Ratio				
18	Total available stable funding	6,968,059	4,703,980	4,462,750
19	Total required stable funding	4,447,637	3,020,200	3,120,234
20	NSFR ratio (%)	156.7%	155.8%	143.0%

6.2. Risk-weighted exposure amounts and minimum capital requirement

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

For Credit risk, AEC Group uses standardized approach. Credit risk weighted assets are the sum of the exposure of balance sheet assets and off-balance sheet items multiplied by the appropriate credit risk weights, as defined in Article 113 of the CRR regulation. Credit risk weight for each individual position of the balance sheet assets and for each off-balance sheet item is determined on the basis of the class of exposure and the level of its credit quality. Additionally, credit risk for off-balance exposures is calculated by applying regulatory prescribed credit conversion factors (CCFs) to the different types of off-balance transaction. The capital requirement for credit risk is calculated by multiplying risk-weighted assets by 8%.



To calculate the capital requirement for market risks, Group uses methods prescribed by the regulation (more on that in point 12 of this Disclosure Report). Capital requirement for operational risks are calculated by applying basic indicator approach (more on that in point 13 of this Disclosure Report). Capital requirements for CVA risk are calculated using Standardized approach, as defined under CRR.

In the template EU OV1, AEC Group represents overview of risk weighted assets and capital requirements calculated in accordance with the Article 92 of the CRR. Capital requirements are broken down into different risk categories.

Table 12_EU OV1 Overview of total risk exposure amounts

		000 EUR		
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		31.12.2023	31.12.2022	31.12.2023
1	Credit risk (excluding CCR)	5,151,107	3,512,171	412,089
2	Of which the standardised approach	5,151,107	3,512,171	412,089
3	Of which the Foundation IRB (F-IRB) approach		-	-
4	Of which: slotting approach		-	-
EU 4a	Of which: equities under the simple riskweighted approach		-	-
5	Of which the Advanced IRB (A-IRB) approach		-	-
6	Counterparty credit risk - CCR	30,531	10,974	2,442
7	Of which the standardised approach		-	-
8	Of which internal model method (IMM)		-	-
EU 8a	Of which exposures to a CCP		-	-
EU 8b	Of which credit valuation adjustment - CVA	7,803	1,266	624
9	Of which other CCR	22,728	9,707	1,818
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk		-	-
16	Securitisation exposures in the non-trading book (after the cap)		-	-
17	Of which SEC-IRBA approach		-	-
18	Of which SEC-ERBA (including IAA)		-	-
19	Of which SEC-SA approach		-	-
EU 19a	Of which 1250%		-	-
20	Position, foreign exchange and commodities risks (Market risk)	59,202	42,833	4,736
21	Of which the standardised approach	59,202	42,833	4,736
22	Of which IMA		-	-
EU 22a	Large exposures		-	-
23	Operational risk	675,280	406,667	54,022
EU 23a	Of which basic indicator approach	675,280	406,667	54,022
EU 23b	Of which standardised approach		-	-
EU 23c	Of which advanced measurement approach		-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	20,819	26,095	1,666
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	Total	5,916,120	3,972,645	473,290

7. Exposure to Counterparty Credit Risk

(Article 439 of the CRR Regulation)

Counterparty credit risk within the Group is prescribed in Group Framework on Counterparty and Country Risk Limits. The purpose of this framework is to establish the basic principles, approaches, rules and procedures of the counterparty credit risk and country risk management on the Group level which include identification, measurement, management and reporting of counterparty risk. Additionally, this framework determines the process of approving, adopting and monitoring of the Agri Europe Cyprus



Ltd. Group's limits to the counterparties. The primary objectives of the Group are to ensure sound credit risk management practices and that sufficient restrictions are in place to mitigate counterparty credit risk and country risk among all Group's entities.

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

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

Individual agreement between the counterparty and AEC Group is the basis for the collateral management. Basis for the market valuation is close of business market data. All received or paid collaterals are documented in the respective systems. Contractual clauses concerning dependencies between collateral management and the credit rating of AEC are not applicable as the Group is yet to be rated.

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

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

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

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

The steering of the risk mitigation techniques is situated in the Group Risk Controlling and Monitoring unit. The counterparty credit risk is assessed as part of the RWA calculation in Pillar 1. AEC Group applies the Original Exposure Method (OEM) calculated in accordance with Article 282 CRR (Chapter 6 of Title II Part Three, Section 5) as alternative approach to the Standardised Approach for counterparty credit risk (SA CCR). Netting is not used for regulatory purposes in AEC Group. No further collateral is considered to mitigate counterparty credit risk for regulatory purposes under Pillar 1.

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

Table 13_EU CCR1 – Analysis of CCR exposure by approach

000 EUR

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

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

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

Table 14_EU CCR5 – Composition of collateral for CCR exposures

000 EUR

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
	Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	155	-	2,105	-	-	-	-
2	Cash – other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	182,425	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	Total	-	155	-	2,105	-	182,425	-	-

7.2. Derivative and securities financing transactions

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

7.3. Transactions subject to own funds requirements for CVA risk

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

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

000 EUR

		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	22,062	7,803
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	Total transactions subject to own funds requirements for CVA risk	22,062	7,803

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

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

7.5. Notional amounts and fair value of credit derivative transaction

AEC Group does not have any single name CDS in the portfolio as of 31.12.2023

7.6. CCR exposures by regulatory exposure class and risk weights

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

000 EUR

	Exposure classes	Risk weight											Total exposure
		a	b	c	d	e	f	g	h	i	j	k	
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	433,598	-	-	-	-	-	-	-	-	-	-	433,598
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	6,189	4,196	-	-	12,415	-	-	22,800
7	Corporates	-	-	-	-	-	-	-	-	7,132	-	-	7,132
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	Total exposure value	433,598	-	-	-	6,189	4,196	-	-	19,547	-	-	463,530

8. Capital Buffers

(Article 440 of the CRR Regulation)

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

The table below contains the geographical distribution of the Group's credit exposure relevant for calculating the countercyclical capital buffer, as at 31 December 2023.

Table 17_EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer in 000 EUR



		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Counter-cyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in non TB	Total			
010	Country:													
020	AL	12	-	-	-	-	12	1	-	-	1	13	0.00%	0.00%
030	AT	6,008	-	205	-	-	6,213	244	33	-	277	3,463	0.00%	0.00%
040	AU	8	-	-	-	-	8	1	-	-	1	13	0.00%	0.01%
050	AZ	3	-	-	-	-	3	-	-	-	-	-	0.00%	0.00%
060	BA	25,775	-	-	-	-	25,775	1,766	-	-	1,766	22,075	0.00%	0.00%
070	BE	9,630	-	-	-	-	9,630	720	-	-	720	9,000	0.00%	0.00%
080	BG	102	-	-	-	-	102	6	-	-	6	75	0.00%	0.02%
090	BR	9	-	-	-	-	9	1	-	-	1	13	0.00%	0.00%
100	BY	1	-	-	-	-	1	-	-	-	-	-	0.00%	0.00%
110	CA	62	-	-	-	-	62	4	-	-	4	50	0.00%	0.00%
120	CH	54,335	-	2	-	-	54,337	4,332	-	-	4,332	54,150	0.01%	0.00%
130	CN	144	-	-	-	-	144	8	-	-	8	100	0.00%	0.00%
140	CU	1	-	-	-	-	1	-	-	-	-	-	0.00%	0.00%
150	CY	5,229	-	-	-	-	5,229	418	-	-	418	5,225	0.00%	0.01%
160	CZ	5,153	-	-	-	-	5,153	405	-	-	405	5,063	0.00%	0.02%
170	DE	4,919	-	1,084	-	-	6,003	380	173	-	553	6,913	0.00%	0.01%
180	EG	130	-	-	-	-	130	8	-	-	8	100	0.00%	0.00%
190	ES	1,443	-	-	-	-	1,443	100	-	-	100	1,250	0.00%	0.00%
200	FR	545	-	275	-	-	820	38	44	-	82	1,025	0.00%	0.01%
210	GB	7,039	-	-	-	-	7,039	500	-	-	500	6,250	0.00%	0.02%
220	GI	129	-	-	-	-	129	4	-	-	4	50	0.00%	0.00%
230	GR	217	-	-	-	-	217	10	-	-	10	125	0.00%	0.00%
240	HK	9	-	-	-	-	9	1	-	-	1	13	0.00%	0.01%
250	HR	79,448	-	-	-	-	79,448	6,471	-	-	6,471	80,888	0.02%	0.01%
260	HU	2,686	-	-	-	-	2,686	214	-	-	214	2,675	0.00%	0.00%
270	IE	218	-	-	-	-	218	14	-	-	14	175	0.00%	0.01%
280	IL	6	-	-	-	-	6	-	-	-	-	-	0.00%	0.00%
290	IT	18,848	-	-	-	-	18,848	1,430	-	-	1,430	17,875	0.00%	0.00%
300	JP	1	-	-	-	-	1	-	-	-	-	-	0.00%	0.00%
310	KR	4	-	-	-	-	4	-	-	-	-	-	0.00%	0.00%
320	KW	139	-	-	-	-	139	8	-	-	8	100	0.00%	0.00%
330	KY	11	-	-	-	-	11	1	-	-	1	13	0.00%	0.00%
340	LT	68	-	-	-	-	68	4	-	-	4	50	0.00%	0.01%
350	LU	19,572	-	-	-	-	19,572	2,339	-	-	2,339	29,238	0.01%	0.01%
360	MD	9	-	-	-	-	9	1	-	-	1	13	0.00%	0.00%
370	ME	37,819	-	-	-	-	37,819	3,395	-	-	3,395	42,438	0.01%	0.00%
380	MK	815	-	-	-	-	815	51	-	-	51	638	0.00%	0.00%
390	NL	6,386	-	-	-	-	6,386	332	-	-	332	4,150	0.00%	0.01%
400	NO	189	-	-	-	-	189	9	-	-	9	113	0.00%	0.03%
410	PL	1,611	-	-	-	-	1,611	129	-	-	129	1,613	0.00%	0.00%
420	RO	7,759	-	-	-	-	7,759	620	-	-	620	7,750	0.00%	0.01%
430	RS	4,237,223	-	6,172	-	-	4,243,395	246,252	988	-	247,240	3,090,500	0.67%	0.00%
440	RU	148	-	-	-	-	148	9	-	-	9	113	0.00%	0.00%
450	SE	723	-	-	-	-	723	51	-	-	51	638	0.00%	0.02%
460	SG	110	-	-	-	-	110	7	-	-	7	88	0.00%	0.00%
470	SI	1,925,430	-	-	-	-	1,925,430	95,700	-	-	95,700	1,196,250	0.26%	0.01%
480	SK	2,001	-	-	-	-	2,001	154	-	-	154	1,925	0.00%	0.02%
490	TH	12	-	-	-	-	12	1	-	-	1	13	0.00%	0.00%
500	TN	9	-	-	-	-	9	1	-	-	1	13	0.00%	0.00%
510	TR	170	-	-	-	-	170	10	-	-	10	125	0.00%	0.00%
520	UA	1,163	-	-	-	-	1,163	8	-	-	8	100	0.00%	0.00%
530	US	5,360	-	298	-	-	5,658	360	48	-	408	5,100	0.00%	0.00%
540	UZ	7,055	-	-	-	-	7,055	156	-	-	156	1,950	0.00%	0.00%
550	VE	1	-	-	-	-	1	-	-	-	-	-	0.00%	0.00%
560	VG	3	-	-	-	-	3	-	-	-	-	-	0.00%	0.00%
		6,475,900	-	8,036	-	-	6,483,936	366,674	1,286	-	367,960	4,599,500	100.00%	



The level of the Group's own countercyclical capital buffer is a weighted average of the applicable levels of countercyclical buffers for countries where the Group has relevant credit exposures. The level of the Group's own countercyclical buffer at the end of 2023 was 0.16%.

The table below presents the calculation of the amount of the Group's own countercyclical capital buffer, as at 31 December 2023.

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

		000 EUR
		a
1	Total risk exposure amount	5,916,120
2	Institution specific countercyclical capital buffer rate	0.16%
3	Institution specific countercyclical capital buffer requirement	9,466

9. Exposures to Credit Risk

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

9.1. Qualitative disclosure requirements related to credit risk

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

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

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

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

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

9.2. Definitions for Accounting Purposes of “Past Due” and “Impaired” and “past Due” and “Default”

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

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

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

- Non-accrued status
- Specific credit risk adjustment (SCRA)
- Sale of credit obligations
- Distressed restructuring
- Bankruptcy proceedings
- Additional indicators of UTP - (Detail list of UTP triggers is defined in Group Policy on Default Detection).

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

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

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

Forborne exposure could be classified as non-performing exposure (Stage 3) or performing exposure (Stage 2). Forborne exposure could be classified as performing exposure (Stage 2) in case when a contractual change does not lead to a NPV loss for the Group or reclassified from non-performing exposure in case of conditions that are prescribed are met. Otherwise, forbearance exposure should be classified as non-performing exposure (Stage 3).

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

In accordance with IFRS 9, Group monthly:

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

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

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

- Stage 1 includes all financial assets without a significant increase in credit risk since initial recognition at the reporting date;
- Stage 2 includes financial assets with a significant increase in credit risk since initial recognition, but without objective evidence of impairment; and
- Stage 3 includes financial assets with objective evidence of impairment at the reporting date.

Calculation of Impairment – Stage 1

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

Calculation of Impairment – Stage 2

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

Calculation of Impairment – Stage 3

Impairments calculation for exposures in stage 3 is done for all exposures with the identified default status.

In Stage 3, 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.

The scenarios that are taken into account are:

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

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

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

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

Additionally, according to regulatory recommendation, Group developed and implemented new methodology for inclusion of novel risks in IFRS9 provisioning calculation. Novel risks taken into consideration are:

- Energy supply related risk,
- Supply chain constrains,
- Geopolitical risk,
- Climate and Environmental risk.

Supply chain constrains risk was quantified through Global Supply Chian Pressure Index (GSCPI) provided by Federal Reserve Bank of New York; energy supply-related risk was quantified through Energy Price Index provided by Eurostat. Climate and Environmental risk was quantified through the results of performed climate risk stress test and Geopolitical risk was quantified based on the assessment of current geopolitical situation. Final PD overlay was assessed as sum of all novel risk specific overlays for each subsidiary separately. More details on impaired exposures, risk adjustments as well as information on changes in value adjustment due to credit risk are disclosed in AEC Group Notes to the Consolidated Report and Financial Statements for the year ended December 31, 2023, 4.1 "Credit risk".

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

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

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

000 EUR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
	of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		On performing exposures	On non-performing exposures		
005	Cash balances at central banks and other demand deposits	1,503,835	1,500,671	3,164	1,575	-	1,575	(1,108)	(130)	(979)	(1,575)	-	(1,575)	-	98,210	-
010	Loans and advances	5,901,807	5,107,553	789,528	170,661	-	108,432	(66,480)	(29,527)	(36,821)	(52,826)	-	(38,790)	-	1,991,095	56,029
020	Central banks	603,107	603,107	-	-	-	-	(4)	(4)	-	-	-	-	-	-	-
030	General governments	45,026	45,026	0	496	-	496	(201)	(201)	(0)	(431)	-	(431)	-	182	-
040	Credit institutions	261,326	261,322	4	794	-	794	(68)	(67)	(1)	(76)	-	(76)	-	1,719	-
050	Other financial corporations	52,953	52,494	459	33	-	33	(744)	(737)	(7)	(15)	-	(15)	-	13,422	18
060	Non-financial corporations	3,249,106	2,712,248	536,597	76,706	-	65,313	(43,034)	(20,281)	(22,748)	(20,048)	-	(16,856)	-	1,282,389	39,148
070	Of which: SMEs	1,590,492	1,300,571	289,877	40,769	-	31,070	(23,936)	(10,237)	(13,698)	(9,740)	-	(7,436)	-	757,242	19,563
080	Households	1,690,288	1,433,355	252,468	92,633	-	41,796	(22,429)	(8,237)	(14,064)	(32,256)	-	(21,413)	-	693,382	16,864
090	Debt Securities	847,190	844,658	2,532	-	-	-	(1,238)	(1,072)	(166)	-	-	-	-	13,440	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	809,795	809,795	-	-	-	-	(1,005)	(1,005)	-	-	-	-	-	-	-
120	Credit institutions	20,823	20,823	-	-	-	-	(18)	(18)	-	-	-	-	-	7,480	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	16,571	14,040	2,532	-	-	-	(215)	(49)	(166)	-	-	-	-	5,960	-
150	Off-balance sheet exposures	2,001,515	1,884,661	116,843	8,995	-	8,988	3,578	2,727	851	2,409	-	2,407		338,462	115
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	14,086	14,076	10	-	-	-	9	9	0	-	-	-		5	-
180	Credit institutions	2,472	2,436	36	62	-	62	2	2	-	12	-	12		400	-
190	Other financial corporations	7,235	7,227	8	-	-	-	18	18	0	-	-	-		3,054	-
200	Non-financial corporations	1,806,289	1,696,976	109,313	8,133	-	8,133	3,382	2,616	766	2,341	-	2,341		329,990	80
210	Households	171,433	163,946	7,476	799	-	793	167	83	85	56	-	54		5,013	35
220	Total	10,254,348	9,337,544	912,066	181,231	-	118,995	(65,249)	(28,002)	(37,115)	(51,992)	-	(37,959)	-	2,441,207	56,144

Growth and changes in portfolio structure mainly is a result of a acquisition of Eurobank – Direktna in 2023.

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

Table 20_EU CQ1- Credit quality of forborne exposures

000 EUR

		a	b	c	d	e	f	g	h
		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	126,646	40,751	40,751	40,751	(5,072)	(13,921)	52,067	9,026
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	104,204	18,210	18,210	18,210	(3,442)	(5,988)	47,506	7,298
070	Households	22,442	22,541	22,541	22,541	(1,630)	(7,934)	4,561	1,728
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	1	527	517	517	0	0	-	-
100	Total	126,647	41,278	41,269	41,269	(5,072)	(13,922)	52,067	9,026

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

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

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

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

000 EUR

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property Plant and Equipment (PP&E)	180	(112)
020	Other than PP&E	74,143	(16,270)
030	Residential immovable property	706	(79)
040	Commercial Immovable property	62,877	(12,525)
050	Movable property (auto, shipping, etc.)	813	(106)
060	Equity and debt instruments	-	-
070	Other collateral	9,747	(3,559)
080	Total	74,323	(16,382)

The largest part of collateral obtained by taking possession and execution processes refers to Commercial Immovable property.

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

9.6. Ageing analysis of accounting past due exposures

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

000 EUR

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / Nominal amount											
		Performing exposures				Non-performing exposures							
		Not past due or Past due < 30 days	Past due > 30 days < 90 days			Unlikely to pay that are not past-due or past-due < = 90 days	Past due > 90 days < = 180 days	Past due > 180 days < = 1 year	Past due > 1 year < = 2 years	Past due > 2 year < = 5 years	Past due > 5 year < = 7 years	Past due > 7 years	Of which defaulted
	Cash balances at central banks and other demand	1,503,835	1,503,835	-	1,575	1,575	-	-	-	-	-	-	1,575
	Loans and advances	5,901,807	5,823,198	78,609	170,661	96,024	19,642	22,617	19,028	8,558	738	4,055	170,661
	Central banks	603,107	603,107	-	-	-	-	-	-	-	-	-	-
	General governments	45,026	45,026	0	496	51	64	3	1	7	0	370	496
	Credit institutions	261,326	261,248	79	794	762	0	5	18	1	-	7	794
	Other financial	52,953	52,822	131	33	32	0	0	0	1	0	0	33
	Non-financial corporations	3,249,106	3,203,578	45,528	76,706	46,877	6,994	9,524	9,065	2,027	209	2,010	76,706
	Of which SMEs	1,590,492	1,570,486	20,006	40,769	20,135	6,392	6,046	4,881	1,873	108	1,334	40,769
	Households	1,690,288	1,657,417	32,871	92,633	48,302	12,584	13,084	9,945	6,522	529	1,668	92,633
	Debt Securities	847,190	847,190	-	-	-	-	-	-	-	-	-	-
	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
	General governments	809,795	809,795	-	-	-	-	-	-	-	-	-	-
	Credit institutions	20,823	20,823	-	-	-	-	-	-	-	-	-	-
	Other financial	-	-	-	-	-	-	-	-	-	-	-	-
	Non-financial corporations	16,571	16,571	-	-	-	-	-	-	-	-	-	-
	Off-balance sheet exposures	2,001,515			8,995								8,995
	Central banks	-			-								-
	General governments	13,932			-								-
	Credit institutions	2,472			62								62
	Other financial	7,235			-								-
	Non-financial corporations	1,806,289			8,133								8,133
	Households	171,433			799								799
	Total	10,254,348	8,174,223	78,609	181,231	97,599	19,642	22,617	19,028	8,558	738	4,055	181,231

As a result of an inclusion new entity in the Group, structure of portfolio was changed, as well as NPL structure.



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

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

000 EUR

	a	b	c	d	e	f
		Gross carrying amount of which: non-performing		of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non- performing exposures
			of which: defaulted			
010 Agriculture, forestry and fishing	42,872	626	626	42,872	(1,202)	-
020 Mining and quarrying	63,397	3	3	63,397	(300)	-
030 Manufacturing	772,180	32,994	32,994	772,180	(17,506)	-
040 Electricity, gas, steam and air conditioning supply	204,419	69	69	204,419	(2,811)	-
050 Water supply	16,373	221	221	16,373	(168)	-
060 Construction	325,521	7,388	7,388	325,521	(7,106)	-
070 Wholesale and retail trade	678,277	12,453	12,453	678,277	(9,904)	-
080 Transport and storage	184,575	1,670	1,670	184,575	(3,839)	-
090 Accommodation and food service activities	135,782	11,577	11,577	135,782	(3,308)	-
100 Information and communication	228,078	199	199	228,078	(3,656)	-
110 Financial and insurance activities	34,813	82	82	34,813	(524)	-
120 Real estate activities	420,678	181	181	420,678	(7,226)	-
130 Professional, scientific and technical activities	71,243	3,624	3,624	71,243	(2,174)	-
140 Administrative and support service activities	48,151	2,333	2,333	48,151	(1,253)	-
150 Public administration and defense, compulsory social security	146	-	-	146	(3)	-
160 Education	5,489	1,709	1,709	5,489	(75)	-
170 Human health services and social work activities	10,394	301	301	10,394	(156)	-
180 Arts, entertainment and recreation	20,089	8	8	20,089	(988)	-
190 Other services	63,336	1,270	1,270	63,336	(884)	-
200 Total	3,325,812	76,706	76,706	3,325,812	(63,082)	-

The largest increases in portfolio refer to Manufacturing (by 223 mEUR) and Wholesale and Retail trade (by 220 mEUR).

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



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

000 EUR

		a	b	c	d	e	f	g
		Gross carrying/Nominal amount			of which: subject to impairment	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing	of which: defaulted				
010	On balance sheet exposures							
020	RS	4,589,281	135,548	135,548	4,589,281	(91,937)		-
030	SI	1,650,248	32,521	32,521	1,650,248	(23,502)		-
040	AT	133,051	28	28	133,051	(40)		-
050	GR	102,409	1	1	102,409	(28)		-
060	HR	74,682	78	78	74,682	(860)		-
070	CH	54,171	55	55	54,171	(223)		-
080	IT	47,808	5	5	47,808	(274)		-
090	ME	38,343	1,668	1,668	38,343	(1,321)		-
100	BA	24,208	618	618	24,208	(1,345)		-
110	FR	21,041	0	0	21,041	(3)		-
120	LU	20,027	-	-	20,027	(387)		-
130	BE	19,152	-	-	19,152	(4)		-
140	DE	18,086	4	4	18,086	(8)		-
150	RO	12,960	0	0	12,960	(32)		-
160	PL	11,788	0	0	11,788	(3)		-
170	GB	11,462	51	51	11,462	(44)		-
180	NL	10,993	0	0	10,993	(235)		-
190	PT	10,345	-	-	10,345	(4)		-
200	IE	10,306	-	-	10,306	(2)		-
210	LT	8,249	-	-	8,249	(2)		-
220	LV	8,023	0	0	8,023	(3)		-
230	UZ	7,238	0	0	7,238	(183)		-
240	ES	6,334	-	-	6,334	(2)		-
250	SK	4,779	0	0	4,779	(8)		-
260	IL	4,627	0	0	4,627	(0)		-
270	US	4,272	7	7	4,272	(20)		-
280	MK	3,996	51	51	3,996	(20)		-
290	CZ	3,342	0	0	3,342	(4)		-
300	EE	2,984	-	-	2,984	(1)		-
310	HU	1,757	0	0	1,757	(11)		-
320	UA	1,172	0	0	1,172	(10)		-
330	SE	684	-	-	684	(3)		-
340	EG	421	0	0	421	(5)		-
350	CY	232	0	0	232	(0)		-
360	Other countries	1,188						
560	Off balance sheet exposures							
570	RS	1,450,334	6,461	6,461			3,314	
580	SI	455,939	2,534	2,534			2,450	
590	HR	15,713	-	-			81	
600	IT	15,314	-	-			14	
610	BA	14,858	-	-			80	
620	CH	13,426	-	-			4	
630	ME	9,640	-	-			1	
640	CZ	9,085	-	-			7	
650	DE	6,271	-	-			3	
660	ES	5,045	-	-			2	
670	HU	4,703	-	-			1	
680	GB	2,312	-	-			3	
690	AT	1,754	-	-			1	
700	NL	1,273	-	-			14	
710	US	1,206	-	-			5	
720	SK	1,159	-	-			1	
730	PL	1,119	-	-			0	
740	CY	745	-	-			4	
750	BE	306	-	-			0	
760	SE	209	-	-			0	
770	Other countries	99						
940	Total	8,930,168	179,631	179,631	6,918,471	(120,525)	5,987	-

The largest participation refers to domestic countries: Serbia and Slovenia.

9.8. Breakdown of loans and debt securities by residual maturity

Table 25_EU CR1-A: Maturity of exposures

000 EUR

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	-	2,987,838	475,472	813,580		4,276,890
2	Debt securities	-	180,955	34,230	202,278		215,185
3	Total	-	3,168,793	509,702	813,580	-	4,492,075

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

10. Encumbered and Unencumbered Assets

(Article 443 of the CRR Regulation)

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

Group asset encumbrance are monitored and reported regularly on Group and subsidiaries level, and quarterly reports are submitted to the regulator. All assets that are pledged are reported as encumbered assets and majority relates to Gorenjska banka d.d. Regarding a transparent way of reporting, Group has no example of giving the pledge which then would not be included in reporting. There is also no difference between the regulatory consolidation scope and liquidity requirements on an IFRS consolidated basis. Liquidity remains sound with regulatory liquidity ratios materially above minimum requirements. According to Basel III, Group monthly assures that its LCR ratio is higher than 100% (385.7% at the end of December 2023) which indicates that the Group does not need any additional liquidity to withstand cash outflows during sever 30 days stress. Group has a strong liquidity position; all internal liquidity risk indicators are stable and within prescribed limits defined by Group Liquidity Risk Management and Liquidity Stress Testing Framework.

In 2023, the Group had its assets encumbered:

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

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

The values in tables EU AE1, EU AE2 and EU AE3 represents the median values for 2023, in accordance with the Regulation AE, calculated using the median quarterly data reported over the last twelve months.

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



Among the unencumbered assets from template EU AE1, 5.5% items are not available for encumbrance in regular operations. These are cash in the cash register, intangible assets, deferred assets, tangible fixed assets, investment property, equity investments in affiliated companies, non-current assets available for sale and other non-finance assets (such items are included among other assets in template EU AE1).

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

Table 26_EU AE1 - Encumbered and unencumbered assets

000 EUR

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the reporting institution	44,837	5,296			6,099,306	696,706		
030	Equity instruments	-	-	-	-	40,857	-	40,857	-
040	Debt securities	5,296	5,296	5,296	5,296	732,155	696,706	696,375	662,545
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: securitisations	-	-	-	-	-	-	-	-
070	of which: issued by general governments	5,296	5,296	5,296	5,296	691,270	676,625	657,343	642,982
080	of which: issued by financial corporations	-	-	-	-	24,470	10,998	22,036	10,056
090	of which: issued by non-financial corporations	-	-	-	-	16,415	9,083	16,995	9,508
120	Other assets	39,541	-			5,326,294	-		

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

000 EUR

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
			of which notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the disclosing institution			111,546	
140	Loans on demand			-	
150	Equity instruments			111,546	
160	Debt securities				
170	of which: covered bonds				
180	of which: securitisations				
190	of which: issued by general governments				
200	of which: issued by financial corporations				
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand				
230	Other collateral received				
240	Own debt securities issued other than own covered bonds or securitisations				
241	Own covered bonds and securitisations issued and not yet pledged				
250	TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	44,837	5,296		

Table 28_EU AE3 - Sources of encumbrance

000 EUR

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	32,080	32,080

11. Use of Standardized Approach

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

11.1. Use of external ratings

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

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

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

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

Figure 3_Moody's rating scale and mapping

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

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

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

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

The table EU CR4 presented below illustrates effects of credit risk mitigation techniques that AEC Group uses, as of 31.12.2023:

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

000 EUR

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
	a	b	c	d	e	f
1 Central governments or central banks	1,537,226	5,638	1,675,620	40,582	491,626	28.65%
2 Regional government or local authorities	28,506	5,239	28,438	1,046	8,777	29.77%
3 Public sector entities	14,179	2,777	14,179	642	7,374	49.75%
4 Multilateral development banks	-	-	-	-	-	-
5 International organisations	-	-	-	-	-	-
6 Institutions	411,267	1,520	403,786	243	67,034	16.59%
7 Corporates	2,346,381	1,527,347	2,242,382	296,632	2,340,451	92.18%
8 Retail	1,868,416	357,942	1,846,427	86,624	1,346,744	69.67%
9 Secured by mortgages on immovable property	562,359	35,652	562,359	15,380	227,507	39.38%
10 Exposures in default	112,966	6,536	111,045	3,572	134,000	116.91%
11 Exposures associated with particularly high risk	167,907	62,881	164,971	29,101	291,108	150.00%
12 Covered bonds	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14 Collective investment undertakings	19,982	586	19,982	586	6,695	32.55%
15 Equity	32,524	-	32,524	-	36,433	112.02%
16 Other items	1,005,374	5,658	1,005,374	2,289	193,358	19.19%
17 TOTAL	8,107,087	2,011,776	8,107,087	476,696	5,151,107	60.01%

RWEA density on the total portfolio level stands at 60.01% at the end of December 2023 which is slightly above the previous year density (58%).

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

Breakdown of exposures by asset class and risk weight as of 31.12.2023 is presented in the table EU CR5.

Table 30_EU CR5 – standardised approach

000 EUR

	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	1,211,450	-	-	-	24,145	-	5,170	-	-	469,587	-	5,850	-	-	-	1,716,202	1,716,202
2	Regional government or local authorities	2	-	-	-	25,881	-	-	-	-	3,600	-	-	-	-	-	29,484	29,484
3	Public sector entities	73	-	-	-	-	-	14,749	-	-	-	-	-	-	-	-	14,822	14,822
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	99,928	-	-	-	294,579	-	5,956	-	-	729	2,837	-	-	-	-	404,029	404,026
7	Corporates	-	-	-	-	3,057	-	127	-	-	2,535,773	57	-	-	-	-	2,539,014	2,512,669
8	Retail	-	-	-	-	-	-	-	-	1,933,051	-	-	-	-	-	-	1,933,051	1,929,340
9	Secured by mortgages on immovable property	-	-	-	-	-	281,264	293,460	-	412	2,604	-	-	-	-	-	577,739	577,739
10	Exposures in default	-	-	-	-	-	-	-	-	-	75,851	38,766	-	-	-	-	114,617	114,025
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	194,072	-	-	-	-	194,072	184,179
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Unit or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	0	-	-	-	-	20,568	20,568	20,568
15	Equity	-	-	-	-	-	-	-	-	-	29,919	-	2,606	-	-	-	32,524	32,524
16	Other items	814,019	-	-	-	357	-	-	-	-	193,287	-	-	-	-	-	1,007,663	1,007,663
17	TOTAL	2,125,472	-	-	-	348,018	281,264	319,462	-	1,933,462	3,311,349	235,733	8,456	-	-	20,568	8,583,783	8,543,239

Major concentration in 100%, 0% and 75% risk weights.

12. Market Risk

(Article 445 of the CRR Regulation)

12.1. Qualitative disclosure requirements related to market risk

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

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

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

- The first line of defense: risk taking unit

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

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

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

- The third line of defense: internal audit

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

Market risk management process on solo level (i.e. credit institution subsidiary) is an integral part of the Group risk management system and it is harmonized with the Group's Risk Management Strategy, regulatory requirements, international standards and best practices, while respecting the specifics of business activities and strategic goals. Subsidiaries are obliged to align with the Group process, but also with any regulatory requirements on local level, considering its size, nature, complexity and impact on risk exposure on the Group level.

Group Risk Controlling and Monitoring Unit is in charge for market risk management on Group level. In order to achieve the objective of market risk management, Group Risk Controlling and Monitoring Unit closely cooperates with risk taking units and other support groups. On credit institution subsidiary level, risk taking unit and risk management units are allocated to separate departments and units, ensuring the adequate segregation of duties in accordance with regulatory requirements and best practices, and adequate market risk management. Each subsidiary monitors indicators and limits defined in the Group RAS and reports to the Group Risk Controlling and Monitoring Unit on those indicators. Group Risk



Controlling and Monitoring Unit calculates market risk indicators on Group level. Governance of market risk management is established and implemented through framework with following phases: risk identification and materiality assessment process, mitigation, monitoring, control and market risk reporting. By identifying market risks, subsidiaries timely identify the causes that lead to exposure to market risks and include determining the current exposure to market risks.

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

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

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

FX Risk - Subsidiaries carry out the identification of foreign exchange currency risk exposure using open positions in a single currency and total for all currencies in which they operate. Open foreign currency position in all currencies and in total is the basis of measurement and evaluation of foreign exchange currency risk exposure. In order to reduce foreign exchange currency risk, the basic measure to be taken is to close the foreign exchange position by identifying and applying adequate techniques involving the contracting of standard and derivative instruments, as well as measures in part of the funds and sources of funds - through the granting of loans / taking deposits with a foreign currency clause. Each subsidiary carries out continuous mitigation of foreign exchange risk by maintaining risk at an acceptable level in accordance with internal and regulatory limits. In order to reduce foreign exchange risk, the basic measure to be taken is to close the foreign exchange position by identifying and applying adequate techniques involving the contracting of standard and derivative instruments, as well as measures in part of the funds and sources of funds - through the granting of loans / taking deposits with a foreign currency clause. Foreign exchange risk monitoring primarily involves an analysis of the situation, changes and trends in foreign exchange risk exposure. Foreign currency risk monitoring also includes the projection of foreign currency risk in order to reduce the exposure to foreign exchange risk. Foreign currency risk projection enables the definition of preventive measures to reduce exposure to foreign exchange risk. Group performs stress test of fx risk according to the ESRB Macro-financial scenario EU-wide banking sector stress test and corresponding table "Shocks to foreign exchange rates".

Position risk - Each subsidiary, that has items allocated in trading book, performs the identification of the exposure to the position risk of debt and equity securities based on the value of positions in the Trading book that are monitored daily (the changes in their current market prices -mark-to-market or in accordance with the appropriate valuation models -mark-to-model). When determining if the financial instrument should be included in the Trading Book, subsidiaries take into consideration that at the moment of obtaining financial instruments, there is an intention to sell them in the short term after acquisition or to realize profit on the basis of the actual / expected difference between their purchase and sale price, or on the basis of other changes in prices or interest rates. Position risk mitigation is carried out continuously through risk management at an acceptable level, as well as by identifying and implementing adequate measures and techniques. Defining the limit in the Trading Book and defining and implementing measures to mitigate position risk is characterized by the phase of position risk mitigation. The basic principles of position risk management involve maintaining the level of risk in accordance with internally defined limits at the Trading book level, daily monitoring of market changes that may affect the increase in exposure to risks Trading book and determining measures to reduce risk exposure Trading book when changing the weight of the upper limit of accepted risk. The goal of active



management is to reduce position risks to an acceptable level that can be controlled, and which ensures maximization of profit while minimizing risk. Stress test of position risk is done based on "ESRB 2023 EU-wide stress test - Market risk shocks" and corresponding table "Equity, Commodities and Funds - relative changes" which has developed scenario triggered by a shock to equity prices in global financial.

Credit spread risk in banking book (CSRBB)

Credit spread risk in banking book (CSRBB) is defined as a risk driven by changes of the market price for credit risk, for liquidity and for potentially other characteristics of credit-risky instruments, changing spread while assuming the same level of creditworthiness, i.e. how the credit spread is moving within a certain rating/PD range.

The objective of credit spread risk management is to maintain the level of exposure to credit spread risks at an acceptable level while at the same time maximizing the financial result by taking positions in existing and new products on the market.

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;
- The changes of the "market liquidity spread" representing the liquidity premium that sparks market appetite for investments and presence of willing buyers and sellers.

As of 31.12.2023, credit spread risk is assessed for wholesale and government debt securities portfolio at fair value through other comprehensive income (FVOCI) and securities portfolio – financial asset at amortized cost (AC). Group calculated CSRBB under ICAAP based on "swap rate" projections sourced from the ESRB stress test scenarios and corresponding tables for baseline Swap rates, Sovereign credit spreads - absolute changes (basis points) and Corporate credit spreads – absolute change (basis points).

12.2. Market Risk Standardized Approach

Capital requirement for market risk under standardized approach is the sum of capital requirement for position risk in equities, capital requirement for position risk in traded debt instruments and capital requirement for fx risk.

Capital requirement for position risk in equities is the sum of general and specific risk, with risk weighted exposure of 16,377 thousand EUR as of December 31, 2023.

Capital requirement for position risk in traded debt instruments (interest rate swaps) is the sum of general and specific risk, with risk weighted exposure of 204 thousand EUR, as of December 31, 2023.

Risk weighted exposure amount for foreign currency exchange risk is calculated through calculating net open foreign currency position on Group level. An open foreign currency position is the difference between foreign currency receivables and liabilities, as well as receivables and liabilities in a local currency indexed by a currency clause (including the absolute value of a net open position in gold). Risk weighted exposure amounted of 42,620 thousand EUR as of December 31, 2023 for fx risk.

Group isn't exposed to commodity risk and has no correlation trading portfolio, namely positions in securitisation and credit derivatives based on the n-th default.

As of December 31, 2023, risk weighted exposure for market risk under standardized approach is 59, 202 thousand EUR.

Table 29_EU MR1 - Market risk under the standardised approach

000 EUR

		a RWEAs
	Outright products	
1	Interest rate risk (general and specific)	204
2	Equity risk (general and specific)	16,377
3	Foreign exchange risk	42,620
4	Commodity risk	
	Options	
5	Simplified approach	
6	Delta-plus approach	
7	Scenario approach	
8	Securitisation (specific risk)	
9	Total	59,202

13. Operational Risk Management

(Article 446 of the CRR Regulation)

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

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

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

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

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

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

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

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

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

Operational risk mitigation is achieved by:

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

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

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

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

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

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

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

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

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

Capital requirement calculated according to the basic indicator approach equals 15% of a three-year average of the sum of net interest and non-interest income. On 31st December 2023, it amounted to 54,022 thousand EUR.

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

000 EUR

Banking activities		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	327,133	331,123	422,192	54,022	675,280
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
3	Subject to TSA:					
4	Subject to ASA:					
5	Banking activities subject to advanced measurement approaches AMA					

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

(Article 448 of the CRR Regulation)

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

Interest rate risk is the risk of occurrence of interest rate loss that affects changes in the value of interest rate sensitive assets and liabilities. The loss arises due to a maturity of the assets and liabilities or a mismatch in the type of interest rate or the period in which the interest rate is re-determined. Interest rate changes have a significant impact on net interest income (NII). Interest rate changes also affect the balance sheet value and, consequently, the economic value of equity (EVE), the accounting and



regulatory capital of the Group and members of the Group. Interest rate risk management process consists of identification and materiality assessment process, measuring, monitoring, managing and reporting interest rate risk. There aren't any hedging activities.

IRRBB gap analysis methodology is used within the Group, to measure interest rate risk. It shows the difference between the cash flows of interest rate sensitive assets and interest rate sensitive liabilities by individual predefined time buckets. All interest-sensitive items are allocated in time buckets according to the interest rate change date. In the case of a fixed interest rate, the final maturity date is taken into account, and in the case of a variable interest rate, the interest rate repricing date is taken into account. The Group has an established system for monitoring interest risk to ensure an adequate level of net interest income and an adequate level of the Group's capital in the environment of changing interest rates. It is the Group's policy to regularly monitor and control the Group's exposure to interest risk, to develop scenarios of interest rate development, and to prepare measures in the event of interest movements that could seriously negatively impact the net interest income and the Group's capital.

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

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

- Sensitivity of EVE (Parallel shift 200bp)/Own Funds,
- Sensitivity of EVE (6 scenarios)/Tier 1 in stress scenario,
- Δ NII/Own Funds (under parallel shift 100bp).

Group Risk Controlling and Monitoring Unit calculates interest rate gaps and impact of interest rate changes on NII and EVE at the consolidated level and reports to the AEC Board in its Management Function and in its Supervisory function at least quarterly. IRRBB identification, measurement, monitoring and control processes are reviewed by Internal auditing function on a regular basis and reports are submitted to relevant competent authorities.

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

The following types of interest rate sensitive positions not amendable to standardization have been recognized:

Non-maturing deposits (NMDs) - include balances on transaction accounts and savings deposits or savings accounts in the part that is insight. NMDs are classified in accordance with the time serious model of non-maturing deposits, which defines a methodology for assigning of non-maturity deposits into time buckets, distinguishing between stable and unstable deposits and between core and non-core deposits. Modelling of non-maturing deposits meets regulatory requirements and recommendations under the EBA IRRBB Guidelines (Article 7 of EBA/RTS/2022/09) and BIS IRRBB Standards.

In line with Article 7 of EBA/RTS/2022/09, the Group classifies non-maturity deposits according to the counterparty as follows:

- Retail non-maturity deposits, further classified into:
 - Retail transactional deposits
 - Retail non-transactional deposits
- Wholesale non-maturity deposits, further classified into:
 - Wholesale deposits of financial customers

- Wholesale non-financial deposits.

Each credit institution subsidiary shall distinguish the stable from the non-stable part of the retail transactional and non-transactional and the wholesale non-financial deposits referred using observed changes of the volume of the deposits due to upward and downward movements of the risk-free interest rate for a period of at least the preceding ten years, based on time series model. Monte Carlo method was used to simulate time series of growth rates by randomly selecting them from historical growth rates set. The second step is to determine a core and a non-core component within the stable part of the non-maturity deposits. In scenarios prescribing an increase of short-term interest rates, the core component shall be multiplied by 0.8 and the non-core component shall increase accordingly. In scenarios prescribing a downward movement of short-term interest rates, the core component shall be multiplied by 1.2 and the non-core component shall decrease accordingly. Furthermore, the stable part of sight deposits is classified on core and non-core part, while the core part is related to stable NMDs which are unlikely to reprice even under significant changes in the interest rate environment and/or other deposits for which the Group could modelled deposits movement in compliance with interest rate changes. For the reporting period the average repricing maturity assigned to retail demand deposits is around 1.9 years in EUR currency and 1.6 years in RSD currency, while the longest repricing maturity is 5 years. Average repricing maturity assigned to corporate non-maturing deposits is below 1Y in EUR and RSD currency as well.

Overdraft - The Group treats the limits on transaction accounts as items with a maturity date and classifies them into the bucket of final maturity.

Revolving loans - are classified according to the type of interest rate. In the case of a fixed interest rate, interest rate sensitive items are allocated on the maturity date, and in the case of a variable interest rate, the interest rate repricing date is taken into account.

Products with behavioral modelling component includes the following:

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

Early repayment rates for loans with fixed interest rate and early withdrawal rate for deposits with fixed interest rate have been determined based on historical data of redemptions in at 1-year observation period, per corporate/retail segment separately.

Compared to previous disclosure report, new regulatory requirements in accordance with EBA/GL/2022/14, EBA/RTS/2022/09 and EBA/RTS/2022/10, have been implemented.

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

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

000 EUR

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
1	Parallel up	(43,348)	(28,473)	40,426	30,188
2	Parallel down	3,370	11,355	(40,426)	(30,188)
3	Steeper	(47,498)	(26,163)		
4	Flatter	37,103	10,847		
5	Short rates up	(17,749)	(2,598)		
6	Short rates down	(5,984)	1,096		

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

The maximum EVE impact was in Steeper scenario in loss of 47,498 thousand EUR as of December 31, 2023. Net interest income loss as of December 31, 2023 was 40,426 thousand EUR in parallel down scenario (+200bp for EUR and +300bp for RSD). The main risk drivers are government bonds, held as liquidity buffer, especially in RSD currency, loans with fixed IR and deposits with fixed IR. Implementation of new regulatory requirements, especially treatment of core component of NMDs in different scenarios,

is in place starting from 31.12.2023. Also, key market rates have been used in Δ EVE calculation, that caused greater discounting factors to multiply with IRR position.

15. Climate related and Environmental risk

(Article 449a of the CRR Regulation)

ESG disclosures are included in accordance with Article 449a CRR. In addition, in line with the Integration of ESG pillar 3 disclosures into DPM and taxonomy to support the implementation of the EBA Decision EBA/DC/498, AEC Group reported forms D 01.00 - Banking book- Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity, D 02.00.a - Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral (I) and D 02.00.b - Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral (II), namely for the reference date Q4 2023. The reports were submitted by 15 March 2024, whereby reporting took place via ITS according to DPM 3.3.

AEC Group is large institution but has no publicly listed issuances, so is not obliged to disclose information required under 449a of CRR. Based on ECB's Guide on climate related and environmental risks, AEC Group discloses information on Climate related and environmental risk (C&E).

15.1. Governance arrangements on environmental and climate related risk management

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. Therefore, AEC Group recognizes the crucial role of its management bodies in the process of Climate-related and Environmental Risks.

The Group defines ESG governance model in terms of the establishment of the adequate governance structures that requires implementation on local subsidiaries level to be in line with Group standards, adjusted to local specifics and regulations. Picture below presents the ESG governance model of the Group and its subsidiaries:

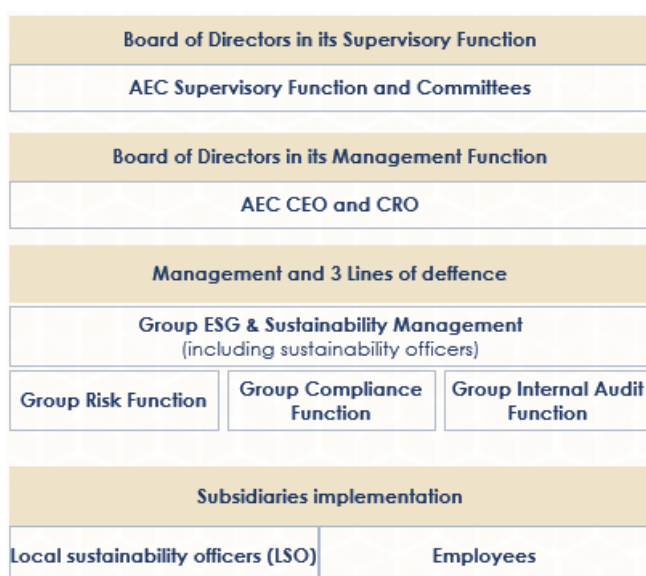


Figure 4_ESG Governance model

Board of Directors in its Supervisory function with **Risk Committee** approves sustainability strategy and ESG framework and oversees the implementation.

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



Board of Directors in its Management function defines sustainability strategy and is responsible for ESG framework, priorities and goals. It ensures implementation of sustainability strategy. Roles and responsibilities of Board of Directors in its Supervisory and Management functions, as well as roles and responsibilities of Risk Committee are defined in Group Policy on Internal Governance.

Group ESG & sustainability management focuses on management and strategic development of ESG Strategy and implementation of operational measures.

The local sustainability officer is responsible for implementation of ESG governance model and measures on local level in line with Group standards. As defined in the ESG Strategy, there are designated employees, Sustainability officers as a horizontal point of contact to ensure that climate-related and environmental risks were appropriately integrated into Group risk management framework.

The first line of defense represents the **front office, business and underwriting units** with the main role of performing duties in accordance with C&E risk framework, procedure and defined RAS limits. It identifies, assesses and monitors any C&E risks relevant for the creditworthiness of a client. First line roles are directly aligned with the delivery of products to clients and include the roles of leading actions to achieve objectives defined in the Group Business and ESG Strategy.

The second line of defense is executed by risk management and compliance functions. The main responsibility of the **risk management function** is to ensure that all risks are identified, assessed, measured, monitored, managed and properly reported by the relevant units on the Group and subsidiary level. The risk management function provides relevant information, analyses and expert judgement on C&E risk exposures. Since C&E risks materialize through existing financial risks, the tasks and responsibilities are embedded in the framework of the existing management system. **The compliance function** is responsible for ensuring that compliance risks stemming from C&E risks are duly considered and effectively integrated in all relevant processes. The compliance function advises the management body (in its management and supervisory function) on measures to be taken to ensure compliance with applicable laws, regulations and standards, and assess the possible impact of any changes in the legal or regulatory environment on the institution's activities and compliance framework.

Third line of defense is executed by the **internal audit** which considers in its reviews the extent to which the Group is equipped to manage C&E-related risks. The internal audit function reviews the Group's internal control and risk management framework, by considering external developments, changes in the risk profile and in products and/or business lines, among other things. This is expected to include the appropriateness of the arrangements for managing C&E-related risks.

Group Risk Management Function (GRMF) implements the strategic orientation of the Group. Risk management is primarily task of **Group Chief Risk Officer (CRO)** while the GRMF as a collective function has the controlling function in respect of monitoring the implementation of the Group Strategy on Risk Management and Risk Appetite on the subsidiary level. CRO reports with the GRMF to Group Supervisory function. CRO is responsible for setting up comprehensive risk management framework on the Group level, oversees and manages GRMF and coordinates the preparation of Group Strategy on Risk Management and Group Risk appetite statement. CRO plays a key role in further enhancement of risk awareness of its employees and strengthening the risk culture on the Group level. Incorporation of emerging risks that impact traditional types of risks via transmission channels and that are material to the Group (most significant emerging type of risks are ESG risks, more specifically climate & environmental risks) into risk management framework is the responsibility of GRMF that coordinates the whole process.

15.2. ESG Strategy and objectives

The Group has adopted the **ESG Strategy 2024-2026** which is included in the overall **Group Banking Strategy 2024-2026** with main targets to be recognized as ESG banking group in Adriatic region, to create sustainable value for clients, communities & society and employees and clear ESG positioning towards the different internal and external stakeholders. Becoming aware of the Group's role and impact on the further development of the ESG area, ESG goals are included in internal acts and processes, as well as in planned measures to adjust current investment and credit portfolio.

The Group recognises that data collection for better quantification is necessary to improve over time in order to better quantifying physical risks, providing a robust foundation for risk assessment and mitigation. These initiatives are contributing to proactively managing C&E risks.

The goals of the UN and the ESG approach offer a strategic framework that directs the AEC Group in the development and growth towards the sustainability of the organisation, products and services. Selected Sustainable Development Goals (SDG) through the lens of ESG are the following:



During 2023, the Group has significantly increase the awareness of its employees related to ESG by implementing ESG trainings mainly related to climate-related and environmental risks according to the ESG Training agenda which presents the list of topics to be covered on a dedicated trainings tailored to the business needs of different organizational units in the Group.

Considering the great importance of ensuring adequate knowledge related to climate-related and environmental risks of all members of the management body, as one of the first steps that was taken was training for all members of the Board of Directors including Management and Supervisory Function.

15.3. Materiality assessment of C&E risks

Materiality assessment of C&E Risks is performed during 2023 according to the recommendations from ECB Thematic Review on Climate and Environmental Risks 2022, and it was upgraded in terms of the regular process of maintenance and development of the materiality assessment heatmaps. Materiality assessment was performed based on the results from the quantitative analysis that considered released scenarios and related shocks on key macro-indicators. Used inputs for each scenario relate to ECB 2022 climate risk stress test assumptions. Quantitative analysis was extended to all portfolios, industries, geographies in all banks that operates within the Group. After acquisition of the Eurobank Direktna in November 2023, final update of the Materiality assessment report, at the Group level, is performed.

The Group acknowledges the fact that methodologies for estimation of the magnitude of the impact of C&E risks, are being developed rapidly and are evolving continuously. The Group performed comprehensive materiality assessment considering the specificities of the respective business model, operating environment and risk profile of the Group, taking into account impact on Group's products and services, operations (including types of operations and location of facilities) for each subsidiary/market where the Group operates.

In the materiality assessment, the Group considers the wide spectrum of risk drivers and related transmission channels stemming from climate change and environmental degradation.



Group recognizes C&E risks as risk drivers that materialize in existing risk categories and distinguish between the various drivers of transition and physical risks. Materiality assessment of the impact of C&E risk drivers is carried out following standard steps that ensure transparency of the process:

- Identification of risk drivers and transmission channels;
- Gathering of the expert assessments;
- Preparation of the portfolio analysis;
- Implementation of the qualitative and quantitative methods of analysis;
- Interpretation of the results and conclusion on materiality assessment.

Identification of risk drivers and transmission channels

In the first step of materiality assessment the Group identifies risk drivers. Physical and transition risk drivers were considered in the materiality assessment.

Wide range of physical risk drivers were examined. We have used all available data sources to identify and examine relevant risk drivers. Physical risk drivers were separately examined considering geography where clients/collaterals are positioned. Mapping of collaterals to high physical risk areas is performed following Thinkhazard maps. These maps are considered as the most conservative ones since they are provided at regional level, per country.

As per materiality assessment performed the following physical risk drivers were assessed as higher potential hazard level for the Group and subsidiaries in the medium and long term:

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

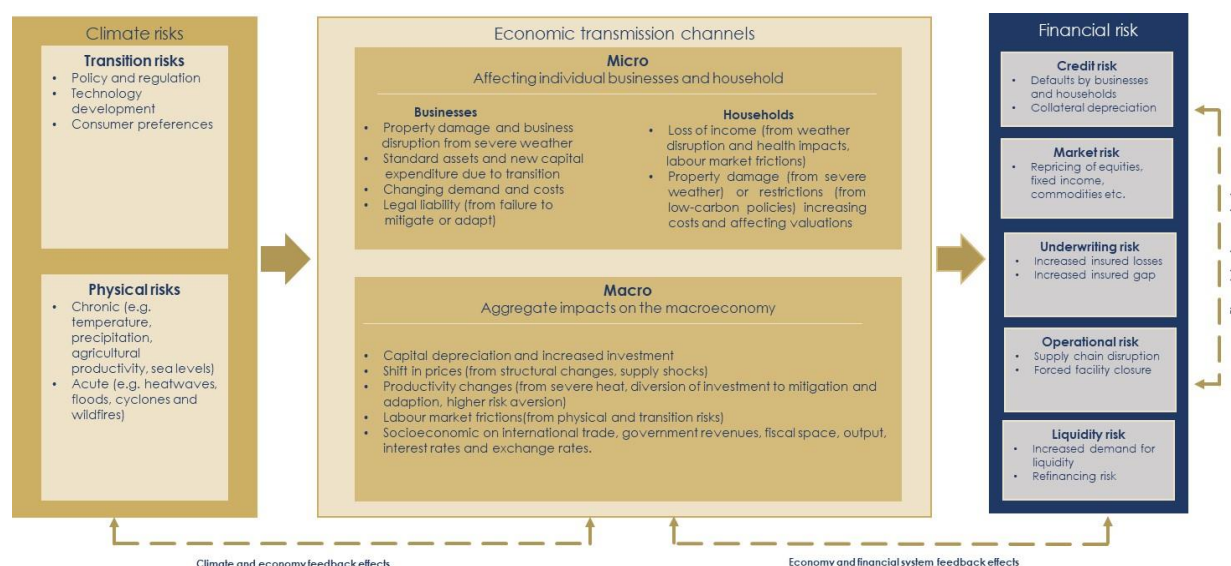
Different modalities of transition risk drivers, caused by changes in climate and environmental policies, technological progress or changes in market sentiment and preferences, are considered. Based on the performed analysis, expected changes in regulation and policies are considered as the most prominent transition risk drivers. Exposures to different industries are considered as a good indicator of the exposure to transition risks. Industries, with the highest share of CO₂ emission in the country, are considered as those highly exposed to transition risk. The following industries are those responsible for the highest share of CO₂ emission in the countries where the Group operates:

- C – Manufacturing
- H – Transportation and storage
- D – Electricity, gas, steam and air conditioning supply

Identification of transmission channels

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

Table 32_ Schematic illustration of transmission from environmental risks to financial risks; Source: NGFS (2020b)



Gathering of the expert assessments

For the purpose of gathering expert opinions several workshops were held. Workshops were organized with representatives of all relevant organizational units in the Group and subsidiaries: representatives of the first line of defense (1LoD) – FO and UW, representatives of the second line of defense (2LoD) – risk management office, mainly from risk controlling and compliance department, representatives of the third line of defense (3LoD) – Internal audit, representatives of the finance department, representatives of the legal department, representatives of the Procurement department, representatives of the HR department and representatives of the marketing and communication department.

Workshops were separately organized for each subsidiary: AIK bank, Gorenjska bank, Eurobank Direktna bank as well as for the representatives of the Group.

Provided information are assessed for its relevance and finally included in the analysis.

Preparation of the portfolio analysis

Separate analysis is performed for each portfolio segment and country (where risk differentiators are recorded), entity and geographical distribution of the collaterals.

Analysis of the impact of C&E risk drivers on Credit risk is performed at the level of client segments and product types (for Retail portfolio).

Implementation of the qualitative and quantitative methods of analysis

For quantification of the impact of C&E risks on the Group's business and risk management framework, bottom-up stress test methodological set-up was used.

Number of different risk types are analyzed, grouped in aggregated risk categories (credit risk, market risk, interest rate risk, liquidity risk, operational risk, other stand-alone risks etc.). Analysis per risk type is considered as the main dimension of the analysis. Quantifications' results were incorporated in the process of calculations of KRIs/KPIs from RAS.

Quantitative analysis considered newly released scenarios and related shocks on key macro-indicators, behind each scenario (such inputs were used by ECB for the 2022 climate risk stress test). Quantitative analysis was extended to all NACE sectors in the portfolios of all Group's credit institutions.

Scenarios used in the exercise cover different observation periods. Scenarios cover a full spectrum of observation periods, from short-term up to long-term.

Based on the available scenarios in 2022 climate risk stress test, the Group has selected the following scenarios for quantification of the impact:

- Long-term transition risks' scenarios
 - Orderly scenario (NGFS NetZero 2050)
 - Disorderly (NGFS Delayed transition scenario)
 - Hot-house world (NGFS Current policies scenario)
- Short term transition risks (NGFS Delayed transition scenario)
 - The short-term disorderly transition risk scenario
- Flood risk – It is a relevant scenario for estimation of the impact on REs

Calculations of the outcomes for different scenarios (impact on selected KPIs/KRIs that are part of the Group Risk Appetite Statement) are performed.

Interpretation of the results and conclusion on materiality assessment

Impact of the C&E risks is analyzed from the forward-looking perspective. Observation window for the analysis is divided into several periods:

- Short-term period (period up to 1 year)
- Mid-term period (period from 1 to 5 years)
- Long-term period (period over 5 years).

Uniform score scale (for measuring the impact) is used in the process of materiality assessment. Materiality scoring calibration is presented in the figure below:

C&E materiality scoring calibration:

Low: KRI is not expected to be impacted by C&E risks to a notable degree

Low-med: KRI is expected to be impacted by C&E risks to a small degree, which, however, doesn't impact the KRI's level significantly

Medium: KRI is expected to be impacted by C&E risks to a degree that its value exceeds **70% of the Limit** level, but stays within Limits

Med-High: KRI is expected to be impacted by C&E risks, and the KRI risk profile level is expected to come close to the **Limit** level

High: KRI is expected to be impacted by C&E risks, and the KRI risk profile level is expected to breach the **Limit** level

Figure 5_C&E materiality scoring calibration

If the final materiality score is marked as low or low-medium, regular monitoring activities are selected as follow up actions. For materiality scores marked as medium, close monitoring activities are initiated as follow up actions.

If final materiality score is marked as medium-high or high, impact of C&E risks on the Group operations and financial risks is considered to be material. For those areas where impact coming from C&E risks is assessed as material (regardless of the fact whether materiality is determined in short, mid or long-term observation period), follow-up actions are initiated.

Results and conclusion on materiality assessment

Table below shows the overview of the results per each risk type and KRIs.

Table 33_ Materiality assessment of C&E risks results

RAS indicators	KRI materiality scoring						Impacted by		
	Score ST	Score MT	Score LT	Level ST	Level MT	Level LT	Climate physical	Climate transition	Environmental
	<1 yrs	<5 yrs	>5 yrs						
Capital Risk	4	2	2	med-high	low-med	low-med	Y	Y	Y
CET1 Ratio	4	2	2	med-high	low-med	low-med	Y	Y	Y
T1 Ratio	4	2	2	med-high	low-med	low-med	Y	Y	Y
Total Capital Ratio	4	2	2	med-high	low-med	low-med	Y	Y	Y
Leverage ratio	1	2	2	low	low-med	low-med	Y	Y	Y
RBC	3	2	2	med	low-med	low-med	Y	Y	Y
Liquidity Risk	4	3	3	low	med	med	Y	Y	Y
LCR	1	2	2	low	low-med	low-med	Y	Y	Y
NSFR	1	2	2	low	low-med	low-med	Y	Y	Y
LTD	3	3	3	low	med	med	Y	Y	Y
Survival Horizon	1	2	2	low	low-med	low-med	Y	Y	Y
Interest Rate Risk	1	2	2	low	low-med	low-med	N	Y	Y
EVE/Own Funds (+200 bp)	1	2	2	low	low-med	low-med	N	Y	Y
EVE/Tier 1 in stress scenario	1	2	2	low	low-med	low-med	N	Y	Y
ANII/Own Funds	1	2	2	low	low-med	low-med	N	Y	Y
CSRB	1	2	2	low	low-med	low-med	N	Y	Y
Credit spread risk in Banking book	1	2	2	low	low-med	low-med	N	Y	Y
Credit Risk	4	3	3	med-high	med	med	Y	Y	Y
NPL ratio	1	3	3	low	med	med	Y	Y	Y
NPL coverage ratio	1	1	1	low	low	low	Y	Y	Y
Stage 2 share in Total gross exposure	4	2	2	med-high	low-med	low-med	Y	Y	Y
CoR	4	2	2	med-high	low-med	low-med	Y	Y	Y
Top 10 borrowers concentrations	1	1	1	low	low	low	Y	Y	Y
Single Name Concentration ratio	3	3	3	med	med	med	Y	Y	Y
Institutions and Public	3	3	3	med	med	med	Y	Y	Y
Exposure to Group related parties	1	2	2	low	low-med	low-med	Y	Y	Y
Industry concentration ratio	3	3	3	med	med	med	Y	Y	Y
Specialized Lending (IPRE & PF)	1	1	2	low	low	low-med	Y	Y	Y
Leveraged transactions	1	1	2	low	low	low-med	Y	Y	Y
Credit Risk - Non-financial corporation	4	3	3	med-high	med	med	Y	Y	Y
NPL ratio	1	3	3	low	med	med	Y	Y	Y
NPL coverage ratio	1	1	1	low	low	low	Y	Y	Y
Stage 2 share	4	2	2	med-high	low-med	low-med	Y	Y	Y
Credit Risk - Households	4	3	3	med-high	med	med	Y	Y	Y
NPL ratio	1	3	3	low	med	med	Y	Y	Y
NPL coverage ratio	1	1	1	low	low	low	Y	Y	Y
Stage 2 share	4	2	2	med-high	low-med	low-med	Y	Y	Y
Market Risk	1	1	1	low	low	low	Y	N	N
FX Risk Indicator	1	1	1	low	low	low	Y	N	N
Sum of all exposures in trading book	1	1	1	low	low	low	Y	N	N
Operational Risk	1	2	2	low	low-med	low-med	Y	Y	N
Number of internal fraud cases	1	2	2	low	low-med	low-med	Y	Y	N
Operational risk losses ratio	1	2	2	low	low-med	low-med	Y	Y	N
Operational Risk - ICT	1	3	3	low	med	med	Y	Y	N
ICT availability and continuity	1	3	3	low	med	med	Y	Y	N
ICT change-related incidents ratio	1	3	3	low	low-med	low-med	Y	Y	N
Model Risk	3	3	2	med	med	low-med	N	Y	N
Potential loss	3	3	2	med	med	low-med	N	Y	N
Compliance/AML	1	2	2	low	low-med	low-med	N	Y	N
No. of high risk clients	1	1	2	low	low	low-med	N	Y	N
No. of clients from the countries on Restricted list	1	1	2	low	low	low-med	N	Y	N
No. of anonymous accounts, passbooks or safe-deposit boxes	1	1	2	low	low	low-med	N	Y	N
Overdue mitigation actions	1	2	2	low	low-med	low-med	N	Y	N
KYC backlog for High-risk clients	1	1	2	low	low	low-med	N	Y	N
Environmental and Climate Risk	1	2	3	low	low-med	med	Y	Y	Y
Exposure to Electricity, gas, stream and air conditioning supply (NACE 35)	1	2	3	low	low-med	med	Y	Y	Y
Green financing (share in portfolio)	1	2	3	low	low-med	med	Y	Y	Y
Value of collaterals by regions, highly exposed to physical risk	1	2	3	low	low-med	med	Y	Y	Y
Exposures towards sectors with highest CO2 emission- RS	1	2	3	low	low-med	med	Y	Y	Y
Exposures towards sectors with highest CO2 emission-SI	1	3	3	low	low-med	med	Y	Y	Y
YoY change in total FE (per D, B and C NACE code)-RS	N/A	N/A	N/A	N/A	N/A	N/A	Y	Y	Y
YoY change in total FE (per D, B and C NACE code)-SI	N/A	N/A	N/A	N/A	N/A	N/A	Y	Y	Y
YoY change in total FE (per asset class in the scope of PCAF)	N/A	N/A	N/A	N/A	N/A	N/A	Y	Y	Y

Different risk types have been analyzed, grouped in aggregated risk categories (credit risk, market risk, interest rate risk, liquidity risk, operational risk, other stand-alone risks etc.). Analysis per risk type is considered as the main dimension of the analysis. Impact is separately analyzed for each KPI/KRI of each risk type. Impact of C&E risks are considered as material in cases of Credit risk and Capital risk (for specific KRIs).

Considering that the Group is significantly involved in legal entities finance business (covering Corporate portfolio, Public, Project finance, SME and MICRO segment), the biggest contributors to negative effects on additional impairments that influence negatively on Cost of risk and Capital ratios are the following:

- Corporate and Public Clients
- Coming from Serbia

- Belonging to NACE codes: D - Electricity, gas, steam and air conditioning supply and B - Mining and quarrying

For Capital risk material impact is recorded due to the drop in capital ratios. The biggest drop in capital ratios is recorded in short-term disorderly scenario.

Material impact on Credit risk is recorded due to changes in CoR (Cost of Risk) and Share of Stage 2 loans in total gross exposure. Cost of risk in short-term disorderly scenario recorded significant change.

There are no other material impacts of C&E risk that are discovered during the materiality assessment.

15.4. Setting the KPIs within Group RAS

Based on the result of performed materiality assessment, Group's strategy and business plans are not expected to be impacted in short term. The Group set midterm targets for physical and transition risk in order to prevent impact on KRIs in mid and long term.

At the beginning of 2023, the Group updated Risk Appetite Statement by introducing short and medium-term risk indicators related to environmental and climate related risks.

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

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

In addition to targets related to physical and transitional risks, the Group also defined short term target for the portion of green financing in total loans by the end of 2024. The Group green loan definition is aligned with Green Loan Principles (GLP) published by Loan Market Association (LMA).

After performed calculations of financed GHG emissions based on the standard of the Partnership for Carbon Accounting Financials (PCAF), Group introduced new indicators (YoY change in total financed emission per NACE code and YoY change in total financed emission per asset class) in the scope of PCAF with the main goal to monitor the trend of change in total financed GHG emission and also defined targets have goal to set the direction of constant decrease of total financed GHG emission

Table 34_C&E risk key risk indicators set in Group Risk Appetite Statement

Risk Area	Key Risk Indicator	Description
Environmental and Climate related risk	Green financing	Total loans and advances exposure of all green loans issued in relation to Total loans and advances to customers
	Value of collaterals by regions, with an indication of highly exposed to physical risk	Value of collaterals by regions in relation to Loan Portfolio
	Exposures towards sectors with highest CO2 emission-Serbia	Exposure to NACE Letter C and D relation to Loans and Advances by end of 2025
	Exposures towards sectors with highest CO2 emission- Slovenia	Exposure to NACE Letter C, D and H relation to Loans and Advances by end of 2025
	Exposure to Electricity, gas, steam and air conditioning supply	Decrease the exposure to NACE code 35 in relation to Loan portfolio
	YoY change in total financed emission per D, B and C NACE code - Serbia	KRIs are based on the yearly comparison of financed GHG emission at the different levels of aggregation: NACE code or client level - Serbia
	YoY change in total financed emission per C, I and D NACE code - Slovenia	KRIs are based on the yearly comparison of financed GHG emission at the different levels of aggregation: NACE code or client level - Slovenia
	YoY change in total financed emission (per asset class in the scope of PCAF)	KRIs are based on the yearly comparison of financed GHG emission at the different levels of aggregation: asset class (as per PCAF methodology)

Results of the materiality assessment are used to shape follow-up actions and future strategic responses to better manage and/or mitigate impact of C&E risks.

15.5. Financed Scope 3 Greenhouse Gas (GHG) Emissions

Financed emissions are defined as indirect emissions attributed to financing activities – such as lending and investments – of financial institutions. These activities all contribute to providing capital or financing to a company that emits GHG emissions.

Therefore, the Group calculates its **financed GHG emissions** based on the standard of the Partnership for Carbon Accounting Financials (PCAF) performing sector level analysis for Scope 1, 2 and 3 GHG emission intensities and client/company level for GHG financed emissions.

Estimation of CO₂ financed emissions is performed in Q4 2023, including implementing the process to collect emission data from counterparties, attribution of the counterparty's GHG emissions in the proportion corresponding to the financing provided.

Asset classes based on PCAF	Financed GHG emissions	Financed emission intensity
	(t CO ₂)	(per mil EURO Revenue)
Listed equities and corporate bonds	10,639	192
Business loans and unlisted equities	2,868,166	3,911
Project finance	114,345	519
Commercial Real Estate	14,659	181
Mortgage	25,656	143
Motor vehicle loans	46,267	117
Sovereign	22	1,100
Other portfolios	269,006	1,195
TOTAL	3,348,760	7,358

The largest contributors to financed CO₂ emissions relates to the Asset class **Business loans and unlisted equities** where dominant segments are Corporate (incl. SME) and Public coming from Serbian market.

15.6. Incorporation of the C&E risks in risk management

The Group has taken necessary steps to incorporate C&E dimension into the credit analysis, risk assessment and decision phases by implementing several components into different phases of the credit lifecycle:

- The Group has introduced climate-related and environmental due diligence process of analysis for loans and borrowers associated with a higher C&E risk.
- questionnaires are defined for Serbian and Slovenian market that Group uses in the collection of ESG data.
- Sustainability flags to identify assets/investments that have been market as green, sustainable according to several criteria (EU Taxonomy flagging, green loans in line with LMA and ICMA, and in line with IFC) have been introduced.
- Identification of industries highly exposed to transition risks and non-compliance with minimum safeguards criteria became part of the exclusion list criteria
- C&E risks are introduced in collateral evaluation process so that each subsidiary should consider all available ESG factors affecting the value of collateral.

Incorporation of the C&E risks in the credit risk monitoring was done through defined C&E risk early warning signals (EWI) that are set at the level of portfolio and client level.

C&E risks are identified as material risk, and risk quantification for ICAAP purposes was done based on the results of performed stress testing for materiality assessment purposes, described above.

15.1. Green Asset Ratio (GAR) and Green financing

The EU Taxonomy regulation which presents a classification system that defines criteria for economic activities that are aligned with the EU's environmental goals, requires credit institutions to report on their GAR as a key performance indicator (KPI). The GAR shows the proportion of the credit institution's assets that are financed and invested in taxonomy-aligned economic sectors in relation to total covered assets, excluding exposures to central governments, central banks and supranational issuers.



In order to fulfill the regulatory requirements relating to EBA Pillar III on ESG Risk and EU Taxonomy's Annex VI, Group initiated data collection strategy with an overview of the necessary data perimeter for calculation of the GAR.

The calculation of the portion of eligible / aligned exposures to Non-Financial Corporations subject to NFRD which constitute "general purpose" depends on the information about the % of eligibility and alignment of the Non-Financial counterparty to which the Group has the exposure. The calculation of the portion of eligible/aligned exposures to financial corporations is similar to the process described for Non-Financial Corporations, both for the general-purpose portion and for the specialized portion. The calculation of the portion of eligible/aligned exposures for loans on residential real estates or loans for the renovation of residential houses depends on the compliance of the immovable property with the technical screening criteria for buildings set out in Annex I, points 7.2, 7.3, 7.4, 7.5, 7.6 and 7.7, of the Delegated Regulation (EU) 2021/2139. The calculation of the portion of eligible/aligned exposures associated with consumer credit for the purchase of motor vehicles depends on the vehicle's compliance with the technical screening criteria for "Transport by motorbikes, passenger cars and light commercial vehicles" set out in Annex I, point 6.5, of the Delegated Regulation (EU) 2021/2139.

By the end of 2023, no taxonomy-eligible or taxonomy-compliant financing is identified and therefore **GAR ratio is set to 0% as of 31.12.2023**. There are several limiting factors related to GAR, and the most important relates to the fact that there is high non-EU share of business activities considering that largest part of the Group operates in Serbian market (64% of the Group's portfolio is coming from Serbia). This significantly restricts the Group of approaching companies that are subject to the NFRD.

The Group expects that data collection and analysis will continuously improved and will show results in the upcoming period. The Group will monitor all developments related to the EU Taxonomy Regulation and take them into account in its sustainability journey.

However, considering the Group's sustainability goals set by ESG Strategy and long-term resilience, there is a strong intention on increasing green lending. The Group is aware that green lending mitigates the risks associated with non-sustainable projects that might become stranded assets or face devaluation due to changing regulations or market conditions. Therefore, the following table provides an overview of on balance-sheet loans as of December 31, 2023 that are supporting the transition toward sustainable growth and a low-carbon economy, but are not covered by or not aligned to the EU Taxonomy and therefore not included in by the Green Asset Ratio calculation.

000 EUR		
Type of financial instrument	Type of counterparty	Loans and Advances / on-balance exposure
Loans (green, sustainable loans other than the EU taxonomy standards, based on LMA principles)	Non-Financial Corporation	38,514.62
	Leasing	8,564.10
	Retail	17,906.37
Total Group		64,985.09

Table 35_Template 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity



AGRI EUROPE

Sector/subsector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column l): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions							
1 Exposures towards sectors that highly contribute to climate change*	2,868,804	7,523	0	488,322	67,180	53,545	19,370	17,292	3,816	2,739	0	2,049,771	623,862	188,690	6,481	3
2 A - Agriculture, forestry and fishing	42,873	0	0	6,024	626	1,202	678	348	116	107	0	34,260	8,609	0	4	1
3 B - Mining and quarrying	68,140	7,523	0	5,646	3	466	329	2	323	274	0	67,755	376	0	9	7
4 B.05 - Mining of coal and lignite	1	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0
5 B.06 - Extraction of crude petroleum and natural gas	40,251	0	0	0	0	78	0	0	245	207	0	40,251	0	0	0	1
6 B.07 - Mining of metal ores	797	0	0	0	0	4	0	0	0	0	0	797	0	0	0	1
7 B.08 - Other mining and quarrying	8,864	7,523	0	4,785	3	339	329	2	78	67	0	8,480	376	0	8	3
8 B.09 - Mining support service activities	18,227	0	0	861	0	45	0	0	0	0	0	18,227	0	0	0	1
9 C - Manufacturing	773,258	0	0	117,542	32,994	17,500	5,325	8,487	1,066	940	0	590,827	178,328	3,944	158	3
10 C.10 - Manufacture of food products	264,271	0	0	72,444	5,498	3,858	2,001	416	312	267	0	187,556	76,695	0	20	3
11 C.11 - Manufacture of beverages	30,975	0	0	218	14,608	4,505	1	4,424	8	7	0	21,432	9,543	0	0	2
12 C.12 - Manufacture of tobacco products	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 C.13 - Manufacture of textiles	3,107	0	0	492	13	41	13	10	1	1	0	3,106	0	0	0	1
14 C.14 - Manufacture of wearing apparel	2,710	0	0	512	481	110	24	72	4	3	0	2,680	29	0	1	2
15 C.15 - Manufacture of leather and related products	1,903	0	0	95	367	30	9	6	1	1	0	1,652	250	0	0	3
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	14,863	0	0	1,202	124	162	35	40	26	21	0	9,919	4,289	646	9	3
17 C.17 - Manufacture of pulp, paper and paperboard	56,466	0	0	7,944	92	316	79	51	37	30	0	56,442	19	0	5	2
18 C.18 - Printing and service activities related to printing	16,185	0	0	270	381	278	9	218	18	15	0	6,193	9,988	0	4	3
19 C.19 - Manufacture of coke oven products	55,649	0	0	0	618	272	0	106	2	1	0	55,003	647	0	0	4
20 C.20 - Production of chemicals	41,871	0	0	1,079	189	457	2	180	12	10	0	35,666	6,199	0	5	2
21 C.21 - Manufacture of pharmaceutical preparations	10,360	0	0	7,201	0	2,228	2,216	0	4	4	0	8,827	1,533	0	0	2
22 C.22 - Manufacture of rubber products	32,569	0	0	2,653	579	469	97	187	21	18	0	23,022	9,543	0	5	4
23 C.23 - Manufacture of other non-metallic mineral products	5,544	0	0	230	916	61	9	19	24	19	0	5,032	511	0	1	2
24 C.24 - Manufacture of basic metals	36,738	0	0	2,443	14	215	89	14	163	147	0	36,683	52	0	3	2
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	47,050	0	0	5,698	842	1,006	138	492	51	44	0	32,977	14,046	0	28	3
26 C.26 - Manufacture of computer, electronic and optical products	25,245	0	0	988	39	284	109	4	116	99	0	22,504	2,714	0	27	2
27 C.27 - Manufacture of electrical equipment	45,231	0	0	865	7,593	2,161	29	1,966	20	17	0	21,405	23,814	0	12	1
28 C.28 - Manufacture of machinery and equipment n.e.c.	34,692	0	0	8,597	123	416	248	61	118	114	0	20,158	14,524	0	11	4
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	9,029	0	0	216	44	106	15	33	17	16	0	8,681	346	0	2	1
30 C.30 - Manufacture of other transport equipment	8,553	0	0	1,682	2	62	30	0	12	11	0	5,173	77	3,298	5	1
31 C.31 - Manufacture of furniture	7,299	0	0	885	251	209	42	112	17	15	0	6,448	844	0	6	2
32 C.32 - Other manufacturing	17,328	0	0	245	34	64	14	17	77	75	0	15,472	1,846	0	10	2
33 C.33 - Repair and installation of machinery and equipment	5,621	0	0	1,584	186	190	117	57	4	3	0	4,796	821	0	4	3
34 D - Electricity, gas, steam and air conditioning supply	205,637	0	0	79,174	69	2,811	2,167	34	1,657	882	0	172,868	32,417	337	15	3
35 D35.1 - Electric power generation, transmission and distribution	148,303	0	0	78,033	68	2,631	2,144	33	1,654	881	0	136,433	11,521	337	13	4
36 D35.11 - Production of electricity	89,348	0	0	78,030	68	2,178	919	33	1,654	881	0	77,485	11,521	337	5	3
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	48,561	0	0	0	0	88	0	0	3	1	0	28,344	20,217	0	0	2
38 D35.3 - Steam and air conditioning supply	8,772	0	0	1,141	1	92	24	1	0	0	0	8,091	680	0	2	2
39 E - Water supply; sewerage, waste management and remediation activities	16,373	0	0	827	221	168	25	87	165	142	0	12,202	4,065	95	11	3
40 F - Construction	325,451	0	0	45,853	7,388	7,104	2,381	1,869	61	55	0	264,010	50,573	10,773	95	2
41 F.41 - Construction of buildings	237,750	0	0	32,719	3,532	4,507	1,968	392	33	30	0	201,149	28,879	7,650	72	2
42 F.42 - Civil engineering	33,323	0	0	3,758	1,978	1,447	82	967	14	13	0	21,859	9,084	2,377	2	2
43 F.43 - Specialised construction activities	54,379	0	0	9,376	1,878	1,150	332	510	14	12	0	41,002	12,610	746	20	3
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	678,510	0	0	73,350	12,453	9,923	1,629	4,545	223	159	0	559,359	114,639	4,297	216	2
45 H - Transportation and storage	191,685	0	0	45,670	1,670	3,839	840	677	17	7	0	104,528	86,237	889	32	2
46 H.49 - Land transport and transport via pipelines	69,361	0	0	30,584	1,535	1,176	290	634	5	2	0	60,813	7,633	889	26	2
47 H.50 - Water transport	851	0	0	724	7	22	18	4	0	0	0	851	0	0	0	1
48 H.51 - Air transport	28,816	0	0	7	0	606	0	0	1	0	0	10,148	18,667	0	0	4
49 H.52 - Warehousing and support activities for transportation	90,082	0	0	14,146	113	2,020	530	33	10	4	0	30,256	59,821	0	5	2
50 H.53 - Postal and courier activities	2,576	0	0	210	15	15	2	5	0	0	0	2,460	116	0	0	1
51 I - Accommodation and food service activities	139,243	0	0	50,074	11,577	3,309	1,633	1,216	132	128	0	49,900	50,628	35,321	3,395	6
52 L - Real estate activities	427,634	0	0	64,161	181	7,225	4,362	28	57	45	0	194,062	97,989	133,036	2,548	4
53 Exposures towards sectors other than those that highly contribute to climate change*	553,047	0	0	51,701	9,558	10,748	3,562	2,770	0	0	0	463,711	74,930	8,206	6,199	2
54 K - Financial and insurance activities	94,348	0	0	999	115	1,453	9	59	0	0	0	67,208	18,478	2,971	5,690	2
55 Exposures to other sectors (NACE codes J, M - U)	458,699	0	0	50,702	9,443	9,295	3,552	2,711	0	0	0	396,503	56,452	5,235	509	2
56 TOTAL	3,421,851	7,523	0	540,023	76,738	64,294	22,932	20,062	3,816	2,739	0	2,513,482	698,792	196,897	12,679	3

* In accordance with the Commission delegated regulation EU 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section I of Annex I to Regulation (EC) No 1893/2006

* In accordance with the Commission delegated regulation (EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks - Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

Energy efficiency of real estate collateral:

The table shows energy efficiency measured in terms of energy consumption (kWh/m²) and Energy Performance Certificate (EPC) labels.

Table 36_Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral:

Counterparty sector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Total gross carrying amount amount (in MEUR)															
	Level of energy efficiency (EP score in kWh/m ² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral		
	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m ² of collateral) estimated	
1 Total EU area	463,874	10,355	83,344	43,185	1,987	1,002	1,936	20,407	1,430	18,392	38,497	55,413	7,388	282	322,064	0
2 Of which Loans collateralised by commercial immovable property	363,016	9,696	71,120	42,261	1,753	1,002	1,449	8,763	1,430	17,485	37,966	54,418	7,219	0	235,734	0
3 Of which Loans collateralised by residential immovable property	100,858	659	12,223	924	235	0	487	11,644	0	907	531	996	169	282	86,329	0
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	0	1,470	62,469	40,089	1,711	0	1,368	0	0	0	0	0	0	0	0	0
6 Total non-EU area	1,413,725	413,791	55,227	145,155	6,419	59,802	171,515	0	0	0	0	0	0	0	1,413,725	60
7 Of which Loans collateralised by commercial immovable property	1,041,351	282,849	26,386	116,694	0	59,802	171,515	0	0	0	0	0	0	0	1,041,351	63
8 Of which Loans collateralised by residential immovable property	372,375	130,942	28,841	28,461	6,419	0	0	0	0	0	0	0	0	0	372,375	52
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	851,910	413,791	55,227	145,155	6,419	59,802	171,515	0	0	0	0	0	0	0	851,910	100

Currently data on EPCs (or Energy passports in Serbia) are very limited. In AIK's portfolio no data on Energy passports are available.

Data in table above are populated on best effort basis, using mostly estimated EPCs based on collateral and external local data base.

Gorenjska bank made significant progress in terms of obtaining EPC data. Gorenjska bank also made an effort to develop internal model for estimation of the EPC grade/rating. Following the methodology for internal Arvio EE model, the proxy has been prepared by external provider with certification of model.

16. Remuneration Policy

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

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

The Group has had a Group Remuneration Policy for the purpose of implementing sound remuneration practices which promote both achievement of the Group goals as well as prudent approach to risk management in place since 2018. In 2023 the Group Remuneration Policy was renewed, amended and assessed according to the risk appetite of the Group and in compliance with the regulatory requirements by respective management bodies. A central and independent review of the compliance with the regulation, other group policies, procedures and internal rules is performed by Group Internal Audit Function on a group level.

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

The management body in its management function on a group level ensures that the variable remuneration is (i) compatible with effective and wise risk management and does not encourage risk taking that surpasses the level that is acceptable for the Group, (ii) properly takes into account all types of risks, liquidity and capital levels, (iii) is consistent with and promotes sound and effective risk management, (iv) is in line with the business strategy, objectives, corporate culture and values and the long-term interest of the Group, (v) it performs annual performance assessment for the direct subordinates within the area of the responsibilities. Furthermore, it ensures that all variable remunerations are aligned with the overall results for the respective period and makes sure that they are in general adjusted to the achieved results, including by considering malus and claw-back arrangements.

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

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

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

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

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



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

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

Group Remuneration Policy is a central element for the implementation of the remuneration systems within the Group. The objectives of the Policy are, among others, (i) to ensure that the remuneration across the Group is in line with the applicable regulations on remuneration; (ii) to set out the principles governing the Group remuneration systems and to build an overall framework on remuneration; (iii) to align the remuneration systems within the Group with the objectives set out in the business and risk strategy of the Group; (iv) to bring consistency, transparency, and equity to pay principles that will increase trust and staff's engagement; (v) to set out remuneration system that promotes motivation and achieving the best possible business results with appropriate risk management; (vi) to provide an environment that encourage innovation and extraordinary performance; (vii) to attract, retain, and motivate highly skilled individuals in a competitive international market; (viii) to provide an effective framework for performance measurement, risk adjustment and the linkages of performance to reward and (ix) to align the financial wellbeing of staff members with the economic interest of shareholder. The Group Remuneration Policy is transparent, known in advance, appropriately documented and internally published. At the end of 2023 the Group Remuneration Policy was renewed and amended to align Performance Management Framework and Short-Term Incentive Plan for identified staff members across the Group, with implementation across the Group following in 2024.

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

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

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



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

In addition to the fixed component of the remuneration, the staff may also be entitled to variable component of the remuneration – including short-term incentive and long-term incentive plans, in accordance with the provisions in their individual employment contracts, remuneration policy of the respective subsidiary and in line with local legislation, relevant regulation and Group Remuneration Policy. In principle, variable remuneration is determined on the basis of the performance assessment of achieving of the business performance of the respective subsidiary, as well as of the organizational unit and individual goals measured and assessed in accordance with internal acts of the respective subsidiary, conforming to five categories defined in Group Remuneration Policy (target met above 120% - extraordinary; target met between 111% and 120% - above expectations; target met between 101% and 110% - expected; target met between 95% and 100% - average; below 95% - poor). In general, the variable part of the remuneration has to reflect the sustainable and risk-based success that is higher than the average expected success, reflected in the fixed part of the remuneration. Generally, performance assessment is carried out once a year, or in different period of time if thus determined by respective subsidiary. The remuneration policy makes a clear distinction regarding the variable remuneration and the performance assessment between the operating business units, corporate and control functions. The staff who are performing control functions are independent from the organizational units they are monitoring and have appropriate authorizations and receive remunerations based on achieving objectives related to their functions, independently of the success of the business areas they are monitoring. Remuneration policy supports the Group and Subsidiaries within the Group in achieving and maintaining a target capital base. Variable remunerations are only paid or become payable if they are sustainable in terms of each group member's financial state and if they are justified by the success of the respective group member, the organizational unit, and the individual staff member.

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

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

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

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



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

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

Remuneration Committee

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

- Is responsible for the preparation of decisions on remuneration to be taken by the management body in its supervisory function, in particular regarding the remuneration of the members of the management body in its management function.
- Provides its support and advice to the management body in its supervisory function on the design of the remuneration policy, including that such remuneration policy is gender neutral and supports the equal treatment of staff of different genders.
- Supports the management body in its supervisory function in overseeing the remuneration policies, practices and processes and compliance with the remuneration policy.
- Checks whether the existing remuneration policy is still up to date and, if necessary, makes proposals for changes.
- Reviews the appointment of external remuneration consultants that the management body in its supervisory function may decide to engage for advice or support.
- Ensures the adequacy of the information provided to shareholders on remuneration policies and practices, in particular on a proposed higher maximum level of the ratio between fixed and variable remuneration.
- Assess the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels and that the overall remuneration policy is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values, risk culture and long-term interest of the Group.
- Assess the achievement of performance targets and the need for ex post risk adjustment, including the application of malus and clawback arrangements.
- Reviews possible scenarios to test how the remuneration policies and practices react to external and internal events, and back-tests the criteria used for determining the award and the ex-ante risk adjustment based on the actual risk outcomes.
- Directly oversees the remuneration of the senior managers in the independent control functions.
- Ensures the proper involvement of the independent control function and other relevant functions (e.g., human resources) within the respective areas of expertise and, where necessary, seeks external advice.
- Collaborates with other Committees of the management body in its supervisory function whose activities may have an impact on the design and proper functioning of remuneration practices.

During the year 2023 the Remuneration Committee held 3 meetings and discussed the amendment and renewal of Group Remuneration Policy; performance bonuses for performance year 2022; remuneration of identified staff members and results of identification process of staff members whose professional activities have a material impact on risk profile on a group level for 2022 and 2023 (identified staff members).

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

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

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

The annual self-assessment showed that, by considering criteria under the Directive 2013/36/EU and the Regulation (EU) 2021/923, the Group has identified all staff members whose professional activities have a material impact on the risk profile on individual and consolidated basis for year 2023. The self-assessment also shows that for year 2023 there was no exclusion of staff members in accordance with the regulation where the institution would deem that the quantitative criteria are not met by the staff member, as they in fact do not have a material impact on the institution's risk profile on individual or consolidated basis.

The self-assessment for year 2023 shows that there were 20 staff members (natural persons) in Agri Europe Cyprus Ltd., whose professional activities have a material impact on the institution's risk profile on individual basis and 100 natural persons identified as staff members whose professional activities have a material impact on the institution's risk profile on a consolidated basis during the year 2023. Institutions within the Group have identified staff members whose activities have a material impact on institution's risk profile on individual basis as follows:

- Agri Europe Cyprus Ltd.: 20 staff members,
- Nord Agri N.V.: 0 staff members,
- M&V Investments a.d.: 4 staff members,
- AIK banka a.d.: 42 staff members,
- Gorenjska banka d.d.: 37 staff members,
- GB Leasing d.o.o. has identified 9 staff members.

Taking into account Article 102 of EBA/GL/2021/04, stating that Institutions should ensure that staff members that fall or are likely to fall under Article 92(3), points (a), (b) and (c) of Directive 2013/36/EU or under the criteria of Article 5 of the RTS on identified staff for a period of at least three months in a financial year are treated as identified staff, there were no staff members identified from Eurobank Direktna a.d., for the period from November 2nd, 2023, till December 31st, 2023 on a consolidated level.

Aggregated number of all staff members identified on individual basis of each institution as stated in the previous paragraph, is not equal to the total number of natural persons identified as staff members whose professional activities have a material impact on the institution's risk profile on a consolidated basis. This is due to the fact that some staff members hold more than one position and are identified as a staff member whose professional activities have a material impact on the institution's risk profile on individual basis in more than one institution of the Group. To ensure full transparency, they are reported in REM tables according to their position where they carried out the predominant part of their business activities.

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

Table 37_EU REM1 - Remuneration awarded for the financial year

000 EUR

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	7	2	65.00	16.00
2		Total fixed remuneration	485.9	535.0	6,203.8	584.3
3		Of which: cash-based	485.9	533.8	5,866.4	578.0
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	1	337	6
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	1	61	15
10		Total variable remuneration	-	48.9	1,343.1	25.7
11		Of which: cash-based	-	48.9	1,237.1	25.7
12		Of which: deferred	-	-	42.4	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	106.1	-
EU-14y		Of which: deferred	-	-	42.4	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		485.9	583.9	7,546.9	610.0

Table 38_EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

000 EUR

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	1	4	-
7	Severance payments awarded during the financial year - Total amount	-	112.2	78.1	-
8	Of which paid during the financial year	-	-	78.1	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	112.2	-	-
11	Of which highest payment that has been awarded to a single person	-	112.2	48.2	-

Table 39_EU REM3 - Deferred remuneration

000 EUR

	a	b	c	d	e	f	EU - g	EU - h
Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1 MB Supervisory function	0	0	0	0	0	0	0	0
2 Cash-based	-	-	-	-	-	-	-	-
3 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4 Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5 Other instruments	-	-	-	-	-	-	-	-
6 Other forms	-	-	-	-	-	-	-	-
7 MB Management function	-	-	-	0	0	0	0	0
8 Cash-based	-	-	-	0	0	0	0	0
9 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10 Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11 Other instruments	-	-	-	-	-	-	-	-
12 Other forms	-	-	-	-	-	-	-	-
13 Other senior management	39.4	39.4	-	0	0	0	39.4	0
14 Cash-based	39.4	39.4	-	0	0	0	39.4	0
15 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16 Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17 Other instruments	-	-	-	-	-	-	-	-
18 Other forms	-	-	-	-	-	-	-	-
19 Other identified staff	0	0	0	0	0	0	0	0
20 Cash-based	-	-	-	-	-	-	-	-
21 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22 Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23 Other instruments	-	-	-	-	-	-	-	-
24 Other forms	-	-	-	-	-	-	-	-
25 Total amount	39.4	39.4	-	-	-	-	39.4	-

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

In 2023 none of the staff members within the Group received a remuneration in amount of 1 million EUR or more, therefore the Template EU REM4 is not shown.

Table 40_EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

000 EUR

	a	b	c	d	e	f	g	h	i	j
	Management body remuneration			Business areas						
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff									90
2	Of which: members of the MB	7	2	9						
3	Of which: other senior management				1	18	5	26	15	0
4	Of which: other identified staff				0	0	0	0	8	8
5	Total remuneration of identified staff	485.9	583.9	1,069.8	129.0	2,790.2	598.7	2,462.6	1,906.3	270.1
6	Of which: variable remuneration	-	48.9	48.9	-	518.1	106.2	450.0	294.5	-
7	Of which: fixed remuneration	485.9	535.0	1,020.9	129.0	2,272.1	492.6	2,012.6	1,611.8	270.1

17. Leverage

(Article 451 of the CRR Regulation)

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

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

As at 31 December 2023, the Group's leverage ratio is calculated according to guidelines of the Commission Delegated Regulation (EU) 2015/62 and is well above regulatory prescribed minimum of 3%.

To fulfil the obligations regarding the disclosure of information about the leverage, the Group used templates from the implementing regulation for the disclosure of the leverage ratio.

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

Table EU_LR1 provides reconciliation of AEC Group financial statements to the leverage ratio exposure as of 31.12.2023:

Table 41_EU –R1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		000 EUR
		a
		Applicable amount
1	Total assets as per published financial statements	8,779,080
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(1,238)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	(8,133)
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	541,847
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	(21,356)
13	Total exposure measure	9,290,200

Leverage Ratio amounts 11.06% well above regulatory minimum of 3%. Table EU LR2 shows breakdown of total leverage exposure measure into its main parts, as of 31.12.2023 and 31.12.2022:

Table 42_EU LR2 - LRCom: Leverage ratio common disclosure

000 EUR

		CRR leverage ratio exposures	
		31.12.2023	31.12.2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	8,154,977	5,759,687
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	Adjustment for securities received under securities financing transactions that are recognised as an asset	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(39,146)	(16,094)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	8,115,831	5,743,593
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	-	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-	-
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	17,298	6,189
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivatives exposures	17,298	6,189
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	615,224	94,800
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	Total securities financing transaction exposures	615,224	94,800
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	2,020,013	1,463,532
20	(Adjustments for conversion to credit equivalent amounts)	(1,478,166)	(1,064,114)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	Off-balance sheet exposures	541,847	399,418
Excluded exposures			



		CRR leverage ratio exposures	
		31.12.2023	31.12.2022
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units)): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	1,027,314	736,346
24	Total exposure measure	9,290,200	6,244,000
Leverage ratio			
25	Leverage ratio	11.06%	11.79%
EU-25	Leverage ratio (xcluding the impact of the exemption of public sector investments and promotional loans) (%)	11.06%	11.79%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11.06%	11.79%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	-	-
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	N/A	N/A
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	784,136	34,801



		CRR leverage ratio exposures	
		31.12.2023	31.12.2022
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	615,224	94,800
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9,459,113	6,184,001
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9,459,113	6,184,001
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10.86%	11.91%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10.86%	11.91%

Table EU LR 3 provides breakdown of on-balance sheet exposures, excluding derivatives, SFTs and exempted exposures, by exposure class as of 31.12.2023:

Table 43_EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

000 EUR

		a
		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	8,154,977
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	8,154,977
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	1,629,480
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	4,584
EU-7	Institutions	403,787
EU-8	Secured by mortgages of immovable properties	562,359
EU-9	Retail exposures	1,863,922
EU-10	Corporates	2,306,257
EU-11	Exposures in default	111,480
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,273,109

Factors influencing the development of leverage

Leverage ratio reaches constantly high levels in 2022 and in 2023, well above regulatory (3%) and internally defined thresholds.

Impacts on change of leverage ratio in 31.12.2023 compared to 31.12.2022 are as follows:

- Tier 1 capital increased by 291.0 million EUR, and the main drivers are:
 - Increase of paid up capital, +40 mEUR,
 - Increase of retained earnings, +266 million EUR,

- Increase of Accumulated other comprehensive income, +16 million EUR,
 - Increase of other intangible assets, as deductible item, -20 million EUR,
 - Decrease of deductible item Deferred tax assets, +2 mEUR,
 - Non-application of transitional adjustment to CET1, -10 mEUR,
 - CET1 deductible item, -4 mEUR.
- Risk position value increases by 3,046 million EUR, as a result of bank acquisition during 2023 (Eurobank Direktna acquisition by AIK bank in November 2023) and business increase.

18. Liquidity Requirements

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

18.1. Liquidity risk management

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

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

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



The basic method of liquidity measurement involves estimating and comparing future cash inflows and outflows based on balance sheet and off-balance sheet items at different time intervals, with the aim of identifying potential shortfalls of liquid assets, both in the conditions of regular operations and in the conditions of stress events or liquidity crisis. The first stage for the risk identification is the recognition of all the material current risks the Group is exposed to, and the future risks the Group could be exposed to.

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

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

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

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

The Bank's resilience to a liquidity shock is measured using the maturity ladder metric (EBA ITS COREP C66 template) that supports calculation of net liquidity position for every daily bucket. The focus is on bank's ability to handle hypothetical idiosyncratic liquidity shocks (adverse, extreme) in which bank face increasing liquidity outflows. Half-life stress functions was applied in distributing deposits, assuming that more deposits will be withdrawn in short term buckets and outflow curve will be sharper than in linear or compounding stress function. Methodology of liquidity stress test model is assuming different days of deposit outflows per each different scenario and per different customer segment. Liquidity stress test is done in Total (for all currencies), and separately for each significant single currency on credit institution subsidiary and Group level.

The Group developed 3 forward-looking adverse scenarios (idiosyncratic, market-wide and combined), which consider bank's material vulnerabilities, the business model and risk profile, as well as the external conditions. All scenarios have different intensity of stress effects. In particular, the scenarios assume negative deviations from the business plan in terms of higher outflows and lower inflows: withdrawal or no longer prolongation of big deposits, reduced inflow from big tickets due to prolongation or default of the loan because of reduced performance, reputational issues in subsidiaries resulting in an



unexpected outflow of retail savings accounts, negative deviation from planned increase in deposits from legal entities due to either reputational issues or consequently a further deterioration in the geopolitical situation.

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

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

18.2. Qualitative information on LCR

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

LCR as of December 31, 2023, calculated according to Article 451a(2) CRR, was 353.5%, which is significantly higher than regulatory prescribed minimum of 100%. Movements in LCR during 2023 were mostly triggered by movements in the level of HQLA and amount of reverse repo transactions with central bank at AIK Bank side.

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

Liquidity buffer is composed of cash, central bank balance (excluding obligatory reserve) and internally defined unencumbered high quality liquid assets which can be liquidated via repo or sale without significant value loss. Other unencumbered high liquid assets are other unencumbered securities and unencumbered ECB eligible credit claims maturing beyond 1 month. There must be no legal, regulatory or operational impediments to using these assets. On Group level, high quality liquid asset (HQLA) as of December, 2023, in amount of 1,153,020 thousand EUR was held in Level 1 cash and central bank reserves and level 1 high quality securities.

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

On Group level, LCR is calculated for EUR and RSD, recognized as significant currencies, 5% of total group liabilities excluding regulatory capital and off balance sheet liabilities. According to risk appetite statement there is prescribed limit for LCR for all currencies (sum of all currencies). Table presented below presents the values and figures for each of the four calendar quarters (January-March, April-June, July-



September, October-December) of 2023. Those values and figures as the simple averages of month-end observations over the twelve months preceding the end of each quarter.

18.3. Quantative information on LCR

Table 44_EU LIQ1 - Quantitative information of LCR

in 000 EUR		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					1,153,020	1,123,929	1,131,148	1,125,901
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	3,216,449	3,019,718	3,026,255	3,028,611	249,338	234,850	233,615	227,995
3	Stable deposits	2,162,420	2,013,028	2,024,675	2,074,292	108,121	100,651	101,234	103,715
4	Less stable deposits	1,034,622	984,683	976,057	925,659	141,215	134,116	132,247	124,102
5	Unsecured wholesale funding	1,533,804	1,367,683	1,273,878	1,190,079	650,125	585,179	556,770	530,245
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	1,533,804	1,367,683	1,273,878	1,190,079	650,125	585,179	556,770	530,245
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding	-	-	-	-	-	-	-	-
10	Additional requirements	684,930	652,510	640,510	647,183	68,495	63,990	60,734	59,284
11	Outflows related to derivative exposures and other collateral requirements	4,351	4,077	3,930	3,594	4,351	4,077	3,930	3,594
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	680,579	648,433	636,580	643,590	64,143	59,913	56,804	55,691
14	Other contractual funding obligations	73,646	63,359	57,292	49,742	64,323	54,593	48,930	41,573
15	Other contingent funding obligations	605,720	555,523	539,978	528,006	47,240	44,147	44,325	44,796
16	TOTAL CASH OUTFLOWS					1,079,476	982,691	944,278	903,826
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	509,985	342,787	207,007	82,207	509,985	342,787	207,007	82,207
18	Inflows from fully performing exposures	376,541	319,052	330,006	335,069	300,767	252,046	265,461	274,204
19	Other cash inflows	46,852	43,739	43,452	40,215	28,461	25,344	25,057	21,819
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	933,378	705,578	580,466	457,491	836,113	617,845	477,847	368,561
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	918,017	694,049	551,590	437,090	836,113	617,845	477,847	368,561
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					1,153,020	1,123,929	1,131,148	1,125,901
22	TOTAL NET CASH OUTFLOWS					326,184	400,820	477,468	535,266
23	LIQUIDITY COVERAGE RATIO					353.5%	280.4%	236.9%	210.3%

18.4. Quantative information on NSFR

Net stable funding ratio (NSFR) calculated in accordance with the CRR2 was 156.7% as of December 31, 2023, within regulatory and internally prescribed limits. Overview of NSFR for the last three quarters is given in the tables below:

Table 45_EU LIQ2: Net Stable Funding Ratio as of 31.12.2023

(in 000 EUR)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	1,064,772	-	-	64,741	1,129,513
2	Own funds	1,064,772	-	-	64,741	1,129,513
3	Other capital instruments		-	-	-	-
4	Retail deposits		3,211,633	831,053	264,824	4,040,304
5	Stable deposits		2,304,406	436,830	171,781	2,775,955
6	Less stable deposits		907,227	394,223	93,044	1,264,349
7	Wholesale funding:		2,290,313	162,530	593,382	1,740,598
8	Operational deposits		-	-	-	-
9	Other wholesale funding		2,290,313	162,530	593,382	1,740,598
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	13	135,332	5,626	54,832	57,645
12	NSFR derivative liabilities	13				
13	All other liabilities and capital instruments not included in the above categories		135,332	5,626	54,832	57,645
14	Total available stable funding (ASF)					6,968,059
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					10,027
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		20,680	-	-	10,340
17	Performing loans and securities:		1,350,286	698,298	3,381,214	3,854,653
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		395,350	4,937	4,132	45,516
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		920,540	671,933	2,876,513	3,267,830
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		33,142	36,494	179,095	248,732
22	Performing residential mortgages, of which:		20,747	16,492	456,002	493,241
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		11,556	9,148	276,950	297,654
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		13,649	4,936	44,567	48,066
25	Interdependent assets		-	-	-	-
26	Other assets:		1,764,500	37,120	262,228	474,858
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			-		-
29	NSFR derivative assets		2,474			2,474
30	NSFR derivative liabilities before deduction of variation margin posted		2,147			107
31	All other assets not included in the above categories		1,759,878	37,120	262,228	472,276
32	Off-balance sheet items		721,940	498,208	457,192	97,759
33	Total RSF					4,447,637
34	Net Stable Funding Ratio (%)					156.7%

Table 46_EU LIQ2: Net Stable Funding Ratio as of 30.09.2023

(in 000 EUR)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	927,490	-	-	-	927,490
2	Own funds	927,490	-	-	-	927,490
3	Other capital instruments		-	-	-	-
4	Retail deposits		2,408,993	371,526	238,368	2,838,978
5	Stable deposits		1,777,511	185,364	145,328	2,010,059
6	Less stable deposits		631,482	186,162	93,039	828,919
7	Wholesale funding:		1,657,394	92,754	154,501	984,244
8	Operational deposits		-	-	-	-
9	Other wholesale funding		1,657,394	92,754	154,501	984,244
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	106	75,962	2,879	53,625	55,065
12	NSFR derivative liabilities	106				
13	All other liabilities and capital instruments not included in the above categories		75,962	2,879	53,625	55,065
14	Total available stable funding (ASF)					4,805,777
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					9,882
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		3,411	-	-	1,706
17	Performing loans and securities:		743,508	465,716	2,398,004	2,627,638
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		181,394	191	-	17,590
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		529,262	451,108	2,032,670	2,209,752
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		14,431	10,554	39,158	64,143
22	Performing residential mortgages, of which:		20,369	14,418	316,665	351,452
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		11,597	9,912	183,799	205,308
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		12,483	-	48,668	48,845
25	Interdependent assets		-	-	-	-
26	Other assets:		1,282,881	21,394	181,996	315,792
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
29	NSFR derivative assets		97			97
30	NSFR derivative liabilities before deduction of variation margin posted		-			-
31	All other assets not included in the above categories		1,282,785	21,394	181,996	315,695
32	Off-balance sheet items		569,819	423,700	273,019	71,117
33	Total RSF					3,026,135
34	Net Stable Funding Ratio (%)					158.8%

Table 47_EU LIQ2: Net Stable Funding Ratio as of 30.06.2023

(in 000 EUR)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	924,746	-	-	-	924,746
2	Own funds	924,746	-	-	-	924,746
3	Other capital instruments		-	-	-	-
4	Retail deposits		2,422,561	355,504	242,030	2,833,472
5	Stable deposits		1,640,277	183,385	148,074	1,880,553
6	Less stable deposits		782,284	172,119	93,956	952,919
7	Wholesale funding:		1,524,200	65,179	150,414	882,399
8	Operational deposits		-	-	-	-
9	Other wholesale funding		1,524,200	65,179	150,414	882,399
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	64,403	14,373	56,178	63,364
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		64,403	14,373	56,178	63,364
14	Total available stable funding (ASF)					4,703,980
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					12,523
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		5,369	-	-	2,684
17	Performing loans and securities:		794,128	458,478	2,367,311	2,607,767
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		222,777	6,390	-	24,898
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		535,801	435,344	2,003,053	2,181,140
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		16,547	9,815	40,081	66,443
22	Performing residential mortgages, of which:		18,291	16,744	316,251	351,286
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		14,021	10,266	177,277	201,564
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		17,260	-	48,007	50,444
25	Interdependent assets		-	-	-	-
26	Other assets:		1,231,138	15,537	183,326	331,537
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
29	NSFR derivative assets		70			70
30	NSFR derivative liabilities before deduction of variation margin posted		-			-
31	All other assets not included in the above categories		1,231,068	15,537	183,326	331,466
32	Off-balance sheet items		530,109	314,096	324,308	65,689
33	Total RSF					3,020,200
34	Net Stable Funding Ratio (%)					155.8%

Table 48_EU LIQ2: Net Stable Funding Ratio as of 31.03.2023

(in 000 EUR)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	754,229	-	-	-	754,229
2	Own funds	754,229	-	-	-	754,229
3	Other capital instruments		-	-	-	-
4	Retail deposits		2,397,285	357,346	242,888	2,809,712
5	Stable deposits		1,597,487	155,635	138,937	1,804,403
6	Less stable deposits		799,798	201,711	103,952	1,005,310
7	Wholesale funding:		1,389,853	41,289	150,943	806,797
8	Operational deposits		-	-	-	-
9	Other wholesale funding		1,389,853	41,289	150,943	806,797
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	402	103,570	19,497	56,321	66,070
12	NSFR derivative liabilities	402				
13	All other liabilities and capital instruments not included in the above categories		103,570	19,497	56,321	66,070
14	Total available stable funding (ASF)					4,436,808
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					14,335
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		4,650	-	-	2,325
17	Performing loans and securities:		869,861	402,930	2,377,825	2,626,003
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		201,346	4,915	93	21,992
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		622,926	391,407	2,050,167	2,247,327
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		19,723	12,815	49,593	82,131
22	Performing residential mortgages, of which:		15,312	6,608	279,335	301,254
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		5,155	3,462	149,082	157,699
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		30,277	-	48,230	55,430
25	Interdependent assets		-	-	-	-
26	Other assets:		1,101,183	8,490	156,518	253,935
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
29	NSFR derivative assets		-			-
30	NSFR derivative liabilities before deduction of variation margin posted		-			-
31	All other assets not included in the above categories		1,101,183	8,490	156,518	253,935
32	Off-balance sheet items		622,388	314,028	289,673	69,101
33	Total RSF					2,965,699
34	Net Stable Funding Ratio (%)					149.6%

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

19. Use of Credit Risk Mitigation Techniques

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

19.1. Policies and Processes for Collateral Valuation and Management

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

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

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

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

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

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

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

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

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

19.2. Main Types of Collateral Taken by the Group

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

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

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

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

Instruments of Funded Credit Protection

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

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

Instruments of Unfunded Credit Protection

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

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

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

In the process of establishing the offered collateral, regardless of the type of collateral, subsidiary, client or third party related to the collateral is obliged to comply with all local legal regulations that define the management, disposal and contracting of collateral.

Collateral may be eligible for evaluation in the credit decision-making process if all necessary legal conditions for establishing collateral are met and if the collateral has legal effect and is enforceable under applicable state regulations in the event of bankruptcy of the borrower or collateral owner.



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

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

The most important types of suitable guarantors:

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

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

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

Table 49_Distribution of type of guarantors

000 EUR

Type of guarantors	Performing exposure	Non-performing exposure
Governments	65,706	4,913
Banks	16,237	560
Other	29,080	14,652
Total	111,022	20,125

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

The Group has no transactions with credit derivatives.

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

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

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

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

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

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

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



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

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

Overview of usage of credit risk mitigation techniques is given in the table EU_CR3, presented below:

Table 50_EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

000 EUR

		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	5,408,765	2,047,124	1,786,846	260,278	30,659
2	Debt securities	832,511	13,440	-	13,440	-
3	Total	6,241,276	2,060,564	1,786,846	273,719	30,659
4	Of which non-performing exposures	61,806	56,029	54,171	1,858	-
EU-5	Of which defaulted	61,806	56,029	54,171	1,858	-

There are no significant changes.

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

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

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

Table 51_Template 1: Credit quality of forborne exposures

000 EUR

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne		Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted					
005	Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	0
010	Loans and advances	126,646	40,751	40,751	40,751	-5,072	-13,921	52,067	9,026
020	Central banks	0	0	0	0	0	0	0	0
030	General governments	0	0	0	0	0	0	0	0
040	Credit institutions	0	0	0	0	0	0	0	0
050	Other financial corporations	0	0	0	0	0	0	0	0
060	Non-financial corporations	104,204	18,210	15,353	2,857	-3,442	-5,988	47,506	7,298
070	Households	22,442	22,541	22,541	22,541	-1,630	-7,934	4,561	1,728
080	Debt Securities	0	0	0	0	0	0	0	0
090	Loan commitments given	1	527	517	517	0	0	0	0
100	Total	126,647	41,278	41,269	41,269	-5,072	-13,921	52,067	9,026

Table 52_Template 3: Credit quality of performing and non-performing exposures by past due days

000 EUR

	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	1,503,835	1,503,835	0	1,575	1,575	0	0	0	0	0	1,575
010	Loans and advances	5,901,807	5,823,198	78,609	170,661	96,024	19,642	22,617	19,028	8,558	738	170,661
020	Central banks	603,107	603,107	0	0	0	0	0	0	0	0	0
030	General governments	45,026	45,026	0	496	51	64	3	1	7	0	496
040	Credit institutions	261,326	261,248	79	794	762	0	5	18	1	0	794
050	Other financial corporations	52,953	52,822	131	33	32	0	0	0	1	0	33
060	Non-financial corporations	3,249,106	3,203,578	45,528	76,706	46,877	6,994	9,524	9,065	2,027	209	76,706
070	Of which SMEs	1,590,492	1,570,486	20,006	40,769	20,135	6,392	6,046	4,881	1,873	108	40,769
080	Households	1,690,288	1,657,417	32,871	92,633	48,302	12,584	13,084	9,945	6,522	529	92,633
090	Debt securities	847,190	847,190	0	0	0	0	0	0	0	0	0
100	Central banks	0	0	0	0	0	0	0	0	0	0	0
110	General governments	809,795	809,795	0	0	0	0	0	0	0	0	0
120	Credit institutions	20823.46471	20823.46471	0	0	0	0	0	0	0	0	0
130	Other financial corporations	0	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	16,571	16,571	0	0	0	0	0	0	0	0	0
150	Off-balance-sheet exposures	2,001,515			8,995							8,995
160	Central banks	0			0							0
170	General governments	14,086			0							0
180	Credit institutions	2,472			62							62
190	Other financial corporations	7,235			0							0
200	Non-financial corporations	1,806,289			8,133							8,133
210	Households	171,433			799							799
220	Total	8,750,512	6,670,388	78,609	179,656	96,024	19,642	22,617	19,028	8,558	738	179,656

Table 53_Template 4: Performing and non-performing exposures and related provisions

000 EUR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3					
005	Cash balances at central banks and other demand deposits	1,503,835	1,500,671	3,164	1,575	0	1,575	-1,108	-130	-979	-1,575	0	-1,575	0	0	0
010	Loans and advances	5,901,807	5,107,553	789,528	170,661	0	108,432	-66,480	-29,527	-36,821	-52,826	0	-38,790	-229	1,991,095	56,029
020	Central banks	603,107	603,107	0	0	0	0	-4	-4	0	0	0	0	0	0	0
030	General governments	45,026	45,026	0	496	0	496	-201	-201	0	-431	0	-431	0	182	0
040	Credit institutions	261,326	261,322	4	794	0	794	-68	-67	-1	-76	0	-76	0	1,719	0
050	Other financial corporations	52,953	52,494	459	33	0	33	-744	-737	-7	-15	0	-15	0	13,422	18
060	Non-financial corporations	3,249,106	2,712,248	536,597	76,706	0	65,313	-43,034	-20,281	-22,748	-20,048	0	-16,856	-170	1,282,389	39,148
070	Of which SMEs	1,590,492	1,300,571	289,877	40,769	0	31,070.19	-23,936	-10,237	-13,698	-9,740	0	-7,436	-168	757,242	19,563
080	Households	1,690,288	1,433,355	252,468	92,633	0	41,796	-22,429	-8,237.13	-14,064	-32,256	0	-21,413	-60	693,382	16,864
090	Debt securities	847,190	844,658	2,532	0	0	0	-1,238	-1,072	-166	0	0	0	0	13,440	0
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	809,795	809,795	0	0	0	0	-1,005	-1,005	0	0	0	0	0	0	0
120	Credit institutions	20,823	20,823	0	0	0	0	-18	-18	0	0	0	0	0	7480.38717	0
130	Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	16,571	14,040	2,532	0	0	0	-215	-49	-166	0	0	0	0	5960.09731	0
150	Off-balance-sheet exposures	2,001,515	1,884,661	116,843	8,995	0	8,995	3,578	2,727	851	2,409	0	2,407		338,462	115
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
170	General governments	14,086	14,076	10	0	0	0	9	9	0	0	0	0		5	0
180	Credit institutions	2,472	2,436	36	61.93577	0	61.93577	2	2	0	11.67789	0	11.67789		400	0
190	Other financial corporations	7,235	7,227	8	0	0	0	18	18	0	0	0	0		3,054	0
200	Non-financial corporations	1,806,289	1,696,976	109,313	8,133	0	8,133	3,382	2,616	766	2,341	0	2,341		329,990	80
210	Households	171,433	163,946	7,476	799	0	799	167	83	85	56	0	54		5,013	35
220	Total	8,750,512	7,836,873	908,902	179,656	0	117,426	-64,141	-27,872	-36,137	-50,416	0	-36,383	-229	2,342,997	56,144

Table 54_Template 9: Collateral obtained by taking possession and execution processes

000 EUR

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	180	(112)
2	Other than PP&E	74,143	(16,270)
3	<i>Residential immovable property</i>	706	(79)
4	<i>Commercial Immovable property</i>	62,877	(12,525)
5	<i>Movable property (auto, shipping, etc.)</i>	813	(106)
6	<i>Equity and debt instruments</i>	0	0
7	<i>Other</i>	9,747	(3,559)
8	Total	74,323	(16,382)

21. Appendix 2 – Overview of Regulatory required information

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

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

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



		<p>EU_LI1</p> <p>d) reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes</p> <p>EU_LI2, EU_LIA</p> <p>e) or exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions</p> <p>EU_PV1</p> <p>Not applicable, AEC Group does not apply core approach for determination of additional valuation adjustment.</p> <p>f) any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries</p> <p>EU_LIB</p> <p>g) the aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries</p> <p>EU_LIB</p> <p>h) the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9, where applicable</p> <p>EU_LIB</p>
437	5	Own Funds:
EU_CC1 EU_CC2 EU_CCA		<p>a) a full reconciliation of own funds items and filters and deductions applied to own funds and the balance sheet</p> <p>EU_CC1, EU_CC2</p> <p>b) a description of the main features of the instruments of individual categories of own funds issued by the bank</p> <p>EU_CCA</p> <p>c) the full terms and conditions of all instruments of individual categories of own funds</p> <p>EU_CCA</p> <p>d) separate disclosure of the nature and amounts of prudential filters and deductions from own funds</p> <p>EU_CC1</p> <p>e) a description of all restrictions applied to the calculation of own funds in accordance with the regulation and the instruments, prudential filters, and deductions to which those restrictions apply</p> <p>EU_CC1</p> <p>f) bases on which capital ratios are calculated (if made on a basis other than that laid down in the CRR)</p> <p>EU_CC1</p> <p>Not applicable, AEC Group calculates capital ratios based on CRR</p>
437a	-	Own funds and eligible liabilities
		<p>1. Subject to Articles 93 and 94 and to the exceptions set out in paragraph 2 of this Article, institutions identified as resolution entities and that are a G-SII or part of a G-SII shall at all times satisfy requirements for own funds and eligible liabilities set in this point</p> <p>Not applicable, AEC Group is not G-SII or part of G-SII</p>
438	6	Own Funds Requirements and risk-weighted exposure:
EU_OV1 EU_KM1 EU_INS1 EU_INS2 EU_OVC EU_CR8 EU_CR10 EU_CCR7 EU_MR2-B		<p>a) a summary of the approach to assessing the adequacy of its internal capital to support current and future activities</p> <p>EU_OVC</p> <p>b) amount of the additional Own Funds requirements based on the supervisory review process</p> <p>EU_KM1</p> <p>c) upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process</p> <p>EU_OVC</p> <p>Not included, there is no demand from competent authority</p> <p>d) total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three</p> <p>EU_OV1</p> <p>e) on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2)</p> <p>EU_CR10</p>



		<p>Not applicable, AEC Group does not use simple riskweighted approach</p> <p>f) exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 EU_CCR8, EU_INS1</p> <p>Not applicable, AEC Group does not hold insurance or re-insurance undertakings or insurance holding company.</p> <p>g) supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied EU_INS 2</p> <p>Not applicable, AEC Group is not part of financial conglomerate</p> <p>h) variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variation EU_CCR7, EU_MR2-B</p> <p>Not applicable, AEC Group does not apply IRB approach, IMM or IMA</p>
439	7	Exposure to Counterparty Credit Risk (CCR)
EU_CCR4 EU_CCR1 EU_CCR2 EU_CCR3 EU_CCR4 EU_CCR5 EU_CCR6 EU_CCR8		<p>a) description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties EU_CCR4</p> <p>b) description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves EU_CCR4</p> <p>c) description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 291 EU_CCR4</p> <p>Not applicable, AEC Group does not define/use General Wrong-Way risk and Specific Wrong-Way risk</p> <p>d) amount of collateral the institution would have to provide if its credit rating was downgraded EU_CCR4</p> <p>e) amount of segregated and unsegregated collateral received and posted per type of collateral, further broken down between collateral used for derivatives and securities financing transactions EU_CCR5</p> <p>f) for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method EU_CCR1</p> <p>g) for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method EU_CCR1</p> <p>h) exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three EU_CCR2</p> <p>i) exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures EU_CCR8</p> <p>Not applicable, AEC Group does not have any exposure value to central counterparties at reference date</p> <p>j) notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold EU_CCR6</p> <p>Not applicable, AEC Group does not have any CDS in its portfolio at reference date</p> <p>k) estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9) EU_CCR1</p> <p>Not applicable, AEC Group does not apply own estimates of scaling factor</p> <p>l) the disclosures included in point (e) of Article 444 and point (g) of Article 452 EU_CCR3,</p>



		<p>EU_CCR4 (n/a) - template not applicable, AEC Group does not apply IRB approach</p> <p>m) for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable</p>
440	8	Countercyclical Capital Buffers
EU_CCyB1 EU_CCyB2		<p>a) geographical distribution of the exposure amounts, and risk-weighted exposure amounts of bank's credit exposures used as a basis for the calculation of its countercyclical capital buffer EU CCyB1</p> <p>b) amount of bank-specific countercyclical capital buffer EU CCyB2</p>
441	-	Indicators of Global Systemic Importance
		<p>Institutions identified as G-SIIs in accordance with Article 131 of Directive 2013/36/EU shall disclose, on an annual basis, the values of the indicators used for determining the score of the institutions in accordance with the identification methodology referred to in that Article.</p> <p>Not applicable, AEC Group is not G-SII</p>
442	9	Exposures to credit risk and dilution risk:
EU_CRB EU_CQ1 EU_CQ2 EU_CQ3 EU_CQ4 EU_CQ5 EU_CQ6 EU_CQ7 EU_CQ8 EU_CR1 EU_CR1-A EU_CR2 EU_CR2a		<p>a) scope and definitions used for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes EU_CRB</p> <p>b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments EU_CRB</p> <p>c) information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions, and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received EU_CR1, EU_CR1-A, EU_CR2a, EU_CQ1, EU_CQ3, EU_CQ4, EU_CQ5, EU_CQ7, EU_CR2, EU_CR2a, EU_CQ2, EU_CQ6, EU_CQ8 – data in these templates is not disclosed since they reference to FINREP report that the Group is not obliged to fill, since its non performing exposure ratio is below 5%</p> <p>d) ageing analysis of accounting past due exposures EU_CQ3</p> <p>e) gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet EU_CQ4, EU_CQ5</p> <p>f) any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off EU_CR1, EU_CR2, EU_CR2a</p> <p>g) breakdown of loans and debt securities by residual maturity EU_CR1-A</p>
443	10	Encumbered and Unencumbered Assets
EU_AE1 EU_AE2 EU_AE3 EU_AE4		<p>- disclose information concerning their encumbered and unencumbered assets</p> <p>- use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered (shall not reveal emergency liquidity assistance provided by central banks)</p> <p>- related liabilities, conditional liabilities or lent securities and assets, collateral held and issued own debt securities, except for covered bonds and collateralised securities that are encumbered</p> <p>- information on the meaning of encumbrance:</p>
444	11	The Use of the Standardised Approach:
EU_CRD EU_CR4 EU_CR5 EU_CCR3		<p>a) the names of the nominated external credit assessment institution (ECAIS) or Export Credit Agencies (ECAs) and the reasons for any changes EU_CRD</p> <p>b) the exposure classes for which each ECAI or ECA is used EU_CRD</p> <p>c) a description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book EU_CRD</p> <p>d) the association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in the CRR regulation (Part Three, Title II, Chapter 2), if the association does not comply with the standard association scheme published by EBA (also the Bank of Slovenia) EU_CRD</p>



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



		<p>c) description of key modelling and parametric assumptions, other than those referred to in points (b) and (c) of Article 98(5a) of Directive 2013/36/EU used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph</p> <p>d) explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date</p> <p>e) description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Article 84 of Directive 2013/36/EU, including:</p> <ul style="list-style-type: none"> (i) a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income, (ii) a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems that would differ from the common modelling and parametric assumptions referred to in Article 98(5a) of Directive 2013/36/EU for the purpose of calculating changes to the economic value of equity and to the net interest income, including the rationale for those differences, (iii) a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk, (iv) the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3), (v) an outline of how often the evaluation of the interest rate risk occurs <p>f) description of the overall risk management and mitigation strategies for those risks</p> <p>g) average and longest repricing maturity assigned to non-maturity deposits</p>
449	-	Exposure to Securitisation Positions
EU-SEC1 EU-SEC2 EU-SEC3 EU-SEC4 EU-SEC5		<p>Institutions calculating risk-weighted exposure amounts in accordance with Chapter 5 of Title II of Part Three or own funds requirements in accordance with Article 337 or 338 shall disclose the information separately for their trading book and non-trading book activities where relevant</p> <p>Not applicable, securitization transactions are not in place in AEC Group</p>
449a	15	Climate related and Environmental risk
		<p>From 28 June 2022, large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, as defined in point (21) of Article 4(1) of Directive 2014/65/EU, shall disclose information on ESG risks, including physical risks and transition risks, as defined in the report referred to in Article 98(8) of Directive 2013/36/EU.</p> <p>The information referred to in the first paragraph shall be disclosed on an annual basis for the first year and biannually thereafter.</p> <p>AEC Group is large institution but has no publicly listed issuances. Nevertheless, based on ECB's Guide on climate related and environmental risks, it is outlined that ECB expects that C&E risks are material and related metrics should be embedded in disclosures under current prudential rules. In line with that, AEC Group discloses information related to C&E risks.</p>
450	16	Remuneration Policy:
EU_REMA EU_REM1 EU_REM2 EU_REM3 EU_REM4 EU_REM5		<p>a) information concerning the decision-making process used for determining the remuneration policy as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders EU_REMA</p> <p>b) information on link between pay and performance EU_REMA</p> <p>c) the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria EU_REMA</p> <p>d) the ratios between fixed and variable remuneration EU_REMA</p> <p>e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based EU_REMA</p> <p>f) main parameters and rationale for any variable component scheme and any other non-cash benefits EU_REMA</p> <p>g) aggregate quantitative information on remuneration, broken down by business area EU_REM5</p>



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



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

		EU_CR7 Not applicable, AEC Group does not apply IRB approach
454	-	Use of the Advanced Measurement Approaches to Operational Risk
		The institutions using the Advanced Measurement Approaches set out in Articles 321 to 324 for the calculation of their own funds requirements for operational risk shall disclose a description of their use of insurance and other risk-transfer mechanisms for the purpose of mitigating that risk. Not applicable, AEC Group does not apply advanced measurement approach to operational risk.
455	-	Use of Internal Market Risk Models
EU_MRB EU_MR2-A EU_MR3 EU_MR4		Institutions calculating their capital requirements in accordance with Article 363 shall disclose selected information related to model used. Not applicable, AEC Group does not use internal models for capital requirements calculation
473a/468	5.1	IFRS 9 transitional arrangements
IFRS 9/ Article 468-FL		Data related to transitional capital rules applied by institution for introduction of new accounting standard for financial instrument measurement and classification (IFRS 9). Rule is published by EBA as of December 2017 and amended in June 2020: Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income (CRR, Article 468). Template: IFRS 9/Article 468-FL Not applicable, AEC Group does not use transitional arrangements in 2023
Appendixes		
EBA/GL/ 2018/10	Appendix 1	Disclosure of non-performing and forborne exposures

22. Appendix 3 - Attest of compliance of the Disclosure Report with Group policies and systems and controls

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

Head of Risk Management:



Head of Finance:



Head of HR & Organization:

