

SRPSKA BANKA AD. BELGRADE

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



This is a translation of the original Independent Auditors' Report issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any suggestions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

SRPSKA BANKA AD. BELGRADE

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Srpska Banka a.d. Belgrade

Report on the Audit of the Financial Statements

Opinion

We have audited the annual financial statements of Srpska Banka a.d. Belgrade (the Bank), which comprise the balance sheet as at 31 December 2024, the income statements, the statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for opinion

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

Responsibilities of the Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the current accounting regulations in effect in the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Srpska Banka a.d. Belgrade (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- *Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- *Conclude on the appropriateness of the Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*

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

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

Other Information included in the Bank's Annual Business Report

Management is responsible for the other information. The other information comprises the Annual Business Report (of which Corporate Governance Report is integral part) but does not include the annual financial statements and our auditor's report thereon.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Srpska Banka a.d. Belgrade (continued)

Other Information Included in the Bank's Annual Business Report (continued)

Our opinion on the financial statements does not cover the other information, except to the extent explicitly described in the Report on Other Legal and Regulatory Requirements section of our report, and we do not express any form of assurance conclusion thereon.

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

Report on Other Legal and Regulatory Requirements

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

In our opinion, the Annual Business Report is:

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

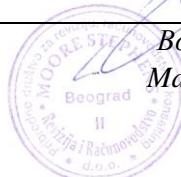
In addition, considering the knowledge and understanding of the Bank and its environment obtained during the audit, we are required to report if we have identified material misstatements in the Annual Report. We have nothing to report in this regard.

Belgrade, 17 March 2025

„MOORE STEPHENS
Revizija i Računovodstvo“ d.o.o. Beograd
4 Studentski Trg, 5th floor

Ružica Vukosavljević
Certified Auditor

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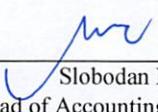


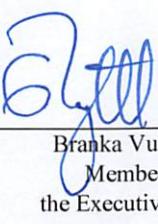
Bogoljub Aleksić
Managing Partner

INCOME STATEMENT
for the period from 01 January to 31 December 2024
 (in RSD thousand)

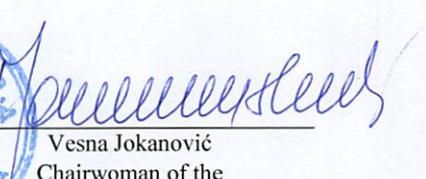
	Notes	2024	2023
OPERATING INCOME AND EXPENSES			
Interest income	5	2,328,893	1,424,889
Interest expense	5	(546,592)	(508,403)
Net interest income		1,782,301	916,486
Fee and commission income	6	394,857	281,004
Fee and commission expenses	6	(244,027)	(87,924)
Net fee and commission income		150,830	193,080
Net gain/(loss) from change in fair value of financial instruments	9	9,994	(14,656)
Net gain from hedging	10	12	63
Net exchange rate gains/(loss) and gains/(loss) from agreed currency clause	7	16,145	3,084
Other operating income	8	42,428	39,400
Net income / (expenses) from impairment of financial assets not measured at fair value through profit or loss	11	5,165	(138,774)
TOTAL NET OPERATING INCOME		2,006,875	998,683
Salaries, salary compensations and other personal expenses	12	(288,706)	(244,937)
Depreciation and amortization expenses	13	(69,745)	(79,770)
Other income	8	4,645	16,043
Other expenses	14	(406,334)	(371,016)
PROFIT BEFORE TAX		1,246,735	319,003
Income tax		-	-
Gain / (Loss) from deferred taxes	15	(2,793)	12,404
PROFIT / (LOSS) AFTER TAXATION		1,243,942	331,407

Belgrade, 14 March 2025


 Slobodan Lečić
 Head of Accounting, Finance and
 Reporting Department


 Branka Vuković
 Member of
 the Executive Board

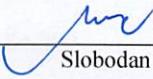



 Vesna Jokanović
 Chairwoman of the
 Executive Board

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the period from 01 January to 31 December 2024
 (in RSD thousand)

	2024	2023
PROFIT/(LOSS) FOR THE YEAR	1,243,942	331,407
Other comprehensive income for the year		
<i>Items of other comprehensive income that cannot be reclassified into profit or loss:</i>		
Actuarial (losses) / gains	(309)	(772)
Increase in revaluation reserves arising from intangible assets and fixed assets	17,231	24,474
Gains / (loss) from the taxes related to the other comprehensive income of the period		
Positive/(negative) outcomes of changes in fair value of securities	474,179	332,288
Total positive / (negative) other comprehensive income for year	491,101	355,590
TOTAL POSITIVE / (NEGATIVE) COMPREHENSIVE INCOME FOR THE PERIOD	1,735,043	687,397

Belgrade, 14 March 2025


 Slobodan Lečić
 Head of Accounting, Finance and Reporting Department

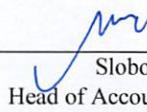

 Branka Vuković
 Member of the Executive Board

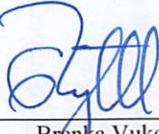
 *БЕ ОТРАД
 Vesna Jokanović
 Chairwoman of the Executive Board

BALANCE SHEET
as of 31 December 2024
 (in RSD thousand)

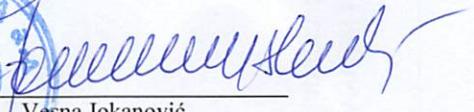
	Notes	2024	2023
ASSETS			
Cash and assets held with the Central Bank	16	10,336,321	9,581,167
Pledged financial assets	17	2,187,500	1,594,510
Securities	17	12,473,572	6,075,001
Receivables from derivates		3,455	-
Loans and receivables from banks and other financial institutions	18	39,922,663	21,550,826
Loans and receivables from customers	19	5,001,988	5,192,244
Intangible assets	20	27,276	20,887
Property, plant and equipment	20	1,498,830	1,513,420
Investment property	21	507,219	505,324
Other assets	22	46,020	29,051
TOTAL ASSETS		72,004,844	46,062,430
LIABILITIES			
Liabilities from derivates		11,941	17,426
Deposits and other liabilities due to banks, other financial institutions and Central Bank	23	2,274,737	2,170,546
Deposits and other liabilities due to customers	24	64,238,173	40,097,966
Provisions	25	44,491	43,119
Deferred tax liabilities	15	85,429	79,595
Other liabilities	26	146,275	185,024
TOTAL LIABILITIES		66,801,046	42,593,676
Share capital	27	2,846,536	2,846,536
Profit	27	1,243,942	331,407
Reserves	27	1,113,320	290,811
Unrealised loss			-
TOTAL EQUITY		5,203,798	3,468,754
TOTAL LIABILITIES AND EQUITY		72,004,844	46,062,430

Belgrade, 14 March 2025


 Slobodan Lečić
 Head of Accounting, Finance and
 Reporting Department


 Branka Vuković
 Member of
 the Executive Board

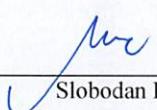



 Vesna Jokanović
 Chairwoman of the
 Executive Board

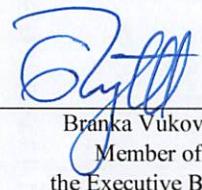
STATEMENT OF CHANGES IN EQUITY
for the period from 01 January to 31 December 2024
 (in RSD thousand)

	Share capital and other capital	Reserve from profit	Revaluation reserves	Unrealized (losses) / gains on securities	Retained earnings	Total equity
Balance as of 1 January of the prior year	2,846,536	205,606	455,141	(761,486)	35,560	2,781,357
Profit distribution	-	35,560	-	-	(35,560)	-
Current year's profit	-	-	-	-	331,407	331,407
Outcomes of property appraisal	-	-	28,793	-	-	28,793
Deferred taxes	-	-	(4,319)	-	-	(4,319)
Actuarial gains/losses	-	-	(772)	-	-	(772)
Outcomes of securities valuation	-	-	-	332,288	-	332,288
Balance as of 31 December 2023	2,846,536	241,166	478,843	(429,198)	331,407	3,468,754
Balance as of 1 January of the current year	2,846,536	241,166	478,843	(429,198)	331,407	3,468,754
Profit distribution	-	331,407	-	-	(331,407)	-
Current year's profit	-	-	-	-	1,243,942	1,243,942
Outcomes of property appraisal	-	-	20,272	-	-	20,272
Deferred taxes	-	-	(3,041)	-	-	(3,041)
Actuarial gains/losses	-	-	(308)	-	-	(308)
Outcomes of securities valuation	-	-	-	474,179	-	474,179
Balance as of 31 December 2024	2,846,536	572,573	495,766	44,981	1,243,942	5,203,798

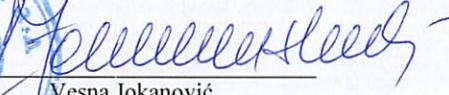
Belgrade, 14 March 2025



Slobodan Lečić
 Head of Accounting, Finance and
 Reporting Department



Branka Vučović
 Member of
 the Executive Board

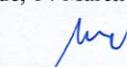



Vesna Jokanović
 Chairwoman of the
 Executive Board

CASH FLOW STATEMENT
for the period from 01 January to 31 December 2024
(in RSD thousand)

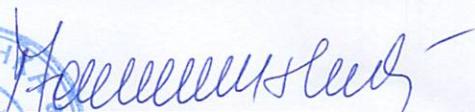
	2024	2023
Inflows		
Interest receipts	2,983,765	1,904,296
Fee receipts	2,340,322	1,396,630
Receipts from other operating income	394,290	289,402
Receipts from dividends and equity investments	248,881	218,084
	272	180
Outflows		
Interest payments	(1,756,360)	(1,279,581)
Fee payments	(550,155)	(492,849)
Outflow from gross salaries, salary compensations and other personal expenses	(245,546)	(84,829)
Outflow from taxes, contributions and other duties charged to expense	(61,696)	(68,100)
Other payments	(620,589)	(403,368)
Net cash inflow/(outflow) from operating activities before increases or decreases in placements and deposits	1,227,405	624,715
Decrease in placements and increase in deposits		
Increase in deposits and other liabilities towards banks, other financial organizations, the central bank and clients	24,306,556	17,461,267
Increase in liabilities from financial derivatives	24,306,566	17,446,823
	14,444	
Increase in placements and decrease in deposits taken		
Increase in placements, Increase in loans and receivables from banks, other financial organizations, the central bank and committees and decrease in deposits taken	(24,020,567)	(20,222,044)
	(2,175,749)	(1,862,923)
Increase in receivables from securities, derivatives and other financial assets not intended for investment	(21,837,323)	(18,359,121)
Increase in receivables from derivatives for hedging and changes in the fair value of items to be hedged	(3,826)	-
Decrease in liabilities from derivatives for hedging and changes in the fair value of items to be hedged	(3,669)	-
Net cash inflow/(outflow) from operating activities	1,513,394	(2,138,062)
Cash flow from investing activities		
Purchase of intangible assets, property, plant and equipment	(60,086)	24,101
Sale of intangible assets, property, plant and equipment	(60,086)	(53,711)
	24,101	
Net cash outflows/inflows from investing activities	(60,086)	(29,610)
Cash flow from financing activities		
Outflows from taken loans	(15,056)	(30,188)
	(15,056)	(30,188)
Net outflows from financing activities	(15,056)	(30,188)
Total cash inflow	27,290,321	19,389,664
Total cash outflow	(25,852,078)	(21,585,524)
Net increase / (decrease) in cash	1,438,243	(2,195,860)
Cash and cash equivalents at the beginning of the year	901,381	3,094,649
Positive / (negative) foreign exchange differences	29,151	2,593
Cash and cash equivalents at end-period	2,368,774	901,382

Belgrade, 14 March 2025


Slobodan Lečić
Head of Accounting, Finance and
Reporting Department


Branka Vuković
Member of
the Executive Board




Vesna Jokanović
Chairwoman of the
Executive Board

1. CORPORATE INFORMATION

Srpska banka a.d. Belgrade (hereinafter the "Bank") was established as the legal successor of a specialized organizational unit within the National Bank of Yugoslavia (NBY) – called Vojni servis, based on decision of the National Bank of Yugoslavia G.no. 920 dated 4 November 1996. The bank was registered in the register of the Commercial Court in Belgrade in accordance with the court decision no. VI / Fi-19015/96 dated 14 November 1996 under the name "YU GARANT BANKA" a.d..

The Article of Association dated 17 September 1996 specify 1 January 1997 as the date for the commencement of the Bank operations. By decision of the Commercial Court in Belgrade no. IV-Fi-9043/2003 from 1 September 2003, the business name "YU GARANT BANKA" a.d. was changed to Srpska banka a.d. Belgrade.

The majority founder of the Bank is the Republic of Serbia, whose interest in the share capital as of 31 December 2023 amounts to 76.69%.

Pursuant to the Law on Banks, and the Decision on Establishment and the Statute, the Bank is registered for credit and deposit operations, payment transactions in the country and abroad, foreign currency and exchange operations, issuance of payment cards, issuance of guarantees, sureties and other guarantees and other jobs required by legal regulations.

The Bank's head office is located in Belgrade, no. 25 Savska Street. The Bank has 1 branch. As at 31 December 2024, the Bank had 89 employees (31 December 2023: 86 employees).

The Bank's management bodies are: the Bank's Assembly, the Management Board and the Executive Board. The Bank has formed the following committees: Asset-Liability Committees (ALCOs), Business Monitoring Committee, Credit Committee and NPLs Monitoring Committee.

The Bank's registration number is 07092288, and the tax identification number is 100000387.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis for Preparation and Presenting of the Financial Statements

Bank's standalone financial statements (hereinafter referred to as "financial statements") for the year 2024 are prepared in accordance with International Financial Reporting Standards ("IFRS") and relevant regulations of the National Bank of Serbia.

Pursuant to the Law on Accounting ("RS Official Gazette", no. 73/2019 and 44/2021 - hereinafter "the Law") the Bank, as a large-sized legal entity is required to apply International Financial Reporting Standards ("IFRS"). Additionally, in accordance with the Amendments to the Law on Banks ("RS Official Gazette", no. 14/2015), it is prescribed that banks in the process of preparation the annual financial statements apply IFRS from the date determined by the competent international body as the day of the start of their application. IFRS constitute the Conceptual Framework for Financial Reporting, International Accounting Standards - IAS, International Financial Reporting Standards - IFRS and related interpretations, subsequent changes to those standards and related to them related interpretations, issued by the International Accounting Standards Board (IASB), that is, the International Financial Reporting Interpretations Committee (IFRIC).

The accompanying financial statements are presented in the form prescribed by the Decision of the National Bank of Serbia on Forms and Contents of the Items in Forms of Financial Statements for Banks ("RS Official Gazette", No. 93/2020).

Newly amended and supplemented standards and interpretations are disclosed in note 2.2. Published standards that have been issued but are not yet effective and have not been early adopted are disclosed in note 2.3.

The financial statements are prepared in accordance with the historical cost convention, unless otherwise stated in the accounting policies given below. In the preparation of the accompanying financial statements, the Bank adhered to the accounting policies disclosed in Note 3.

2.2. Standards and interpretations issued that came into effect in the prior and current periods according to the Decision on Adoption of the translation

The following amended standards entered into force on 01 January 2024, but did not have a material impact on the Bank:

- **Amendments to IAS 1 "Presentation of financial statements"** - Classification of liabilities as short-term and long-term. The amendment should clarify the requirements for the presentation of liabilities as short-term and long-term liabilities (effective for annual periods beginning after 1 January 2024).
- **Amendment to IAS 1 "Presentation of financial statements"** - Long-term liabilities with a clause - the amendment amends IAS 1 in order to clarify the presentation of liabilities in the Statement of Financial Position as short-term and long-term. Under these changes, contractual clauses to be fulfilled after the reporting date do not affect the classification of debt as short-term or long-term. Instead, the amendments require entities to disclose information about these clauses in the Notes to the financial statements. The amendment may be adopted early and in case of early adoption, the amendments related to *the classification of liabilities as short-term and long-term* must be adopted on an earlier date or on the date of this amendment (effective for annual periods beginning after 1 January 2024).
- **Amendments to IFRS 16 "Leases"** – Lease duties in Sale and Leaseback transactions - this amendment updates IFRS 16 to clarify that the requirements for right-of-use assets and lease obligations in IFRS 16 apply to sale-and-leaseback transactions after initial recognition. It also clarifies that the "rental payments" will be determined in such a way that the seller-lessee does not recognize a gain or loss related to the right-of-use property retained by the seller-lessee. This amendment is applied retrospectively (effective for annual reports beginning on or after 1 January 2024).
- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures"** Supplier Financing Arrangements - These amendments to IAS 7 and IFRS 7 require entities to provide additional disclosures about their use of supplier financing arrangements and ensure that users have information that will enable them to assess: a) how the supplier financing arrangement affects the entity's cash flows and liabilities and b) the impact that the financing arrangements have on suppliers have a liquidity risk. IAS 7 disclosures are not required for the comparative period (effective for annual reports beginning on or after 1 January 2024).

2.3. Published standards and interpretations that are not yet effective

At day of publication these financial statements the following standards, amendments thereto and interpretations were in issue but not yet effective:

- Amendments to IAS 21 - Exchange Rate Impossibility - This amendment updates IAS 21 to require entities to apply a consistent approach in assessing whether a currency is fungible and how to assess the exchange rate if it is not. Additional disclosures about how the exchange rate is valued are also required. There are also consequential amendments to IFRS 1. The comparative period has not been restated for this amendment (effective for annual reports beginning on or after 01 January 2025).

Annual improvements (effective for annual periods beginning on or after 1 January 2026):

- IFRS 1 First-time Adoption of International Financial Reporting Standards - minor amendments to cross-references for hedge accounting by first-time adopters;
- IFRS 10 Consolidated Financial Statements - provides additional guidance on determining what constitutes a “de facto agent”;
- IFRS 7 Financial Instruments: Disclosures - changes wording around the requirement to disclose gains or losses arising on derecognition when a fair value measurement involves unobservable inputs. The application guidance accompanying IFRS 7 has also been updated with respect to the disclosure of deferred differences between fair value and transaction prices and guidance on credit risk disclosure;
- IFRS 9 Financial Instruments - two minor amendments clarify how a lessee accounts for the derecognition of lease receivables, and amended wording to clarify that receivables from customers are recognised at the amount determined by applying the requirements of IFRS 15 Revenue from Contracts with Customers;
- IAS 7 Statement of Cash Flows - minor amendments to the term cost in relation to the measurement of investments in associates and joint ventures;
- IFRS 18 Presentation and Disclosure of Financial Statements - the new standard introduces three key changes: The income statement will be divided into three segments, operating, investing and financing, similar to the layout of the Statement of Cash Flows, Management performance measures, which the entity uses in other communications, must now be included in the Notes to the financial statements including reconciliation to the closest equivalent IFRS measures, additional guidance is provided on how to aggregate and disaggregate information in the financial statements and notes to provide users with more detailed and useful information. The standard will replace IAS 1 Presentation of Financial Statements. IFRS 18 is applied retrospectively with restatement of the comparative period (effective for annual periods beginning on or after 1 January 2027);
- IFRS 19 Non-Publicly Responsible Subsidiaries: Disclosures is a voluntary standard that will not be required to claim compliance with IFRS accounting standards. Non-publicly responsible subsidiaries that meet specific criteria may apply this standard, which provides reduced disclosure requirements in lieu of the disclosure requirements of other IFRS accounting standards. They will still be required to the recognition and measurement criteria of other standards apply (effective for annual periods beginning on or after 1 January 2027);
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - the amendment clarifies the accounting treatment of sales or contributions of assets between an investor and its associates or joint ventures (deferred until the IASB completes its research on the equity method).

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

2.5. Statement of Compliance

The Bank financial statements for the year 2024 have been prepared in accordance with International Financial Reporting Standards (hereinafter: IFRS) issued by the International Accounting Standards Board (IASB). The accompanying financial statements were approved by the Executive Board of the Bank on 14 March 2025.

2.6. Use of Estimates and Assumption

The preparation of financial statements requires of the management to use best estimates and reasonable assumptions that affect reported amounts of assets and liabilities as well as to disclose potential receivables and liabilities at the date of preparation of financial statements, as well as income and expenses during the reporting period.

These estimates and related assumptions are based on information available as of the date of preparation of the financial statements. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an on-going basis, and changes in estimates are recognised in the periods in which they become known.

2.7. Historical Cost Convention

Financial statements of the Bank as of and for the year ended 31 December 2024 have been prepared under the historical cost convention, except for the financial assets available for sale measured at fair value through profit or loss and other items as set for the in the accounting policies.

2.8. Comparative Figures

Comparative figures include audited financial statements for the year ended 31 December 2023 prepared in accordance with IFRS.

2.9. Going Concern Assumption

The accompanying financial statements of the Bank are prepared in accordance with the going concern principle, which implies that the Bank will continue its operations in foreseeable future, covering a period of at least twelve months from the date of the financial statements. The bank incurred profit in 2023 and 2024, but did not reconcile the indicator of the bank's total investments in entities other than entities in the financial sector and into fixed assets and investment property of the bank with the prescribed indicators. The Bank's management takes the necessary measures in order to reconcile this indicator. Furthermore, in the process of business planning for 2024, the Bank's management envisaged the smooth implementation of the Bank's business plans and compliance with the relevant regulations governing banking operations in the Republic of Serbia. Accordingly, the activities planned by the Bank in the coming period primarily aimed at profitable operations, all with the aim of providing a more stable business environment for the Bank and permanent transition into the profit zone.

2.10. Functional and Reporting Currency

Financial statements are presented in thousands of dinars (RSD). The dinar is the functional currency and the currency of presentation.

2.11. Reconciliation of Receivables and Payable

Pursuant to Article 22 of the Law on Accounting, the Bank has reconciled its accounts receivables and payables with its debtors and creditors, which is corroborated by authentic documentation. The Bank submitted confirmation (open items statements (OIS) as of 30 November 2024).

Reconciled assets, which are referred to on balance sheet and off-balance sheet assets amounted to RSD 102,957,508 thousand, while liabilities amounted to RSD 53,452,448 thousand.

Total amount of unreconciled receivables is RSD 43 thousand or 0.0%.

Total amount of unreconciled liabilities is RSD 158 thousand or 0.0%.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Interest Income and Interest Expenses

Interest income and interest expenses, including penalty interest and other income and other expenses from interest-bearing assets, as well interest-bearing liabilities are recognized on an accrual basis, based on obligatory terms defined by a contract between the Bank and its customers.

Interest income and expenses are recognized in the income statement using the effective interest rate method, which represents a rate that precisely discounts estimated future payments or receipts over the expected life of the financial instrument, to the gross book value of the financial asset (amortized value before deduction for expected credit losses), or the amortized value of the financial liability.

When calculating the benchmark interest rate for financial instruments that are not credit-impaired at the time of approval, nor have they undergone a significant modification of the contracted cash flows as credit-impaired, the Bank estimates future cash flows taking into account all the contractual terms of the financial instrument, but not including expected credit losses. When the loan is POCI, the benchmark interest rate adjusted for credit risk is calculated, using estimated future cash flows that include expected credit losses. Interest income is recognized on financial assets that are valued at amortized value as well as debt instruments that are valued through other results.

Interest expenses are recognized on financial liabilities that are valued at amortized cost. Interest expenses on deposits are accrued and recognized in the income statement in the period to which they relate.

Fees for granted loans are accrued according to interest calculation algorithm applying effective interest rate, and maturity of deferred income from fee is monitored by the state of the basic debt on the loan. Income from loan approval fees is recognized in the income statement as interest income.

After recognizing impairment of loans and placements, the Bank will recognize interest income on impaired placements using the approach of recognizing interest income on impaired placements by applying the effective interest rate on the amortized cost of the placement or its net value. Impaired loans and advances are those granted to customers and are stated as default defined by the Bank's internal act.

3.2. Fee and Commission Income and Fee and Commission Expenses

Fee and commission income and expense that are integral part of effective interest rate of financial asset or liability are included in determining the effective interest rate and are recognized in the income statement as interest income.

Income from fees and commissions for banking services are recognized on causality principle and determined for period when they are realized or when the service was provided. Fees and commissions primarily consist of fees for payment services, foreign exchange transactions, purchase and sale of foreign currency, fees for maintaining accounts with the Bank and other banking services.

Fees for the issuance of guarantees and other sureties are accrued over the term of the guarantee or suretyship, using the pro rata method of calculation and recognized in the income statement as income from fees. Other expenses from fees and commissions mainly relate to fees based on performed transactions and services and are recorded at the time of receiving the service.

Dividend Income

Dividend income is recognized when the Bank's right to receive payment is established.

3.3. Foreign Currency Translation

Monetary assets and liabilities expressed in foreign currency as of the balance sheet date are translated into dinars at the official middle rate of dinars published by the National Bank of Serbia. Items included in the Bank's financial statements are measured applying currency of the primary environment in which the Bank operates (functional currency) as stated in Note 2.10.

Income and expenses arising from transactions of purchase and sale of foreign currency and effective foreign currency with natural and legal persons during the period are shown in the Bank's income statement, under the item "Net income based on fees and commissions".

Exchange rate differences resulting from the translation of one currency into another currency at different exchange rates, including exchange rate differences based on the currency clause, are shown in the Bank's income statement, within the item "Net (expenditure)/income from exchange rate differences and the effect of the contracted currency clause".

Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated into the functional currency according to the exchange rate valid on the date when the fair value was determined. Non-monetary assets and liabilities stated at historical cost in a foreign currency are translated using the exchange rate prevailing on the date of the transaction.

Positive and negative exchange rate differences arising during the conversion of monetary assets and liabilities in foreign currency on the balance sheet date are recorded in the Bank's income statement as income or expense based on exchange rate differences.

The assumed and potential liabilities of the Bank in foreign currency on the balance sheet date were converted into dinars at the middle exchange rate on the balance sheet date.

Receivables and liabilities in which a currency clause is incorporated were converted into dinars at the agreed exchange rate, which was valid on the balance sheet date. The effects arising on this basis are shown in the Bank's income statement, as expenses from negative exchange differences and income from positive exchange differences based on the agreed currency clause in the accounting period.

The exchange rates of the most important currencies used in the conversion of balance sheet items determined on the interbank market as at 31 December 2024 include:

<u>Currency</u>	<u>31.12.2024</u>	<u>31.12.2023</u>	<u>31.12.2022</u>
CHF	124.5237	125.5343	119.2543
GBP	141.1178	135.0550	132.7026
USD	112.4386	105.8671	110.1515
EUR	117.0149	117.1737	117.3224

3.4. Financial Instruments

Financial instruments are initially measured at fair value, increased by transaction costs (except financial assets or financial liabilities measured at fair value through profit and loss), that are directly related to acquisition or issuance of financial asset or financial liability. Acquisition or sale of financial assets, which requires the transfer of funds within the period established by regulations or conventions on the given market, is recognized on the trading date (or settlement date), i.e. on the date when the Bank undertakes to buy or sell the asset (or on the date when the Bank receives the purchased or transfers the sold asset).

Financial assets and financial liabilities are recognised in the Bank's balance on the date upon which the Bank becomes counterparty to the contractual provisions of a specific financial instruments. All "regular" purchases or sale of financial assets are recognised on the settlement date, ie the date the asset are delivered to other party.

3.4.1. Classification of Financial Assets

An estimate of how a financial asset will be classified is based on the bank's business model and the fulfillment of the contractual cash flow characteristics test.

Financial assets are classified into the following categories, depending on the valuation method:

- at amortized cost (AC);
- at fair value through profit or loss (FVTPL); and
- at fair value through other comprehensive result (FVOCI).

Financial assets at amortized cost (AS) financial assets held for the purpose of collecting contracted cash flows, and generated cash flows must consist solely of principal payment (nominal value of the relevant financial asset to be charged on maturity) and interest (consideration in cash in lieu borrowed funds), which represents the amount at which the financial asset is measured at initial recognition with an increase or decrease in accumulated amortization using the effective interest rate method for all differences between the initial amount and the amount at maturity, net of all payments and adjustments based on calculated expected credit losses.

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

The Bank carried out an analysis of the business model for acquiring financial instruments. Furthermore, the Bank analyzed the contractual clauses of all financial instruments in the Bank's portfolio to determine whether the agreed cash flows represent only principal and interest payments on the outstanding principal amount or whose contractual terms do not result in cash flows that represent only principal and interest payments. on the agreed due date (SPPI test).

The Bank's determination, after conducting business model analyzes and the SBA test, is to measure loans, deposits and other placements at amortized cost. Also, the Bank has decided to hold part of the debt securities solely for the purpose of collecting contracted cash flows (including principal and interest) and therefore measures them at amortized cost.

Financial assets at fair value through other comprehensive income (FVOCI) - financial assets are held for the purpose of collecting contracted cash flows and for the purpose of selling those financial assets, as well as on the basis of agreed conditions for cash flows to arise on certain dates which are only payment of principal and interest on outstanding principal. This model implies higher frequency or value of sales, mainly due to changes in market conditions, and / or for the purpose of maintaining liquidity.

The Bank's preference is to use this business model to evaluate debt securities. If debt securities do not meet the test characteristics of contracted cash flows, they are measured at fair value through profit or loss.

Financial assets at fair value through profit and loss (FVTPL) - the business model, which results in the measurement at fair value through profit or loss, implies that the Bank manages financial assets in order to generate cash flows from the sale of assets. The Bank makes a decision based on the fair value of assets and manages them in order to realize those fair values. In this case, the Bank's goal usually leads to active buying and selling. If debt securities or equity securities, including participations in the capital of legal entities, are acquired with the intention of being sold immediately or in a short period of time, they are classified as assets at fair value through profit or loss.

3.4.2. Classification of Financial Liabilities

Financial liabilities are classified as:

- financial liabilities measured at amortized cost and
- financial liabilities measured at fair value through profit or loss (FVTPL).

Liabilities that are irrevocably classified at initial recognition as measured at fair value through profit or loss are associated with the credit risk in terms of accounting treatment of the effects of movements in such a credit risk.

Deposits from Other Banks and Customers

Deposits from other banks and customers and interest-bearing borrowings are initially recognized at fair value, net of transaction costs incurred, except for financial liabilities through profit or loss. After initial recognition, interest-bearing deposits and loans are stated at amortized cost.

Borrowings

Borrowings are initially recognized at fair value net off transaction costs incurred. Borrowings are subsequently measured at amortized cost. Borrowings are classified as current liabilities unless the Bank has an unconditional right to settle the liability within at least 12 months after the reporting date.

Accounts Payable

Trade and other payables are stated at nominal value.

3.4.3. Subsequent Measurement

The accounting treatment of subsequent measurement depends on the previously performed classification of financial instruments.

Measurement at Amortized Cost

The depreciated value of a financial asset or liability is the amount by which the asset or liability are measured, net of principal repayments, increased or decreased by accumulated amortization using the effective interest rate method on the difference between the initial value and nominal value at of the maturity of the instrument, less any impairment.

Financial assets are valued at amortized cost, if two criteria are met and if they are not initially recognized at fair value through profit or loss:

- the objective of the business asset management model is the collection of contracted cash flows and
- the contractual terms provide basis for collection on certain dates of cash flows which are exclusively the collection of principal and interest on the remaining principal.

Financial assets at amortized cost relate to debt instruments for which in the subsequent valuation process, all related gains/losses are recognized in the income statement (interest income, impairment income/expenses, derecognition and exchange rate differences).

Financial assets at amortized cost require the use of effective interest method to calculate the amortized (net) value of financial assets, as well as to allocate and recognize interest income in the income statement over the life of the financial asset.

After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, except for loans that do not meet the SPPI test on initial recognition and which are measured at fair value through profit or loss.

After initial recognition and measurement, all financial liabilities, except for liabilities held for trading and derivatives that are liabilities, are measured in the amount of acquisition costs. After initial recognition, current liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid to settle the obligation. Long-term liabilities are measured at amortized cost using the effective interest method.

Measurement at Fair Value

The fair value of financial instruments is the amount by which assets can be exchanged or liabilities settled in a transaction under market conditions between informed and willing parties.

The Bank evaluates financial instruments according to:

- fair values through profit or loss
- fair values through other comprehensive income.

Financial assets and liabilities classified at fair value through profit or loss are, in the process of subsequent valuation, measured at fair value, without including costs of sale or other costs of discontinuing operations in that value. Gains / losses arising from changes in the fair value of these financial instruments, their interest income and exchange rate differences are recognized in the income statement.

After initial recognition, equity instruments are subsequently measured depending on whether they have a quoted market price. Equity instruments that have a quoted market price are measured at market value, and investments in equity instruments that do not have a quoted market price in an active market are measured using valuation techniques combining several available approaches and techniques for measuring fair value.

Investments in equity instruments that are not held for trading and that are measured at fair value through profit or loss are measured, in the subsequent valuation process, at fair value, excluding selling or other expenses on derecognition.

Investments in debt instruments that are valued at fair value through other comprehensive income, after initial recognition, are valued as follows:

- impairment gains / losses derived from the same methodology, which is also applied to financial assets measured at amortized cost, are recognized in the income statement;
- foreign exchange gains / losses are recognized in the income statement;
- interest income, which is calculated using the effective interest method, is recognized in the income statement;
- gains / losses from changes in fair value are recognized through other results;
- in case of modification, gains / losses from modification are recognized in the income statement and
- in case of derecognition, the cumulative gains / losses previously recognized through other results are reclassified from equity to the income statement, as an adjustment due to reclassification.

Changes in the fair value of financial liabilities for liabilities measured at fair value in the event of changes in fair value resulting from changes in own credit risk, liabilities are recognized in other results, and the remaining amount of change in fair value of liabilities is recognized in the income statement.

When measuring fair value, the Bank opts for access / techniques that should maximize the use of relevant publicly available data while minimizing the use of non-publicly available data.

Determining the fair value of financial instruments and recognizing the effects of valuation is performed in accordance with the Methodology for valuing financial instruments in accordance with IFRS 13, adopted by the Executive Board of the Bank.

When calculating the benchmark interest rate, the Bank estimates expected cash flows by considering all contractual terms of the financial instrument (prepayment, extension, purchase and similar options), but does not take into account expected credit losses.

The calculation additionally includes all fees and items paid or received between the parties that are an integral part of the effective interest rate, transaction costs and any other premiums or discounts.

Fees and charges that form part of the initial effective rate for loans are:

- processing fee (loan approval)
- all other fees that represent the cost or income of the Bank, with the exception of fees that the Bank pre-invoices to debtors by third parties (costs of issuing bills of exchange, withdrawal of reports from the Credit Bureau, insurance premiums, etc.)
- loan application fee, which is part of the effective interest rate, is recorded within interest income and expense. Loan application fees are calculated and charged once in advance, accrued and discounted using the effective interest method over the loan validity period.

The following fees are relevant for the calculation of the initial effective interest rate for securities:

- stock exchange commission
- clearing house / custodian bank commission
- stock exchange commission based on block transactions for debt instruments
- clearing house commission based on block transactions for debt instruments
- clearing house / custodian bank commission for the payment of coupons and principal.

For financial assets with a variable interest rate, it is necessary to periodically recalculate the effective interest rate in accordance with changes in interest rates to reflect changes in market conditions. In cases where it is not possible to reliably estimate cash flows or the expected life of a financial instrument (or group of financial instruments), the Bank uses contracted cash flows throughout the contractual period of the financial instrument (or group of financial instruments).

3.4.5. Modification of Contractual Cash Flows

When contractual cash flows are re-contracted or otherwise modified and re-contracting or modifications do not result in derecognition of the financial asset, it is necessary to recalculate the gross carrying amount of the financial asset and to recognize the gain or loss on the modification in the income statement. The gross carrying amount of a financial asset is recalculated as the present value of the re-contracted or modified cash flows discounted using the original effective interest rate of the financial asset (or the credit adjusted effective interest rate for the purchased or issued credit impaired financial assets) or, where applicable revised effective interest rates. The carrying amount of a financial asset is adjusted for any costs or fees that are amortized over the remaining period of the modified financial asset.

In accordance with the requirements of IFRS 9, in the following periods, the loss from the modification will be amortized through interest income until the end of the loan period.

3.4.6. Date of Recognition of Financial Instruments

In cases where the purchase or sale of financial assets is preceded by a contract or order to a broker-dealer, the Bank uses the "settlement date and trading date" as the posting date. The settlement date is the date when the asset is delivered to the legal entity or the legal entity delivers the asset to the Bank. Trading date is the date when a legal entity undertakes to sell or buy financial instruments. The securities are recognized on the "trade date". Deposits, liabilities to banks and customers and loans are recognized when the Bank records a cash inflow or outflow.

3.4.7. Derecognition of Financial Instruments

The Bank derecognises a financial asset only when:

- contractual rights to cash flows from a financial asset cease to be valid, or
- contractual rights to receive cash flows from a financial asset are transferred, i.e. all risks and benefits from a financial assets are transferred.

If the Bank transfers a financial asset as part of a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it will recognize either the servicing asset or the servicing obligation for that service agreement. The Bank derecognises a financial liability (or part of a financial liability) when it is discharged - that is, fulfilled, cancelled, or expired.

3.4.8. Reclassification of Financial Assets

If financial assets are reclassified from the model in which they are measured at amortized cost to the category in which they will be measured at fair value through profit or loss, then their fair value must be determined at the date of reclassification. Any gain or loss arising on the difference between amortized cost and fair value is recognized in the income statement.

If a financial asset is reclassified from a business model in which it is measured at fair value to a business model in which it will be measured at amortized cost, then the last fair value is considered its current value. Each performed reclassification should be published with the following: date of reclassification and value of reclassified assets in each of the categories, reasons for reclassification and quantification of the impact of reclassification on the stated financial and yield position.

3.4.9. Impairment of Financial Assets and Provisions for Risks

The methodology for the calculation of the allowance for impairment in accordance with IFRS 9 (hereinafter: the Methodology) defines the principles and procedures for the calculation of the impairment of balance sheet assets and probable loss on off-balance sheet items, ie recognition and measurement of expected credit loss in accordance with International Accounting Standards and/or International Standards Financial Reporting. The valuation methods and techniques are supported by a software solution of external service provider, whose methodology is in line with the requirements of IFRS 9.

a) *Concept of Expected Credit Losses*

The Bank calculates and recognizes impairment for all financial instruments that are measured at amortized cost as well as for financial assets that are measured at fair value through other comprehensive income.

Expected credit loss (ECL) is a probability-weighted estimate of credit losses:

- for all financial instruments for which the credit risk has not increased significantly since the moment of initial recognition (level 1) is equal to the expected twelve-month credit losses (or a shorter period, if the expected maturity of the financial asset is shorter than 12 months)
- for all financial instruments for which the credit risk has increased significantly from the moment of initial recognition (level 2) or for which objective evidence of impairment has been identified (level 3) is equal to the expected credit losses over the entire life of the financial instrument.

b) *Allocation Between Calculation Levels*

In accordance with the credit risk assessment, the Bank divides financial instruments into three levels at each reporting date:

Level 1 - financial instruments in which credit risk has not significantly increased since initial recognition, for which the impairment is equal to the expected credit losses over the next year or less if the expected maturity of the financial instrument is shorter than 12 months;

Level 2 - financial instruments where credit risk has significantly increased since initial recognition, for which the allowance is equal to the expected credit losses over the life of the instrument;

Level 3 - financial instruments where there is identified objective evidence of impairment at the reporting date, for which the impairment is equal to the expected credit losses over the life of the instrument.

For each reporting period, the Bank assesses whether there has been a significant increase in credit risk or whether there is identified objective evidence of impairment for all financial instruments individually in relation to the date of initial recognition.

c) *Portfolio Segmentation*

For the purpose of calculating the value adjustments, the loan portfolio is divided into the following homogeneous groups (portfolio segments):

- exposures to legal entities and entrepreneurs,
- exposures to state-owned legal entities,
- exposures to individuals,
- exposures to financial institutions (domestic and foreign banks and other financial institutions),
- exposures to countries and central banks.

d) Calculation of Value Adjustment - General Concept

The Bank expected credit losses for the entire life of a financial instrument are calculated using the following formula:

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

ECL Expected credit loss

EAD Exposure at default

MPD Marginal Probability of default

LGD Loss given default

DF EIR based discount factor

In this way, estimated credit losses for the entire period of the financial instrument are losses recognised by the Bank for the purpose of calculating value adjustment at level 2, while the highest one-year share of credit losses calculated in this manner represents the expected credit loss recognized for financial instruments at level 1.

EAD, ie exposure at default, is an estimate of the book value in accordance with IFRS 9 at the time of default, taking into account the profile of contracted cash flows as well as possible additional withdrawals from approved lines before the default.

The Bank's approach in the context of EAD calculation depends on whether the Bank has contracted cash flows as well as an agreed maturity date.

Accordingly, for instruments where there are agreed cash flows, as well as where the maturity is clearly agreed, the Bank considers the agreed cash flows under the repayment schedule as relevant.

For financial instruments for which there are no defined cash flows, as well as agreed maturities, the Bank determines them based on empirical experience.

In the process of EAD modelling, the Bank calculated, based on experience, the credit conversion factors that it applies and which represent the probability of conversion of off-balance sheet exposures into on-balance sheet exposures. In cases of undefined maturities, the Bank defines the maturity of an individual financial instrument based on experience in similar cases.

Probability of default (PD), ie the probability that the debtor will reach the default status during the life of the financial instrument is one of the basic parameters used in the calculation of impairment in accordance with IFRS 9.

All of the following types of PDs are available both at the level of an individual financial instrument and at the level of internal rating within each of the segments individually:

- Marginal PD
- Forward PD
- Cumulative PD
- Forward lifetime PD

The Bank's approach to drafting multi-annual PDs is generally based on a transition matrix approach and takes into account the necessary adjustments over time (Point in time) and taking into account future information on macroeconomic conditions (forward-looking) to ensure consistency with the requirements of IFRS 9.

The Bank's calculation of PDs is based on transit matrices for each portfolio segment.

The assessment of the impairment of receivables by identified groups is determined on the basis of data from previous periods.

The parameter Loss given default, ie LGD, represents an estimate of the loss of an individual financial instrument, assuming the occurrence of the default, ie the default status.

In its assessment of credit losses measured in accordance with IFRS 9, the Bank wants to reflect the possibility of collecting cash flows from both regular cash flows, but also collateral and other collateral, which are directly related to the financial instrument.

In that sense, the Bank generally applies the concept of separate LGD secured and LGD unsecured depending on the degree of security of an individual placement.

The assessment of the calculation of the allowance in Level 3 is performed for all exposures with the identified default status, ie. default status.

Within Level 3 of the calculation, and according to the criterion of materiality of receivables, the Bank divides into individual and group assessment of impairment.

For Level 3 financial instruments, for all legal entities regardless of the amount of exposure and individuals exceeding the materiality threshold of RSD 500,000, the Bank applies an individual assessment of impairment, taking into account several possible collection scenarios when estimating expected future cash flows.

As consistent with the standard, expected credit losses represent the probability of a weighted estimate of credit losses, the Bank recognizes the existence of several possible collection scenarios when estimating expected future cash flows. The Bank applies at least two scenarios, taking into account that the sum of the probabilities of all scenarios must be 100%.

For all other financial assets in Level 3, which do not meet the criteria for individual assessment, the collective valuation of impairment is applied. The Bank has no exposure to POCI assets in accordance with IFRS 9.

3.4.10. Derivatives

Derivatives are measured at fair value, and gains / losses on changes in fair value are recognized in the income statement. Hybrid financial assets are always assessed and reported as a whole. Hybrid financial assets are measured at amortized cost if the cash flows generated by the asset represent principal repayments and interest payments, or at fair value if this is not the case.

3.5. Classification of Balance Sheet Assets and Off-Balance Sheet Items

Classification of balance sheet and off-balance sheet items is calculated based on the Decision of the National Bank of Serbia on classification of balance sheet and off-balance sheet items ("Official Gazette of Republic of Serbia", number 94/2011, 57/2012, 123/2012, 43/2013, 113/2013, 135/2014, 25/2015, 38/2015, 61/2016, 69/2016, 91/2016, 101/2017, 114/2017, 103/2018, 8/2019, 10/2024 and 52/2024).

Total receivables from single debtor (balance and off-balance items) are classified in categories from A to D, depending on the potential of receivables collection. Collection of receivables from single debtor is based on timely settlement of debts, his financial position, days past due in principal and interest, as well as based on the quality of collaterals. Through its internal act, the Bank has defined the criteria and methodology for determining classification of receivables and calculation of special reserves for estimated losses in accordance with the criteria defined in the Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items. The basic criteria for classification of receivables include the debtor's defaults in settlement of liabilities, financial position and business performance, adequacy of cash flows and collaterals.

3.6. Cash and Cash Equivalents

Cash is petty cash and demand deposits (giro account and foreign currency accounts) held banks in the country and abroad, and cash equivalents are short-term highly liquid investments that can be redeemed directly with insignificant risk of impairment, deposits with the National Bank of Serbia and short-term securities that can be refinanced with the National Bank of Serbia. Cash and cash equivalents for cash flow statement include petty cash, giro account with the Central Bank and current accounts with other banks and instruments in the process of collection.

3.7. Repurchase Agreements (“Repo Transactions”)

Securities purchased under agreements to resell at a specified future date (repos), are recognized in the balance sheet.

The corresponding cash received, including accrued interest, is recognized in the balance sheet. The difference between the sale and repurchase prices is treated as interest expenses and is accrued over the life of the agreement.

3.8. Intangible Assets

Intangible assets are non-monetary assets identified even they do not have a physical feature (patents, licenses, accounting software). Intangible assets are measured at cost. After initial recognition, intangible assets are stated at cost less accumulated amortization and impairment losses.

The Bank's intangible assets include software licenses and intangible assets in preparation. The calculation of amortization of intangible assets starts from the following month in relation to the month in which the intangible assets are available for use. All intangible assets in use are amortized. Depreciation is calculated on a straight-line basis over the estimated useful lives of the costs. Expenses related to the maintenance of software programs are recognized as an expense in the period in which they are incurred.

Amortization of intangible assets is calculated by straight-line method to reduce its value to residual one over their estimated useful lives, as follows:

Intangible assets 20% (or more depending on the time of use specified in the contract)

Amortization costs of intangible assets with finite lives are recognized in the income statement (Note 12).

Intangible assets are derecognised upon disposal or when they are permanently withdrawn from use. Gains or losses arising on disposal are determined as the difference between the net disposal proceeds and the carrying amount and are recognized as an expense or income in the income statement.

3.9. Fixed Assets

The Bank's fixed assets consist of land, buildings, equipment and other assets. Fixed assets are initially recognized at cost, which comprise the purchase price including all directly-attributable incremental costs, less any trade discounts and rebates.

Subsequent to initial recognition, land and buildings are measured at revalued amount, which represents their fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses.

Buildings are stated at estimated market value, less accumulated depreciation. The positive effect of revaluation of buildings was credited to revaluation reserves. The frequency of revaluation depends upon change in fair value in relation to the carrying amount of buildings. In 2024, the Bank performed market value appraisal of buildings (Note 20).

The Bank's equipment is stated at cost less accumulated depreciation.

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

Depreciation is calculated on a straight-line basis over the cost of property, plant and equipment, using the following prescribed annual rates in order to write them off completely over their useful life:

Vehicles 15.5%
 Buildings 1.3%
 Computer equipment 20% - 33.3%
 Furniture 10% -12.5%
 Other assets 4% -20%

Changes in the expected useful lives of assets are considered as changes in the accounting estimates. Calculation of depreciation of property and equipment starts at the beginning of the month following the month when asset is activated. Assets under construction are not depreciated. Depreciation charge is recognized as an expense in the period in which it is incurred.

Gains or losses from disposal of property and equipment are credited directly to other operating income, whereas any losses arising on disposal of property and equipment are charged to other operating expenses.

Depreciation and amortisation for tax purposes is calculated in accordance with the Law on Corporate Income Tax of the Republic of Serbia and the Rulebook on the Manner of Fixed Assets Classification in Groups and Depreciation for Tax Purposes. Since these are two separate depreciation model, it is not possible to regulate the same treatment in accounting policies. The temporary difference between depreciation according to accounting regulations and depreciation according to tax regulations is shown on the accounts of deferred tax assets or liabilities.

3.10. Investment Property

Investment property is property held in order to earn rentals or increase the value of capital, or both, and not for sale in the ordinary course of business or for administrative purposes.

Initial measurement of investment property on acquisition is carried out at cost. At initial measurement, attributable costs of acquisition are included in the cost or the cost of the investment property.

After initial recognition, subsequent measurement of investment property is performed using the fair value method. Gains or losses arising from changes in fair value of investment property are recognized as income or expense for the period in which they arise.

3.11. Non-current Assets Held for Sale

An entity is classified a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets is classified as that one if the following criteria are met:

- asset (or group of assets) is available for immediate sale in its present condition subject;
- committed sale plan and activities that begun upon implementation sales plan;
- there is active market for such asset and it is actively present in that market;
- probability of sale is very high, ie there is expectation that the sale will be realized within a year from the day of classification as a Non-current assets held for sale.

An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. From the moment the asset is classified as non-current assets held for sale, the depreciation ceases.

If there is a change in the sales plan, non-current assets ceases to be classified as non-current assets held for sale and in that case, it is valued at the lower of the following two values:

- carrying amounts of the asset before the non-current asset is classified as held for sale, adjusted for the calculated depreciation and impairment that would have been recognized had the non-current asset not been classified as held for sale; and
- recoverable amounts at the date of the subsequent decision not to sell the asset.

3.12. IFRS 16 - Leases

IFRS 16 applies to all lease agreements, including leases governed by sublease agreements.

A lease is a contract, or part of a contract, that assigns / transfers the right to use certain property during a given period in exchange for compensation. Assets with the right of use are assets that represent the right of the lessee - lessee to use the property during the lease.

From the first day of the lease, the Bank recognizes the right to use and the obligation under the lease (assets are recognized with the right to use, and liabilities are recognized as a lease for the entire estimated period of the lease).

The Bank shows in the Balance Sheet, assets and liabilities with right-of-use separately from other assets and liabilities.

The Bank has chosen not to apply the basic recognition, evaluation and presentation requirements for short-term leases and leases whose subject matter is small assets. All payments for such leases are recognized by the Bank as an expense on a straight-line basis over the term of the lease.

Initial Measurement of Right-of-Use Assets

Right-of-use assets are valued at cost, which includes: the amount of initially measured lease liability, all payments from lease on or before the first day of lease, all initial direct costs, possible estimate of costs that the lessee will have when returning the property to its original condition and others.

Initial measurement of Lease Liabilities

On the first day of the lease, the lease liability is measured at the present value of all lease payments that have not been made by that date. Liabilities are discounted at the incremental interest rate of the indebtedness.

The incremental borrowing rate of the lessee is the interest rate that the lessee would have to pay to borrow within a similar period and with similar guarantees the funds necessary for the acquisition of assets of similar value as assets with the right of use in a similar economic environment.

Based on the lease agreement, the Bank recognizes in the income statement depreciation expense, interest expense, exchange rate differences or the effects of the currency clause and the cost of tax (VAT).

In 2024, the Bank had lease agreement.

3.13. Impairment of Non-Financial Assets

Assets with indefinite useful life are not subject to depreciation, but it is checked annually whether their value has decreased. For assets that are subject to depreciation, an impairment test is performed when events or changed circumstances indicate that the carrying amount may not be recovered. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

3.14. Provisions and Contingencies

Provisions are recognized when the Bank has a present obligation, legal or constructive, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. In order to be maintained, the best possible estimates are considered, determined and, if necessary, adjusted at each balance sheet date. Provisions are measured at the present value of the expected expenditure to settle the obligation, using a discount rate that reflects current market assessments of the time value of money.

When the outflow of the economic benefits is no longer probable in order to settle legal or constructive liabilities, provisions are derecognized in income. Provisions are taken into account in accordance with their type and they can be used only for the expenses they were initially recognized. Provisions are not recognized for future operating losses.

Contingent liabilities are not recognized in the financial statements. Contingent liabilities are disclosed in the notes to the financial statements, unless the possibility of outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Employee Benefits**a) Employee Taxes and Contributions for Social Security – Defined Benefit Plans**

In accordance with the regulations prevailing in the Republic of Serbia, the Bank is obliged to pay taxes and contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee and by the employer, in an amount calculated by applying specific rates prescribed by law. The Bank is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. The Bank has no legal obligation to pay further benefits due to its employees by the Pension Fund of the Republic of Serbia upon their retirement. Taxes and contributions related to defined benefit plans are recorded as expense in the period to which they relate.

The Bank does not have its own pension funds or options for shares payments to employees and thus any liabilities are not incurred as of 31 December 2024.

b) Other Employee Benefits - Retirement Benefits and Jubilee Awards

In accordance with Labour Rulebook, the Bank is obligated to pay retirement benefits in the amount equal to 3 average salaries realized in the Republic of Serbia, according to the latest data published by the state authority responsible for statistics.

Costs and liabilities under these plans are not provided by funds. Provisions for these benefits and related costs are recognized in the amount of present value of expected future cash flows using the actuarial design method per unit of interest (Note 25). Actuarial gains and losses and costs of previously rendered services are recognized in the income statement when incurred.

The Bank's provisions for retirement payment after fulfilling the prescribed conditions in accordance with the Labor Law are stated as at 31 December 2024 and it is present value of future payments determined under the following assumptions:

- discount rate 6.00%;
- wage growth rate in the Republic of Serbia 8.5%;
- employee turnover rate 5%; and
- basis for calculating mortality for the approximate age of employees are mortality tables in Serbia based on the last census.

c) Short-term Compensated Absences

Accumulated paid leave may be carried forward and used in subsequent periods, if it is not fully utilized in the current period. Expected costs of paid leave are recognized in the amount of accumulated unused rights at the balance sheet date, which are expected to be used in the following period. In the case of non-accumulated paid leave, the liability or expense is not recognized until the time the leave is used.

3.15. Equity

Equity consists of share capital (ordinary shares) and other capital, revalued reserves and retained earnings (Note 27).

The positive effects of revaluation of buildings are credited to revaluation reserves.

Gains and losses arising from fair value changes of securities measured at fair value through other comprehensive income are recorded within revaluation reserves.

3.16. Financial Guarantees

In the ordinary course of business, the Bank issues financial guarantees consisting of payment guarantees and performance bonds, letters of credit, acceptance and other warranties. Financial guarantees are contracts that oblige the issuer of guarantee to make payment or compensate the loss to the recipient of guarantee, incurred if a certain creditor fails to settle its obligations in due time as required under the terms of the contract.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee is given, after the inflow of fees based on the approval of the financial guarantee. Subsequent to initial recognition, the Bank's liabilities arising from financial guarantees are measured at the amount of the amortized cost or the best estimate of the expenditure required to settle the financial liability arising from the guarantee, whichever is greater.

The increase in liabilities related to financial guarantees is recognized in the income statement. Fees received are recognized in the income statement within fee and commission income on a straight-line basis over the term of the guarantee.

3.17. Deposits and Other Financial Liabilities

Deposits from banks and customers, as well as other interest-bearing financial liabilities are initially recognized at fair value less transaction costs incurred, except financial liabilities at fair value through profit or loss.

After initial recognition, interest-bearing deposits and loans are stated at amortized cost obtained by effective interest method.

3.18. Operating Payables

Operating payables are recognized at nominal value.

3.19. Inventories

Inventories are stated at the lower of cost and net realizable value.

3.20. Taxes and Contributions

a) Income Tax

Current Income Tax

Current income tax is calculated and paid in accordance with the provisions of the Law on Corporate Income Tax of the Republic of Serbia (“Official Gazette of the Republic of Serbia”, No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015, 113/2017, 95/2018, 86 / 2019, 153 / 2020, 118/2021 and 94/2024) and relevant by-laws.

Current tax represents expected liability or receivables from taxable profit for the accounting period, using the tax rates that are or will be valid on the reporting date. Profit tax is calculated in accordance with the Law on Profit Tax of the Republic of Serbia and for 2024 is 15%. The tax base represents the business result before taxation shown in the income statement corrected in accordance with the tax regulations of the Republic of Serbia.

Tax regulations in the Republic of Serbia do not allow the tax losses from the current period to be used as a basis for the refund of taxes paid in a certain previous period. However, losses from the current period can be used to reduce the tax base of future accounting periods, but not longer than five years.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and tax losses and credits, which may be carried forward to subsequent fiscal periods, to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized.

Current and deferred taxes are recognized as income and expense and are included in net profit for the period. Deferred income tax relating to items whose effects of changes in value are recognized directly in profit or loss is also charged or credited to equity. Deferred tax assets and liabilities are calculated at the tax rate that is expected to apply in the period in which the asset is realized, ie the liability is settled. As at 31 December 2024, deferred tax assets and liabilities were calculated at the rate of 15% (31 December 2023: 15%).

Current and deferred taxes are recognized as income and expense and are included in net profit for the period. Deferred income tax related to items whose effects of change in value are recorded directly to the benefit or charge of capital are also recorded as a charge or charge to capital. Deferred tax assets are subject to analysis at the end of each reporting period and are adjusted to the amount for which it is no longer probable that the necessary taxable profit will be realized.

b) Taxes and contributions not related to business results

Taxes and contributions not related to operating result include property tax, value added tax, contributions on salaries charged to employer, as well as other taxes and contributions that are paid in accordance with the tax regulations of the Republic of Serbia and local tax regulations. These taxes and contributions are included within other expenses.

3.21. Earnings per Share

Basic earnings per share is calculated by dividing the net profit (loss) attributable to equity holders, owners of ordinary shares of the Bank, by the weighted average number of ordinary shares in issue during the reporting period.

3.22. Funds Managed on Behalf of Third Parties

The funds that Banks manages on behalf of, and for the account of third parties, are disclosed within off-balance sheet items. The Bank bears no risk in respect of these placements.

4. CRITICAL ACCOUNTING ESTIMATED AND JUDGMENTS

The preparation of the financial statements requires the Bank's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as income and expenses for the reporting period.

These estimations and related assumptions are based on information available as of the date of preparation of the financial statements. Actual results could differ from those estimates. These estimates and underlying assumptions are reviewed on an ongoing basis, and changes in estimates are recognized in the periods in which they become known.

a) *Impairment of Financial Assets*

At each reporting date, the Bank assesses, whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are recognized only if there is objective evidence of impairment because of one or more events that occurred after the initial recognition of the asset (loss event) and when loss affects the estimated future cash flows of a financial asset or group of financial assets that can be estimated reliably.

When assessing impairment losses on loans, the Bank reviews its loan portfolio at least quarterly to assess whether there is any impairment. In determining whether an impairment loss should be recognized in the income statement, the Bank assesses whether there is reliable evidence that demonstrates a measurable decrease in the estimated future cash flows from the loan portfolio before impairment that can be identified on individual loans in the portfolio.

This evidence may include available information indicating adverse changes in the debtor's status with respect to the payment of a liability to the Bank, or national or local circumstances that have an adverse effect on the Bank's assets.

The Bank's management makes estimates based on experience of previous loan losses for all assets with credit risk characteristics and objective evidence of impairment similar to that of the loan portfolio that existed at the time of planning future cash flows. The methodology and assumptions used for estimating the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) *Determination of Fair Value of Financial Instruments*

The fair value of financial instruments traded in active markets as of the balance sheet date is based on their quoted market prices, without any deductions for transaction costs. For all other financial instruments not listed in an active market, the fair value is determined using the appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

When market inputs are not available, they are determined by estimates that include a certain degree of assumptions in the estimate of fair value. Valuation models reflect the current market conditions as of the measurement date and do not necessarily represent market conditions before or after the date of measurement. Consequently, all valuation techniques are revised periodically, in order to appropriately reflect the current market conditions.

c) Useful Lives of Intangible Assets and Property and Equipment

The determination of the useful lives of intangible assets, property and equipment is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions.

d) Impairment of Non-Financial Assets

At each balance sheet date, the Bank's management reviews the carrying amounts of the Bank's intangible assets and property and equipment presented in the financial statements. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount.

An impairment review requires management to make subjective judgments concerning the cash flows, growth rates and discount rates of the cash generating units under review.

e) Provisions for Litigations

A provision for legal costs is established when it is probable that a liability exists, the amount of which can be reliably estimated through careful analysis. The required provision may change in the future due to new events or new information.

Matters that are either possible obligations or do not meet the recognition criteria for a provision are disclosed, unless the possibility of transferring economic benefits is remote.

f) Deferred Tax Assets

Deferred tax assets are recognized for all tax losses and/or tax credits to the extent to which taxable profit will be available against which the unused tax losses /credits can be utilised. Significant estimate of the management is necessary to determine the amount of deferred tax assets which can be recognized, based on the period in which it was created and the amount of future taxable profits and the tax policy planning strategy.

g) Retirement and Other Post-Employment Benefits to Employees

The costs of defined employee benefits payable upon the termination of employment, i.e. retirement in accordance with the legal requirements are determined based on the actuarial valuation. The actuarial valuation includes an assessment of the discount rate, future movements in salaries, mortality rates and fluctuations in the number of employees. As these plans are long-term ones, significant uncertainties influence the outcome of the assessment. The actuarial assumptions and calculation are disclosed in Note 3.14. to financial statements.

Were the discount rates used to differ by 1% from management's estimates, the provision for retirement benefits would be an estimated RSD 515 thousand lower or RSD 743 thousand higher in comparison with the provision for retirement benefits recognized in the Bank's financial statements as of and for the year ended 31 December 2024.

5. INTEREST INCOME AND EXPENSES

	<i>Amounts in RSD thousand</i>	
	2024	2023
Interest income		
- National Bank of Serbia	1,168,537	548,561
- Banks and other financial institution	64,606	52,092
- Corporate customers	228,271	182,650
- Public sector	466,314	258,307
- Public enterprises	245,221	252,675
- Retail customers	1,624	912
- Foreign entities (banks)	154,320	129,692
	2,328,893	1,424,889
Interest expenses		
- Banks	2,978	31
- Insurance and financial services	113,424	121,395
- Corporate customers	302	48,388
- Public sector	8,918	55,048
- Public enterprises	73,226	178,978
- Bankrupt banks	228,286	91,332
- Retail customers	93,717	87
- Other clients	143	13,030
- Leases	25,598	114
	546,592	508,403
Net interest income	1,782,301	916,486

Interest income and expense by type of financial instruments are presented as follows:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Interest income		
Deposits with the National Bank of Serbia	1,168,537	548,561
Placements to banks	218,926	181,659
Placements to customers	485,870	444,910
Securities	455,560	249,759
	2,328,893	1,424,889
Interest expenses		
Deposits of financial institutions	116,705	212,540
Borrowings from international financial institutions	-	1,829
Client deposits	429,887	294,034
	546,592	508,403
Net interest income	1,782,301	916,486

6. FEES AND COMMISSIONS INCOME AND EXPENSES

	<i>Amounts in RSD thousand</i>	
	2024	2023
Fee and commission income		
Domestic payment transaction services	54,565	48,913
Income from fees from changing currency operations	83,404	35,106
Foreign payment transaction services	56,754	22,519
Banking services on foreign currency accounts	49,758	39,158
Operations with retail customers	5,348	3,320
Payments cards	4,992	4,042
Warranty and other guarantee operations	135,993	123,225
Factoring	3,940	4,578
Other fees and commissions	103	143
	394,857	281,004
Fee and commission expenses		
Domestic payment transaction services	6,505	5,157
Expenses from changing currency operations	232,695	78,004
Foreign payment transaction services	2,141	2,046
Payments cards	2,666	2,576
Other fees and commissions	20	141
	244,027	87,924
Net fee and commission income	150,830	193,080

7. NET FOREIGN EXCHANGE GAINS/(LOSSES) AND EFFECTS OF CONTRACTED FOREIGN CURRENCY CLAUSE

	<i>Amounts in RSD thousand</i>	
	2024	2023
Foreign exchange gains		
Foreign exchange gains	427,241	699,462
Foreign exchange loss	(407,108)	(692,503)
Net income/(expenses) from FX gains/(loss)	20,133	6,959
Gains from contracted currency clause application	3,506	3,450
Losses from contracted currency clause application	(7,494)	(7,325)
Net loss from contracted currency clause application	(3,988)	(3,875)
Net income/(expenses) from foreign currency gains/losses and contracted currency clause application	16,145	3,084

8. OTHER OPERATING INCOME AND OTHER INCOME

a) Other operating income

	<i>Amounts in RSD thousand</i>	
	2024	2023
Operating income	1,420	1,761
Rental income	40,736	37,459
Other operating income	272	180
	42,428	39,400

b) Other income

	<i>Amounts in RSD thousand</i>	
	2024	2023
Income from change in investment property)	1,895	2,411
Income from release of provisions	328	-
Income from release of liability for unused annual leaves	-	9,039
Other income	2,422	4,593
	4,645	16,043

9. NET LOSS FROM CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	<i>Amounts in RSD thousand</i>	
	2024	2023
Negative effects of changes in the value of derivatives	(157,894)	(79,148)
Negative effects of changes in value of financial assets at fair value through profit or loss	(633)	(636)
Total negative effects	(158,527)	(79,784)
Positive effects of changes in the value of derivatives	166,834	64,704
Positive effects of changes in value of financial assets at fair value through profit or loss	1,687	424
Total positive effects	168,521	65,128
Net loss	9,994	(14,656)

10. NET INCOME FROM HEDGE ACCOUNTING

	<i>Amounts in RSD thousand</i>	
	<u>2024</u>	<u>2023</u>
Positive outcomes of changes in the value of derivates from hedge accounting	12	63
Net income	12	63

11. NET IMPAIRMENT GAIN / (LOSS) ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Amounts in RSD thousand</i>	
	2024	2023
Expenses from indirect write-offs of placements and provisions		
- cash and funds with central bank (Note 16)	(312)	-
- loans and receivables from banks and other financial organizations (Note 18)	(178,904)	(142,625)
- loans and receivables from customers (Note 19(b))	(156,700)	(345,960)
- securities (Note 17)	(4,116)	(6,729)
- other assets (Note 22)	<u>(353)</u>	<u>(1,632)</u>
	<u>(340,385)</u>	<u>(496,946)</u>
Provisions for losses on off-balance sheet assets (Note 25)	(15,163)	(28,225)
Expenses from write-offs of uncollectible receivables	<u>-</u>	<u>(12)</u>
	<u>(15,163)</u>	<u>(28,237)</u>
Income from the cancellation of indirect write-offs of investments and provisions		
- cash and funds with central bank (Note 16)	52	5
- loans and receivables from banks and other financial organizations (Note 18)	197,214	103,340
- loans and receivables from customers (Note 19(b))	133,971	169,479
- securities (Note 17)	3,238	1,431
- other assets (Note 22)	<u>328</u>	<u>1,971</u>
	<u>334,803</u>	<u>276,226</u>
Income from the reversal of provisions for off-balance sheet items (Note 25)	14,605	27,042
Income from collected written-off receivables	<u>22,850</u>	<u>79,889</u>
	<u>37,455</u>	<u>106,931</u>
Expenses on securities measured at fair value through other comprehensive income	<u>(12,935)</u>	<u>(303)</u>
Income on securities measured at fair value through other comprehensive income	<u>1,390</u>	<u>3,555</u>
Total income/(expenses)	<u>5,165</u>	<u>(138,774)</u>

12. SALARIES, WAGES AND OTHER PERSONAL EXPENSES

	<i>Amounts in RSD thousand</i>	
	2024	2023
Gross salaries and compensation	203,089	161,142
Payroll taxes and contributions payable by the employee	77,463	64,022
Unused annual holidays	3,435	9,783
Provision for retirement benefits and jubilee awards (Note 25)	3,800	3,442
Other personal expenses	919	6,548
Total	288,706	244,937

13. DEPRECIATION AND AMORTISATION CHARGE

	<i>Amounts in RSD thousand</i>	
	2024	2023
Depreciation and amortization costs:		
- depreciation of fixed assets (Note 20)	56,848	56,343
- leased equipment (Note 20)	1,304	543
- amortization of intangible assets (Note 20)	11,593	22,884
Total	69,745	79,770

14. OTHER EXPENSES

	<i>Amounts in RSD thousand</i>	
	2024	2023
Payroll contributions charged to employer	41,869	35,191
Non-material services	75,508	63,561
Maintenance of fixed assets	170,608	135,524
PTT and telecommunications services	13,804	13,101
Costs of taxes and fees	18,000	15,252
Advertising and marketing	239	1187
Insurance premiums	12,674	10,836
Donations and sponsorships	4,366	5,140
Security and money transport	24,070	20,148
Cost of materials	24,682	27,623
Refurbishment of office premises	5,735	3,947
Provisions for litigation (Note 25)	918	1,165
Court expenses	2,968	1,865
Expenses from lost compensation disputes	-	995
Costs of public executors	2,626	3,739
Other	8,267	31,742
Total	406,334	371,016

15. INCOME TAXES

a) *Components of Income Taxes*

Total tax income / (expense) comprises the following:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Current income tax	-	-
Gains/(losses) from deferred taxes	(2,793)	12,404
	(2,793)	12,404

b) *Numerical Reconciliation of the Tax Expense Recognised in the Income Statement and Loss Before Tax Multiplied by the Statutory Income Tax Rate*

	<i>Amounts in RSD thousand</i>	
	2024	2023
Profit / (Loss) before tax	1,246,735	319,003
Tax effect of expenses not recognized in the tax balance	22,781	9,480
Depreciation from financial statements	69,745	79,770
Depreciation for tax purposes	(84,646)	(99,220)
Tax effects of income adjustment	(600)	(180)
Tax effect of interest income on debt securities	(1,333,634)	(557,712)
Tax profit / loss	(79,619)	(248,859)
Tax base	-	-
Tax rate	15%	15%
Computed tax	-	-
Income tax	-	-

c) Deferred Tax Liabilities

Deferred tax liabilities are recognised for all temporary differences between carrying amount of fixed assets and intangible assets reported in the financial statements and their tax bases, as well as for temporary differences arising from the revaluation of fixed assets.

Deferred tax liabilities are calculated at the effective interest rate of 15%, the application of which is expected in the period when the liability will be settled.

Movements in deferred tax liabilities during the year are shown in the following table:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Balance as of 1 January	79,595	87,679
Effect of the first - time adoption of IFRS 9		-
Effects of the revaluation reserves' changes based on property	3,041	4,320
Effects of temporary differences charged (credited) to the income statement	2,793	(12,404)
Balance as of 31 December	85,429	79,595

16. CASH AND BALANCES WITH CENTRAL BANK

	<i>Amounts in RSD thousand</i>	
	2024	2023
In RSD		
Gyro account	2,055,316	616,418
Petty cash	23,732	26,550
Receivables for interest from NBS	1,874	3,518
Deposited surpluses of liquidity funds	4,000,000	6,000,000
	6,080,922	6,646,486
In foreign currency		
Required reserve with NBS	4,189,951	2,882,038
Due interest in foreign currency on placements with NBS	-	-
Petty cash	65,708	52,643
	4,255,659	2,934,681
Total	10,336,581	9,581,167
<i>Less: Allowance for impairment</i>	(260)	-
Balance as of 31 December	10,336,321	9,581,167

In accordance with the Decision on Obligatory Reserves of Banks with National Bank of Serbia, the Bank is required to calculate and deposit its obligatory dinar reserve at the rate of 2% and 7% depending on the agreed maturity on the average daily balance of dinar funds during the preceding calendar month on its gyro account with the National Bank of Serbia. As at 31 December 2024, the calculated required reserve in dinars amounted to RSD 4,709,837 thousand (31 December 2023: RSD 3,061,919 thousand).

The interest rate on the amount of allocated dinar reserve during 2024 amount 0.75% on an annual basis.

The Bank calculates the required foreign currency reserve by applying 23% for liabilities with contractual maturity of up to 730 days, and 16% for liabilities with contractual maturity of over 730 days to the amount of the average daily balance of foreign currency funds in the preceding calendar months, and exceptionally at the rate of 100% to the portion of foreign currency base including RSD liabilities indexed with the contracted foreign currency clause.

As at 31 December 2024, required foreign currency reserve with the NBS amounted to RSD 3,510,176 thousand (31 December 2023 amounted to RSD 2,882,038 thousand).

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

The bank deposits the surplus of its available dinar funds with the National Bank of Serbia daily. On 31 December 2024, the amount of surplus liquid funds amounted to RSD 4,000,000 thousand, and on 31 December 2023: RSD 6,000,000 thousand. The bank earns interest in respect of this.

The interest rate on deposited surplus of free funds in 2024 ranged from 4.50% to 5.25% ann., and in 2023 it was 4.00% to 5.25% ann.

Movements on allowance for impairment of cash accounts during the year are shown in the following table:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Balance as of 1 January	-	5
Revoking impairment	-	(5)
Ne impairment	(260)	-
Balance as of 31 December	(260)	-

Overview of the differences between the item Cash and funds with the Central Bank and the statement of cash flows as of 31 December 2024 and 31 December 2023 is given as follows:

	<i>Amounts in RSD thousand</i>		
	Balance sheet	Cash flow statement	Difference
In RSD			
Deposit surpluses of liquid funds with the NBS	4,000,000	-	4,000,000
Gyro account	2,055,316	2,055,316	0
Patty cash	23,732	23,732	0
Interest receivables	1,874	-	1,874
	6,080,922	2,079,048	4,001,874
In foreign currency			
Petty cash	65,708	65,708	-
FC accounts	-	224,018	(224,018)
Interest receivables	-	-	-
Required reserves in FC	4,189,951	-	4,189,951
<i>Allowance for impairment</i>	(260)	-	(260)
	4,255,399	289,726	3,965,673
Balance as of 31 December 2024	10,336,321	2,368,774	7,967,547

The required reserve with National Bank of Serbia is not available for the Bank's daily transactions and for that is not part of the cash flow.

	<i>Amounts in RSD thousand</i>		
	Balance sheet	Cash flow statement	Difference
In RSD			
Deposit surpluses of liquid funds with the NBS	6,000,000	-	6,000,000
Gyro account	616,418	616,418	-
Patty cash	26,550	26,550	-
Interest receivables	3,518	-	3,518
	6,646,486	642,968	6,003,518
In foreign currency			
Petty cash	52,643	52,643	-
FC accounts	-	205,769	(205,769)
Interest receivables	-	-	-
Required reserves in FC	2,882,038	-	2,882,038
<i>Allowance for impairment</i>	-	-	-
	2,934,681	258,412	2,676,269
Balance as of 31 December 2023	9,581,167	901,380	8,679,787

Changes in liabilities from financing activities, loans received, are shown in the following table:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Balance as of 1 January	15,065	45,253
Settlement of obligations from received loans	(15,065)	(30,146)
The effect of exchange rate differences	(42)	(42)
Balance as of 31 December	-	15,065

17. SECURITIES

	<i>Amounts in RSD thousand</i>	
	2024	2023
In RSD		
Securities measured at fair value through profit or loss	5,161	4,111
Securities measured at depreciation costs	2,587,126	2,186,866
Securities measured at fair value through other comprehensive income	6,291,728	2,944,979
Pledged financial assets	2,187,500	1,594,510
	11,071,515	6,730,466
In foreign currency		
Securities measured at fair value through other comprehensive income	2,874,156	338,125
Securities measured at depreciation costs	721,574	606,218
	3,595,730	944,343
Total securities	14,667,245	7,674,809
<i>Less: Allowance for impairment of securities measured at amortized cost</i>	<i>(6,173)</i>	<i>(5,298)</i>
Balance as of 31 December	14,661,072	7,669,511

Financial assets measured at fair value through other comprehensive income in dinars, as at 31 December 2024 include government bonds of the Republic of Serbia with various remaining maturities on which the Bank earned interest in the range of 2.15% to 5.87 %.

Within the framework of financial assets held to maturity, interest rates in the range of 5.10% to 6.15% were achieved.

Financial assets measured at fair value through other comprehensive results in foreign currency, as at 31 December 2024 include long-term government bonds of the Republic of Serbia on which the Bank earns interest range from 1.5% to 5.50%.

An interest rate of 4.00% is incurred on financial assets held to maturity in foreign currency.

Movements in the accounts of allowance for impairment of securities during the year are shown in the following table:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Balance as of 1 January	5,298	-
Reversal of impairment (Note 11)	(3,238)	(1,431)
Net allowance for impairment (Note 11)	4,116	6,729
Exchange differences	7	-
Balance as of 31 December	6,173	5,298

18. LOANS AND RECEIVABLES FROM BANKS AND OTHER FINANCIAL ORGANIZATIONS

	<i>Amounts in RSD thousand</i>	
	2024	2023
In RSD:		
Short-term placements - repo transactions with the NBS	33,000,000	16,999,998
Short-term receivables from NBS (a)	530,465	530,465
Short-term receivables from other domestic banks	3,067	3,107
Receivables from interest and fees	-	16
Deferred receivables for accrued interest	4,123	13,126
	33,537,655	17,546,712
In foreign currency:		
Foreign currency accounts with banks (b)	224,018	205,769
Dedicated deposit with other financial institutions	11,695	10,340
Non-purpose deposits given to banks	5,893,037	2,730,245
Short-term placements	0	846,937
Covered letters of credit	285,186	260,807
Deferred receivables for accrued interest	6,718	3,281
	6,420,654	4,057,379
Gross receivables	39,958,309	21,604,091
<i>Less: Allowance for impairment</i>	<i>(35,646)</i>	<i>(53,265)</i>
Balance as of 31 December	39,922,663	21,550,826

a) Deposits with the National Bank of Serbia in the amount of RSD 530,465 thousand are neither subject to classification, nor they are shown under the maximum credit exposure (31 December 2023: RSD 530,465 thousand).

b) Foreign currency accounts with banks are included in cash flows (Note 16).

Movements in the accounts of allowances for impairment during the year are shown in the following table:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Balance as of 1 January	53,265	14,087
New allowance for impairment (Note 11)	178,904	142,625
Reversal of impairment (Note 11)	(197,214)	(103,340)
Exchange rate differences	691	(107)
Balance as of 31 December	35,646	53,265

Loans and receivables from banks and other financial organizations concentration in the net amount, as of 31 December 2024 and 2023, is shown as follows:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Central bank	33,529,508	17,511,434
Other banks	6,388,515	4,034,591
Other financial organisations	4,640	4,801
Balance as of 31 December	39,922,663	21,550,826

19. LOANS AND RECEIVABLES FROM CUSTOMERS

	<i>Amounts in RSD thousand</i>	
	2024	2023
Loans on transaction accounts	16	89
Liquidity and working capital loans	979,848	1,579,144
Investment loans	3,590,008	2,955,500
Cash credits	8,983	9,676
Other credits	269,305	595,364
Placements for factoring	214,177	6,722
Placements for discount bills	34,595	192,536
Placements for payments made by guarantees	115,950	41,267
Interest receivables	35,494	38,777
Accrued fees and commissions	49	457
Accrued interest	(11,861)	43
Deferred income from loan fees	(13,398)	
Total gross	5,236,564	5,406,177
<i>Less: Allowance for impairment</i>	<i>(234,576)</i>	<i>(213,933)</i>
Balance as of 31 December	5,001,988	5,192,244

	<i>Amounts in RSD thousand</i>					
	2024			2023		
	Short-term	Long-term	Total	Short-term	Long-term	Total
In RSD						
Public sector	20,451	383,191	403,642	30,349	10,314	40,663
Corporate	812,980	1,230,741	2,043,721	1,164,341	984,124	2,148,465
Retail customers	1,752	8,633	10,385	1,296	8,896	10,192
	835,183	1,622,565	2,457,748	1,195,986	1,003,334	2,199,320
In foreign currency						
Corporate	1,542,792	1,236,024	2,778,816	1,523,875	1,682,982	3,206,857
	1,542,792	1,236,024	2,778,816	1,523,875	1,682,982	3,206,857
Balance as of 31 December	2,377,975	2,858,589	5,236,564	2,719,861	2,686,316	5,406,177

Short-term and long-term loans in dinars were granted to companies operate in various sectors in order to finance their business activities. Loans were granted at interest rates ranging from 8.50% to 12.0% per annum, while short-term and long-term loans approved with the currency clause ranged from 4.90% to 8.20% per annum.

Retail customers' loans and receivables, which include consumer, cash and refinancing loans (short-term and long-term), are approved at an interest rate of 8.5% to 9.5% per annum. The interest rate on permitted overdrafts on citizens' accounts is 26% per annum, or 39% per annum on unauthorized negative balances on citizens' current accounts. The interest rate on credit cards approved to retail customer is 22.20% per annum.

Factoring contracts with recourse were granted to corporate with interest rate 9.0% per annum. Discount of bill receivables was granted to corporate with interest rates ranging from 0.75% to 0.85% monthly.

(a) Maturity Structure of Loans and Receivables

The maturity of gross loans portfolio, according to the remaining period on the balance sheet date to contractual maturity date as of 31 December 2024 and 2023, is as follows:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Overdue receivables	524,430	358,988
Up to 30 days	294,358	27,997
From 1 to 3 months	84,605	319,685
From 3 to 12 months	1,478,581	2,019,890
Over a year	2,854,590	2,679,617
Balance as of 31 December	5,236,564	5,406,177

Maturity structure of overdue receivables is presented in the table below:

	<i>Amounts in RSD thousand</i>	<i>2024</i>	<i>2023</i>
Up to a month	330,225	199,922	
From 1 to 6 months	70,483	47,113	
From 6 to 12 months	6,426	111,949	
Over a year	117,296	4	
Balance as of 31 December	524,430	358,988	

(b) Industry Concentration of Loans and Receivables

The concentration of Bank's loans, presented in gross amount as at 31 December 2024 and 2023, is significant in the following industries:

	<i>Amounts in RSD thousand</i>	<i>2024</i>	<i>2023</i>
Trade	697,547	1,081,120	
Processing industry and agriculture	2,184,980	1,616,413	
Construction	800,177	838,223	
Electricity, gas and steam supply	363,565	353,841	
Other	1,179,910	1,506,388	
Retail customers	10,385	10,192	
Balance as of 31 December	5,236,564	5,406,177	

(c) Movements on Allowances for Impairment of Loans and Deposits

Movements on allowances for impairment of loans and deposits during the year are shown in the following table:

	<i>Amounts in RSD thousand</i>	<i>2024</i>	<i>2023</i>
Balance as of 1 January	213,933	85,133	
New allowance for impairment (Note 11)	156,700	345,960	
Reversal of impairment losses (Note 11)	(133,971)	(169,479)	
Derecognition of allowance for impairment	-	(47,184)	
Foreign exchange differences	(2,086)	(497)	
Balance as of 31 December	234,576	213,933	

20. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets

	<i>Amounts in RSD thousand</i>	
	2024	2023
Intangible assets in preparation	6,758	6,758
Licenses & Software	208,719	190,737
Total gross intangible assets	215,477	197,495
<i>Less: allowance of intangible assets</i>	<i>(188,201)</i>	<i>(176,608)</i>
Balance as of 31 December	27,276	20,887

Movements in item the intangible assets in 2024 and 2023 are as follows:

	<i>Amounts in RSD thousand</i>		
	Licenses & Software	Intangible assets in preparation	Total
<u>Cost or revalued amount</u>			
Opening balance 01 January 2023	180,286	-	180,286
Additions	10,451	17,209	27,660
Transfers	-	(10,451)	(10,451)
Balance 31 December 2023	190,737	6,758	197,495
Opening balance 01 January 2024	190,737	6,758	197,495
Additions	17,983	17,983	35,966
Transfers	-	(17,983)	(17,983)
Balance 31 December 2024	208,720	6,758	215,478
<u>Accumulated depreciation</u>			
Opening balance 01 January 2023	153,724	-	153,724
Charges in the year	22,884	-	22,884
Balance 31 December 2023	176,608	-	176,608
Opening balance 01 January 2024	176,608	-	176,608
Charges in the year	11,594	-	11,594
Balance 31 December 2024	188,202	-	188,202
<u>Net book value</u>			
Balance 31 December 2023	14,129	6,758	20,887
Balance 31 December 2024	20,518	6,758	27,276

Property, plant and equipment

	<i>Amounts in RSD thousand</i>	
	2024	2023
Buildings	1,637,308	1,614,797
Equipment	357,064	335,763
Right-to-use assets IFRS 16	6,521	6,521
Total gross fixed assets	2,000,893	1,957,081
<i>Minus: allowance for fixed assets</i>	<i>(500,215)</i>	<i>(443,118)</i>
<i>Minus: allowance for right-to-use property</i>	<i>(1,848)</i>	<i>(543)</i>
Balance as of 31 December	1,498,830	1,513,420

Movements in item property, plant and equipment in 2024 and 2023 are as follows:

	Building	Equipment	PP&E under construction	Right-to-use assets	<i>Amounts in RSD thousand</i>
					Total
<u>Cost or revalued amount</u>					
Opening balance					
01 January 2023	1,581,183	487,117	-	-	2,068,300
Outcomes of appraisal	33,614	-	-	-	33,614
Additions	-	34,823	34,823	6,521	76,167
Transfers	-	-	(34,823)	-	(34,823)
Disposals	-	(186,177)	-	-	(186,177)
Balance 31 December 2023	1,614,797	335,763	-	6,521	1,957,081
Opening balance					
01 January 2024	1,614,797	335,763	-	6,521	1,957,081
Outcomes of appraisal	22,511	-	-	-	22,511
Additions	-	9,331	23,289	-	32,620
Transfers	-	-	(9,331)	-	(9,331)
Disposals	-	(1,988)	-	-	(1,988)
Balance 31 December 2024	1,637,308	343,106	13,958	6,521	2,000,893
<u>Accumulated depreciations</u>					
Opening balance					
01 January 2023	191,571	376,263	-	-	567,834
Charges in the year	4,820	39,427	-	543	44,790
Disposals	16,916	(185,879)	-	-	(168,963)
Balance 31 December 2023	213,307	229,811	-	543	443,661
Opening balance					
01 January 2024	213,307	229,811	-	543	443,661
Outcomes of appraisal	2,239	-	-	-	2,239
Charges in the year	17,307	39,540	-	1,304	58,151
Disposals	-	(1,988)	-	-	(1,988)
Balance 31 December 2024	232,853	267,363	-	1,847	502,063
<u>Net book value</u>					
Balance 31 December 2024	1,404,455	75,743	13,958	4,674	1,498,830
Balance 31 December 2023	1,401,490	105,952	-	5,978	1,513,420

As at 31 December 2024, the Bank did not pledge any buildings as collaterals for borrowings. Net book value of buildings as at 31 December 2024 comprises building at 25 Savska street. The Bank has complete ownership documentation. In 2024, the Bank hired an independent appraiser for estimation the fair value of the land on which the facilities are located at 25 Savska street and the buildings at the same address. Under the appraisal conducted, increase in the value of land and buildings in the amount of RSD 20,272 thousand was recorded in favor of revaluation reserves.

Net book value of equipment as at 31 December 2024 mainly relates to computer and telecommunications equipment, office furniture and motor vehicles.

Net book value of intangible assets as at 31 December 2024 mostly relates to investments in software and software licenses used by the Bank.

b) Right-to-use property

The bank is the beneficiary of a financial lease recorded in accordance with the IFRS 16 standard. In 2023, the Bank made a Lease Agreement for one car with a term of 60 months and interest rate equal to the three-month EURIBOR plus margin percentage in fixed amount.

The total amount of assets under finance lease amounts to RSD 6,521 thousand, the total depreciation cost in 2024 amounts to RSD 1,304 thousand (2023: RSD 543 thousand) and the net book value on the balance sheet date amounts to RSD 4,674 thousand (31 December 2023: RSD 5,978 thousand).

The amounts recognized in the Income Statement are shown below:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Interest expense from lease obligation	302	143
Depreciation	1,304	543
Tax expenses	0	86
Net outcomes on exchange rates	(29)	4
Balance as of 31 December	1,577	776

21. INVESTMENT PROPERTY

	<i>Amounts in RSD thousand</i>	
	2024	2023
Investment property	507,219	505,324
Balance as of 31 December	507,219	505,324

Investment property as of 31 December 2024, amounts to RSD 507,219 thousand and refers to part of the real estate in 25 Savska street, total net book value in RSD 428,985 thousand, real estate in 63 Narodni heroji street with total net book value in RSD 32,494 thousand and real estate in 31 Takovska street with total net book value in RSD 45,740 thousand.

In 2023, the Bank took over real estate - business premises at 31 Takovska street through receivable collection. The taking over was done by direct negotiation in front of the competent public execution and leased for three months. The lease is extended by annexes to the contract. The net book value of the item is RSD 45,740 thousand (31 December 2023: RSD 45,707 thousand).

In 2015, the Bank rented a part of the Property in 25 Savska street (third, fourth floor and part of fifth floor). As at 31 December 2024, value of part of property leased, according to independent appraisal amounts to RSD 428,985 thousand (31 December 2023: RSD 427,405 thousand).

In 2016, the Bank rented the property in 63 Narodnih heroja street for a period of five years (annexed contract extended lease period to 2026). As at 31 December 2024, the value of this facility according to independent appraisal amounts to RSD 32,494 thousand (31 December 2023: RSD 32,211 thousand).

The effect of the value increase of investment property in 2024 in the amount of RSD 1,895 thousand (2023: RSD 2,411 thousand) is recognised within income from changes in the value of investment property.

22. OTHER ASSETS

	<i>Amounts in RSD thousand</i>	
	2024	2023
Inventories of material, spare parts and other supplies	1,202	1,292
Assets acquired through receivable collection	14,528	14,528
Other receivables	20,045	22,821
Fees and commission receivables	392	247
Other accruals	11,224	5,775
Gross other assets	47,391	30,135
<i>Less: Allowance for impairment</i>	<i>(1,371)</i>	<i>(1,084)</i>
Balance as of 31 December	46,020	29,051

In 2023, the Bank took ownership of real estate - an apartment in Belgrade amounted RSD 14,528 thousand through receivable collection and recorded it as item of asset acquired through the collection of claims.

Movements on allowances for impairment of other assets during the year are shown in the following table:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Balance as of 1 January	1,084	1,423
New allowance for impairment (Note 11)	353	1,632
Reversal of impairment losses (Note 11)	(328)	(1,971)
Balance as of 31 December	1,371	1,084

23. DEPOSITS AND OTHER LIABILITIES TO BANKS, OTHER FINANCIAL ORGANISATIONS AND CENTRAL BANK

	<i>Amounts in RSD thousand</i>					
	2024			2023		
	In RSD	In foreign currency	Total	In RSD	In foreign currency	Total
Transaction deposits	206,526	338	206,864	20,253	1,537	21,790
Other deposits	1,360,327	702,152	2,062,479	1,786,541	355,112	2,141,653
Interest payables	-	988	988	6,425	678	7,103
Balance as of 31 December	1,571,259	703,478	2,274,737	1,813,219	357,327	2,170,546

24. DEPOSITS AND OTHER LIABILITIES TO OTHER CUSTOMERS

	<i>Amounts in RSD thousand</i>	
	2024	2023
Transaction deposits (a)	47,565,784	28,552,550
Other deposits (b)	16,631,326	11,491,411
Borrowings (v)	-	15,065
Interest, fees and commissions payable	26,652	24,373
Accrued interest liabilities	14,411	14,567
Balance as of 31 December	64,238,173	40,097,966

a) Transaction Deposits

	<i>Amounts in RSD thousand</i>					
	2024			2023		
	In RSD	In foreign currency	Total	In RSD	In foreign currency	Total
Corporate	19,957,739	21,538,500	41,496,239	13,728,969	12,144,291	25,873,260
Public sector	1,117,269	11,460	1,128,729	1,973,410	11,358	1,984,768
Retail customers	120,205	149,390	269,595	102,952	75,951	178,903
Other customers	16,233	4,654,988	4,671,221	21,784	493,835	515,619
Balance as of 31 December	21,211,446	26,354,338	47,565,784	15,827,115	12,725,435	28,552,550

b) Other Deposits

	Amounts in RSD thousand					
	2024			2023		
	Short-term	Long-term	Total	Short-term	Long-term	Total
In RSD:						
Savings deposits	6,072	-	6,072	992	-	992
Earmarked deposits	551,497	107,760	659,257	807,468	72,929	880,397
Other deposits	7,180,942	600,000	7,780,942	5,497,233	-	5,497,233
Total:	7,738,511	707,760	8,446,271	6,305,693	72,929	63,786,22
In foreign currency:						
Savings deposits	21,041	3,536	24,577	19,327	3,598	22,925
Earmarked deposits	3,831,140	852,227	4,683,367	1,640,962	1,158,971	2,799,933
Other deposits	3,477,111	-	3,477,111	2,289,931	-	2,289,931
Total:	7,329,292	855,763	8,185,055	3,950,220	1,162,569	5,112,789
Balance as of 31 December	15,067,803	1,563,523	16,631,326	10,255,913	1,235,498	11,491,411

Structure of other deposits by customers is shown in the following table:

	Amounts in RSD thousand	
	2024	2023
Corporate customers	13,239,439	8,705,133
Public sector	1,167,899	1,157,318
Retail customers	69,800	59,730
Banks and other financial institutions under bankruptcy	2,151,000	1,566,000
Other customers	3,189	3,230
Balance as of 31 December	16,631,326	11,491,411

The Bank paid interest on RSD deposits of corporate customers in 2024, which range from 0% to 7.50% annually. Interest rates on foreign currency deposits ranged from 0.00% to 3.70% per annum. The stated interest rate refers to transaction, sight and special-purpose term deposits. The Bank does not charge interest on special-purpose deposits - collaterals.

The Bank pays an interest rate of 1.00% per annum on dinar savings deposit of retail customers. Interest rates on foreign currency demand deposits range from 0.05% to 0.1% per annum, namely 0.1% for EUR and 0.05% for USD.

c) *Borrowings*

	<i>Amounts in RSD thousand</i>	
	2024	2023
Other financial liabilities in foreign currency	-	15,065
Balance as of 31 December	-	15,065

Borrowings in foreign currencies related to debts to the Republic of Serbia for the funds of European Investment. The borrowed funds were in entire amount repaid in 2024.

25. PROVISIONS

	<i>Amounts in RSD thousand</i>	
	2024	2023
Provisions for litigations (Note 31. (6)) (a)	1,919	5,137
Provisions for off-balance sheet exposures (b)	24,372	23,095
Provisions for retirement benefits and jubilee awards (c)	18,200	14,887
Balance as of 31 December	44,491	43,119

- (a) The Bank's management estimated the outcome of litigation and established provisions for potential losses on that basis in the amount of RSD 1,919 thousand.
- (b) If there is no objective evidence that the Bank will have an irreparable cash outflow for the assumed obligation, the assessment of probable losses for off-balance sheet items is carried out by the Bank using the credit conversion regulatory factors prescribed by the Decision on Capital Adequacy, except for the unused amount of approved loans (0% of low-risk off-balance sheet items, 20 % moderate risk off-balance sheet items, 50% medium risk off-balance sheet items and 100% high risk off-balance sheet items). The basis for calculation is obtained by multiplying the off-balance sheet item by the credit conversion factor and subtracting it by the value of the first-class collaterals.

For off-balance sheet items for which it has been determined that there is objective evidence that the bank will have an irrecoverable cash outflow for the assumed off-balance sheet liability, the assessment of probable loss is performed in the same way as for balance sheet receivables for which there is objective evidence of impairment, provided that for short-term off-balance sheet liabilities discounting of the expected irrecoverable cash outflow is not performed, but the amount of probable loss based on off-balance sheet items is determined in an amount equal to those outflows.

- (c) Long-term provision for retirement benefits upon retirement after fulfilling the prescribed conditions in accordance with the Labor Law stated as at 31 December 2024 represent the present value of future payments to employees determined under the following assumptions.

Discount rate 6.00%

Salary growth rate in the Republic of Serbia 8.5%

Turnover staff rate 5% and

Basis for calculating mortality for the approximate age of employees are mortality tables in Serbia according to last census.

Movements in provisions during the year are shown in the following table:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Provisions for litigation		
Balance as of 1 January	5,137	3,972
Charge for the year	918	1,165
Reversed unused provisions	(328)	-
Utilised provision	(3,808)	-
	1,919	5,137
Provisions for losses on off-balance sheet assets		
Balance as of 1 January	23,095	21,664
Charge for the year	15,163	28,236
Reversed unused provisions	(14,605)	(26,805)
Other movements	719	-
	24,372	23,095
Provisions for retirement benefits and jubilee awards		
Balance as of 1 January	14,887	13,343
Charge for the year	4,110	3,442
Retirement benefits paid	(797)	(2,669)
	18,200	14,887
Balance as of 31 December	44,491	43,119

26. OTHER LIABILITIES

	<i>Amounts in RSD thousand</i>	
	2024	2023
In RSD		
Trade payables	20,326	14,979
Liabilities for leased assets	3,740	4,660
Liabilities for taxes, contributions and other duties	5,503	3,136
Factorings	23,217	704
Unused holiday allowances	13,218	9,783
Accrued income from fees	35,237	40,047
Other liabilities	<u>41,510</u>	<u>108,333</u>
	<u>142,751</u>	<u>181,642</u>
In foreign currency		
- other liabilities	<u>3,524</u>	<u>3,382</u>
Balance as of 31 December	<u>146,275</u>	<u>185,024</u>

Liabilities from assets leased

Liabilities from leased assets refer a car acquired through Lease (Lease Agreement).

Future minimum lease payments are shown as follows:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Up to a year	972	889
From 1 to 5 years	<u>2,768</u>	<u>3,771</u>
Total	<u>3,740</u>	<u>4,660</u>

27. EQUITY

a) *Equity Structure*

The bank's equity structure is presented in the table below:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Share capital - ordinary shares	2,846,076	2,846,076
Other capital	460	460
Revaluation reserves from fair value of property	498,835	481,604
Unrealized gains/gains from fair value of securities	24,078	(439,247)
Depreciation of securities	20,903	10,049
Actuarial gains/losses	(3,069)	(2,760)
Reserves from profit	572,572	241,165
Retained earnings	1,243,942	331,407
 Balance as of 31 December	5,203,798	3,468,754

i) *Share Capital*

As at 31 December 2024, subscribed and paid-in share capital of the Bank consists of 20,329,116 ordinary shares, with an individual nominal value of RSD 140 (31 December 2023: 2,329,116 ordinary shares with an individual nominal value of RSD 140). The bank is a closed joint stock company.

On 4 May 2017, the Bank's General Meeting of Shareholders passed a Decision on the increase of share capital of Srpska banka a.d. Belgrade from net assets by converting part of the profit into share capital, by increasing the nominal value of shares from RSD 130 to RSD 140 per share. Pursuant to the Decision, a part of profit in the amount of RSD 20,291,160 was used to increase the share capital, so by 20,329,116 of shares the nominal value of share was increased from RSD 130 to RSD 140.

The majority shareholder of the Bank is the Republic of Serbia with a share of 76.69% in share capital, or 15,589,891 shares as of 31 December 2024.

ii) *Revaluation Reserves*

Revaluation reserves from fair valuation of property as of 31 December 2024 amount to RSD 498,835 thousand (31 December 2023: RSD 481,604 thousand), most of which refer to reserves that arose as a result of the appraisal of construction facilities and land. In its business books at the end of 2024, the bank recorded the outcomes of appraisal of the land performed by an authorized appraiser, on which the facility is located at Street. Savska no. 25, the land around the building as well as the building in Ul. Savska 25. (Note 20) in favor of revaluation reserves in the amount of RSD 20,272 thousand. The stated amount is reduced by the effect of deferred tax liabilities in the amount of RSD 3,041 thousand and was also booked through revaluation reserves.

The positive effects of the fair value of investments in securities carried at fair value through other comprehensive income on the market value amount to RSD 24,078 thousand, while the adjustment of the value of the same securities was charged against income statement and in favor of revaluation reserves in the amount of RSD 20,903 thousand. The Bank recorded actuarial losses in the amount of RSD 3,069 thousand as of 31 December 2024.

(b) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit or loss by the weighted average number of ordinary shares during the year.

	<i>Amounts in RSD thousand</i>	
	2024	2023
Profit	1,243,942	331,407
Weighted average number of ordinary shares during the year	<u>20,329</u>	<u>20,329</u>
Earning per share	<u>61.19</u>	<u>16.30</u>

c) Performance Indicators – Compliance with Legal Regulations

Bank's performance indicators as at 31 December 2024 were as follows:

Performance indicators	Prescribed	Realised
1. Capital	Minimum EUR 10 million	29,425
2. Capital adequacy ratio	Minimum 12%	32.87%
3. The Bank's investment into entities not in the financial sector and investments in fixed assets and investment property	Maximum 60%	58.39%
4. Related parties exposure		
5. Indicator of large and largest permissible loans	Maximum 400%	268.65%
6. Average monthly liquidity ratios:		
- in the first month of the reporting period	Minimum 1	4.36
- in the second month of the reporting period	Minimum 1	4.51
- in the third month of the reporting period	Minimum 1	4.06
7. Foreign currency risk indicator	Maximum 20%	2.02%
8. Exposures to a group of related parties	Maximum 25%	21.90%
9. Bank's Investment in one person who is not a person in the financial sector	Maximum 10%	0.12%

As of 31 December 2024, the indicator of Bank's investment into entities that are not in the financial sector and investments in property was not reconciled with the prescribed limit of the NBS.

28. OFF-BALANCE SHEET ITEMS

	<i>Amounts in RSD thousand</i>	
	2024	2023
Funds managed on behalf of third parties (a)	9,514,866	9,136,377
Guarantees and other assumed irrevocable obligations	10,527,817	9,279,064
(b)		
Other derivatives at contracted value (c)	39,356,462	14,557,572
Other off-balance sheet items (d)	166,926,329	156,526,498
Balance as of 31 December	226,325,474	189,499,511

a) Fund Managed on Behalf of Third Parties

	<i>Amounts in RSD thousand</i>	
	2024	2023
Placements on behalf of third parties:		
- housing loans for solving needs of members of the Serbian Army	546,260	553,134
- loans for flat repurchase	8,967,949	8,582,510
- loans for garages repurchase	528	550
- other	129	183
Balance as of 31 December	9,514,866	9,136,377

b) Guarantees and Other Irrevocable Commitments

	<i>Amounts in RSD thousand</i>	
	2024	2023
In RSD:		
Payment guarantees	59,258	63,168
Performance bonds	2,540,528	2,534,192
Guarantee facilities	-	116,605
Irrevocable commitments for undistributed loans and placements	730	55,821
Financial assets for securing liabilities	2,187,500	1,594,510
Records for sold foreign currency and receivables in dinars for sold foreign currency	234,115	-
	5,022,131	4,364,296
In foreign currency:		
Payment guarantees	817	770
Performance bonds	5,498,218	4,907,428
Irrevocable commitments for undistributed loans and placements	6,651	6,570
	5,505,686	4,914,768
Balance as of 31 December	10,527,817	9,279,064

Irrevocable obligations assumed refer to unused approved loans that cannot be cancelled unilaterally, namely: overdrafts, revolving loans for corporates, multi-purpose framework loans and other irrevocable obligations assumed. Irrevocable commitments usually have fixed expiration dates or other expiration provisions. The Bank makes provisions for potential losses on guarantees and other risky off-balance sheet assets in accordance with the accounting policy disclosed in Note 25 (b).

As at 31 December 2024, the established provision for losses from guarantees and other irrevocable commitments amounts to RSD 24,372 thousand (31 December 2023: RSD 23,095 thousand).

c) *Other Off-balance Sheet Items*

	<i>Amounts in RSD thousand</i>	
	2024	2023
Letters of credit (LORO)	32,043,895	33,782,737
Performance guarantees until entry into force	68,492	662,031
Guarantees received from foreign banks and other financial entities	92,741,668	95,227,649
Mortgages as collaterals	5,302,655	5,990,575
Covered letters of credit	1,148,136	39,481
Suspended interest	213,236	268,695
Record of repo purchased securities	33,000,000	17,000,000
Other off-balance sheet items	721,220	1,034,455
Undertaken revocable liabilities for undrawn loans and placements	900,263	2,520,874
Balance as of 31 December	166,926,329	156,526,498

d) *Other Derivatives at Agreed Value*

	<i>Amounts in RSD thousand</i>	
	2024	2023
Other derivatives at agreed value	39,356,462	14,557,572
Balance as of 31 December	39,356,462	14,557,572

29. RELATED PARTY TRANSACTIONS

A number of banking transactions are entered into with shareholders, employees and other related parties in the ordinary course of business.

a) The balances of accounts receivable and payables as of 31 December 2024 and 2023 arising from transactions with shareholders and other related parties are the result of ordinary business activities, and are presented in the following table:

	<i>Amounts in RSD thousand</i>	
	As of 31 December 2024	As of 31 December 2023
Placements and loans		
Loans granted to shareholders	-	280,000
Other receivables from shareholders	-	2,374
<i>Less: Impairment</i>	<i>-</i>	<i>(2,371)</i>
	<i>-</i>	280,003
Loans granted to employees	2,191	3,386
<i>Less: Impairment</i>	<i>(21)</i>	<i>(57)</i>
	4,989	3,329
Placements and loans, net	4,989	283,332
Deposits and other liabilities		
Deposits and other liabilities of shareholders	12,187,556	5,909,545
Deposits and other liabilities of employees	34,796	19,082
	12,222,352	5,928,627
Guarantees issued and irrevocable commitments undertaken		
Shareholders	2,958,918	3,210,489
Employees in the Bank	310	300
<i>Less: Provision</i>	<i>(4)</i>	<i>(6)</i>
	2,959,224	3,210,783

b) Interest and fee income from transactions with related parties in 2024 amounted to RSD 72,363 thousand (2023: RSD 75,038 thousand). Interest and fee expenses from transactions with related parties in 2024 amounted to RSD 40,746 thousand (2023: RSD 3,576 thousand).

c) Remuneration of Boards of Directors and Executive Board (expressed in gross amount), in 2024 and 2023, are presented in the following table:

	<i>Amounts in RSD thousand</i>	
	2024	2023
Remuneration of Boards of Directors and Executive Board	28,678	25,147
	28,678	25,147

30. RISK MANAGEMENT**30.1. Introduction**

Risk is the possibility of negative effects on equity and the financial results of the Bank as a result of transactions performed by the Bank and the macroeconomic environment in which it operates. Risk management in the Bank is a comprehensive process that includes the identification, measurement, assessment, mitigation, monitoring, control and reporting on all risks to which the Bank is exposed or may be exposed.

The Bank has established a comprehensive and reliable risk management system that is fully integrated into all business activities of the Bank. The risk management system is harmonized with the nature, scope and complexity of the Bank's operations and includes: risk management strategy, risk management policy, capital management strategy and plan, adequate organizational structure, effective risk management process, adequate system of internal controls, procedures and methodologies, a corresponding information system. Owing to the nature of its activities, the Bank is exposed to the following risks: credit risk and its associated risks, liquidity risk, operational risk, market risk (primarily foreign currency risk), concentration risk, interest rate risk, investment risk and country risk.

Risk Management Structure

In organizational terms, risk management and responsibility for managing that system, risk management strategy and capital management strategy, is entrusted to: the Board of Directors, Executive Board, Business Monitoring Committee, Assets and Liabilities Management Board and Non-performing Loans Monitoring Committee. Competencies of these bodies are determined by the regulations of the National Bank of Serbia, the Statute and other internal documents of the Bank.

The Board of Directors of the Bank is responsible for establishing a unified risk management system in the bank and the supervising of such a system, establishing of internal controls system, and supervising the work of the Executive Board in accordance with approved policies and procedures. The Board of Directors adopts the risk management strategy, risk management policy and capital management strategy, plans and monitors their implementation.

The Executive Board implements the risk management strategy and policy, and capital management strategy and plan. It adopts procedures for identification, measurement and assessment of risks, as well as methodologies and other accompanying acts that further regulate risk management procedures and regularly controls and analyzes the effectiveness of their application.

Operation Monitoring Committee adopts proposals for the Bank's risk management strategies and policies, internal control system, monitors the internal control system and supervises functioning of the Bank's risk management system, considering identified deficiencies and proposes to the Board the way to eliminate these shortcomings.

Assets and Liabilities Committee Management monitors the bank's exposure to risks arising from the structure of its balance sheet liabilities, receivables and off-balance sheet items, proposes measures for managing interest rate risk, liquidity risk and, if necessary, other risks.

Non-performing Loans Monitoring Committee is responsible for managing and monitoring the collection of the Bank non-performing placements, making decisions in the area of its competence, as well as proposing certain decisions to the competent boards, in order to resolve the status and collection of placements.

In terms of organization, for the application of special and uniform risk management system and ensure the functional and organizational separation of risk management activities from regular business activities of the Bank, the Bank has established a Risk Management Department.

The Bank's commitment is to develop risk management within its organization by improving the procedures of an orderly and documented decision-making process on risk assumption, with clearly and transparently defined responsibilities and powers of employees or individual committees involved in the risk management system.

Internal Audit

Internal audit ensures that risks are properly identified and controlled. This shall be provided by applying a systematic and documented approach to evaluating and improving the existing way of risk management, internal control systems and management process. Reports on internal audit activities, with findings and recommendations, are submitted to the competent management of the Bank, Business Monitoring Committee and the Board of Directors of the Bank.

Risk Management and Reporting Systems

The Bank's risks are measured using a method that reflects losses that may arise in the normal course of business and expected losses, which are estimates of ultimate actual losses based on probable events. The models use probabilities derived from available current and historical data, adjusted to reflect the current economic environment.

Risk monitoring and control is primarily based on the establishment of procedures and limits. These limits reflect the business strategy and market environment of the Bank, as well as the level of risk that the Bank is willing to accept. The Bank permanently monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all types of risks and activities.

Information compiled from all business activities is examined and processed to identify, analyze and control risks. This information is presented and explained to the Board of Directors, the Executive Board, the Business Monitoring Committee and the heads of each business division, through the established system of reporting on the Bank's operations and risk exposure, on a daily, monthly and quarterly basis.

30.2. Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties failed to discharge their contractual obligation, in a whole or partly, within agreed deadlines.

The Bank manages credit risk at the level of individual placements and at the level of the entire loan portfolio, striving to control and minimize negative effects that may affect the financial result and capital of the Bank, due to the debtor's failure to meet the terms of the contract with the Bank, and in particular the failure to settle the liability for principal, interest and fees. The Bank manages a portfolio of risky placements in order to form and maintain a stable and profitable portfolio.

The Bank shall determine the rules and procedures in which the process of credit risk management of individual placements and risks at the portfolio level is defined, ie the procedures for identifying, measuring and monitoring (controlling) placements, especially those with a high level of risk.

The Bank controls and manages credit risk by setting limits, which define the level of risk it is willing to accept at the level of individual customers, business segments, types of business, as well as by monitoring exposure to these risks.

The Bank has established a credit quality monitoring process to ensure timely identification of potential changes in customers' creditworthiness, including regular control of collateral. Limits in relation to customers are determined using a credit risk classification system, which classifies each customer according to a certain credit rating. Customers' classification is subject to regular review.

Credit-related Commitment Risk

The Bank issues guarantees and letters of credit to its customers, and, consequently, it has a commitment to perform payments in favor of third parties. Thus, the Bank is exposed credit-related commitment risk, which can be mitigated by processes and procedures used for mitigating credit risk.

Loan Concentration Risk

Concentration risk is the risk of incurring loss due to the excessive volume of placements in a certain group of debtors. Concentration occurs when a significant number of customers belong to a similar industry, or the same geographical area, or has similar economic characteristics, which may affect the settlement of their contractual obligations in the event of changes in economic, political or other circumstances that affect them equally. Concentration risk indicates the relative sensitivity of the Bank's operations to changes affecting certain industry or geographical area.

In order to avoid excessive risks concentration, the Bank's policies and procedures contain specific guidelines for the development and preservation of a diversified portfolio. Accordingly, the Bank controls and manages identified concentrations of credit risk. Risk concentration is managed by setting limits in relation to clients/counterparty, by geographical region and industry sector.

Derivative Financial Instruments

Derivative financial instruments lead to credit risk exposure if their fair value is positive for the Bank. The credit risk of derivatives is limited by determining the maximum possible fair value of the total derivative portfolio as well as the maximum possible positive fair value of each individual transaction.

(a) Maximum Credit Risk Exposure by Balance Sheet and Off-Balance Sheet Items

Breakdown of maximum credit risk exposures, presented in gross and net amounts, before collaterals held or other credit enhancement, as at 31 December 2024 and 2023, is presented in the table below:

	As of 31 December 2024		Amounts in RSD thousand As of 31 December 2023	
	Gross	Net	Gross	Net
Credit risk exposure by balance sheet items:				
Cash and balances with the central bank	10,284,922	10,284,662	9,501,974	9,501,974
Securities	14,662,083	14,655,910	7,670,698	7,665,400
Loans and receivables from banks and other financial organizations	39,958,309	39,922,663	21,073,625	21,020,360
Loans and receivables from customers	5,236,564	5,001,988	5,406,177	5,192,244
Other assets	23,311	21,941	9,369	8,285
Total	70,165,189	69,887,163	43,661,843	43,388,263
Credit risk exposure by off-balance sheet items:				
Payment guarantees	60,075	43,711	63,937	47,882
Performance bonds	8,038,837	8,033,091	7,441,620	7,437,262
Covered letters of credit	1,148,136	1,148,136	39,481	39,481
Irrevocable commitments	1,033,016	1,030,754	902,006	899,324
Total	10,280,064	10,255,692	8,447,044	8,423,949
Total credit risk exposure	80,445,253	80,142,855	52,108,887	51,812,212

As of 31 December 2024, the classified balance sheet assets amount to RSD 11,703,471 thousand. The maximum exposure to credit risk is higher than the classified balance sheet assets by the amount of RSD 58,461,718 thousand, of which RSD 10,270,874 thousand relate to cash and funds with the central bank, RSD 14,662,082 thousand, to government securities, RSD 33,534,590 thousand to placements with the NBS, and RSD 14,303 thousand to other receivables. Exposures on securities valued through the profit or loss account, in the amount of RSD 5,162 thousand, are classified, but do not represent exposure to credit risk, and therefore not presented in the table above.

The off-balance sheet exposure to be classified as of 31 December 2024 amounts to RSD 10,280,064 thousand, which is equal to the maximum credit exposure from off-balance sheet items.

When the financial instruments measured at fair value, the amounts shown represent the current exposure to credit risk, but not the maximum exposure to risk that may arise in the future as a result of changes in fair value.

The total exposure to credit risk is controlled by taking collateral (cash deposits and mortgages), as well as guarantees (sureties) from the Bank's corporate clients.

Breakdown of balance sheet and off-balance sheet items' exposures to credit risk classified to levels 1, 2 and 3 as at 31 December 2024 is presented in the table below:

	<i>Amounts in RSD thousand</i>		
	As of 31 December 2024		
	Gross exposure	Allowance for impairment and provisions	Net exposure
Regular placements, including cash with central bank			
Level 1	54,897,269	111,388	54,785,881
Level 2	54,822,087	108,165	54,713,922
	75,182	3,223	71,959
Placements in default status –			
Level 3	605,838	160,465	445,373
Group assessed	-	-	-
Individually assessed	605,838	160,465	445,373
Securities – Level 1			
	14,662,082	6,173	14,655,909
Total balance items exposures			
	70,165,189	278,026	69,887,163
Off-balance sheet exposures			
Regular placements			
Level 1	10,250,150	7,780	10,242,370
Level 2	9,567,357	6,787	9,560,570
	682,793	993	681,800
Placements in default status –			
Level 3	29,914	16,592	13,322
Group assessed	-	-	-
Individually assessed	29,914	16,592	13,322
Total off-balance sheet exposures			
	10,280,064	24,372	10,255,692

Breakdown of balance sheet and off-balance sheet items' exposures to credit risk classified to levels 1, 2 and 3 as at 31 December 2023 is presented in the table below:

	Amounts in RSD thousand		
	As of 31 December 2023		
	Gross exposure	Allowance for impairment and provisions	Net exposure
Regular placements, including cash with central bank	35,831,132	137,718	35,693,414
Level 1	35,173,380	121,050	35,052,330
Level 2	657,752	16,668	641,084
Placements in default status –			
Level 3	160,013	130,564	29,449
Group assessed	-	-	-
Individually assessed	160,013	130,564	29,449
Securities – Level 1	7,670,698	5,298	7,665,400
Total balance sheet exposure	43,661,843	273,580	43,388,263
Off-balance sheet exposures			
Regular placements	8,423,199	7,989	8,415,500
Level 1	7,798,881	7,751	7,791,420
Level 2	624,318	238	624,080
Placements in default status –			
Level 3	23,846	15,106	8,740
Group assessed	-	-	-
Individually assessed	23,846	15,106	8,740
Total off-balance sheet exposures	8,447,044	23,095	8,423,949

Breakdown of movements in and balances of provisions for expected credit losses by the type of a financial instrument in 2024:

Movements in IFRS provisions in 2024					<i>Amounts in RSD thousand</i>	
	Cash and balances with the central bank					
	Level 1	Level 2	Level 3	Total		
Opening balance	-	-	-	-		
Productions	260	-	-	260		
As of 31 December 2024	260	-	-	260		

IFRS provision movements in 2024					<i>Amounts in RSD thousand</i>	
	Securities					
	Level 1	Level 2	Level 3	Total		
Opening balance 01.01.2024	15,347	-	-	15,347		
Transfer into level 1	-	-	-	-		
Transfer into level 2	-	-	-	-		
Transfer into level 3	-	-	-	-		
New production	14,976	-	-	14,976		
Collection	(2,986)	-	-	(2,986)		
Exchange differences	(261)	-	-	(261)		
As of 31 December 2024	27,076	-	-	27,076		

Movements in IFRS provisions in 2024					<i>Amounts in RSD thousand</i>	
	Loans and receivables from banks and other financial organizations					
	Level 1	Level 2	Level 3	Total		
Opening balance 01.01.2024	53,265	-	-	53,265		
Transfer into level 1	-	-	-	-		
Transfer into level 2	-	-	-	-		
Transfer into level 3	-	-	-	-		
New production	25,229	-	-	25,229		
Collection	(43,539)	-	-	(43,539)		
Exchange differences	691	-	-	691		
As of 31 December 2024	35,646	-	-	35,646		

Movements in IFRS provisions in 2024	Loans and receivables from customers				<i>Amounts in RSD thousand</i>
	Level 1	Level 2	Level 3	Total	
Opening balance 01.01.2024	67,655	16,668	129,610	213,933	
Transfer into level 1	379	(379)	-	-	
Transfer into level 2	(263)	263	-	-	
Transfer into level 3		(4,329)	4,329	-	
New production	47,228	-	50,570	97,798	
Collection	(40,718)	(9,023)	(25,328)	(75,069)	
Exchange differences	(2,109)	23	-	(2,086)	
As of 31 December 2024	72,172	3,223	159,181	234,576	
Movements in IFRS provisions in 2024	Other assets				<i>Amounts in RSD thousand</i>
	Level 1	Level 2	Level 3	Total	
Opening balance 01.01.2024	129	1	954	1,084	
Transfer into level 1	-	-	-	-	
Transfer into level 2	-	-	-	-	
Transfer into level 3	-	-	-	-	
New production	-	-	331	331	
Collection	(43)	(2)	-	(44)	
Exchange differences	-	1	-	-	
As of 31 December 2024	86	-	1,285	1,371	

Breakdown of maximum credit risk exposure (gross risk-weighted balance sheet and off-balance sheet assets that are classified), before taking into account collateral and other credit risk buffers, as at 31 December 2024 and 2023 grouped by geographical locations is presented in the table below:

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For the Year Ended 31 December 2024

TRANSLATION

							<i>Amounts in RSD thousand</i>
	Cash and balances with central bank	Loans and receivables from customers	Loans and receivables from banks and other financial organisations	Securities	Other assets	Guarantees and other commitment	Total 2024
Serbia:							
- Belgrade	10,284,922	2,072,491	35,766,827	14,662,083	19,874	7,853,080	70,659,277
- Vojvodina	-	806,883	585,448	-	41	708,990	2,101,362
- the rest of Serbia	-	2,357,190	-	-	1,730	1,717,994	4,076,914
	10,284,922	5,236,564	36,352,275	14,662,083	21,645	10,280,064	76,837,553
European Union	-	-	728,109	-	370	-	728,479
The rest of Europe	-	-	1,271,470	-	1	-	1,271,471
The rest of the world	-	-	1,606,455	-	1,295	-	1,607,750
	-	-	3,606,034	-	1,666	-	3,607,700
Total	10,284,922	5,236,564	39,958,309	14,662,083	23,311	10,280,064	80,445,253

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	Cash and balances with central bank	Loans and receivables from customers	Loans and receivables from banks and other financial organisations	Securities	Other assets	Guarantees and other commitment	Total 2023
Serbia:							
- Belgrade	9,501,974	2,530,125	17,238,702	7,670,698	6,780	7,111,629	44,059,908
- Vojvodina	-	885,489	635,609	-	34	382,270	1,903,402
- the rest of Serbia	-	1,990,563	-	-	1,678	953,145	2,945,386
	9,501,974	5,406,177	17,874,311	7,670,698	8,492	8,447,044	48,908,696
European Union	-	-	1,373,305	-	876	-	1,374,181
The rest of Europe	-	-	971,925	-	1	-	971,926
The rest of the world	-	-	854,084	-	-	-	854,084
			3,199,314		877		3,200,191
Total	9,501,974	5,406,177	21,073,625	7,670,698	9,369	8,447,044	52,108,887

The Bank's credit risk exposure analysis (gross risk-weighted balance sheet and off-balance sheet assets that are classified), by industry sectors, before and after taking into account collateral and other credit risk buffers, as at 31 December 2024 and 2023 is presented in the table below:

	<i>Amounts in RSD thousand</i>			
	Gross maximum exposure 2024	Net maximum exposure 2024	Gross maximum exposure 2023	Net maximum exposure 2023
Retail	11,911	11,021	11,640	10,698
Agriculture, forestry and fisheries	62,681	60,351	48,630	48,199
Mining, processing industry, water supply, wastewater management, control of waste disposal processes and similar activities	4,888,291	4,848,819	2,893,084	2,863,400
Electricity, gas and steam supply and air conditioning	363,567	360,470	353,846	350,867
Construction	1,416,456	1,398,681	1,607,890	1,591,634
Wholesale and retail trade, repair of motor vehicles and motorcycles	5,422,251	5,286,663	5,865,008	5,748,757
Transportation and storage, accommodation and catering, information and communication service	377,979	375,476	83,316	83,305
Real estate, professional, scientific, innovation and technical activities, administrative and support service activities, arts, entertainment and recreation, other service activities	2,537,000	2,516,537	2,732,284	2,717,529
Banks and the financial sector	50,249,519	50,213,569	21,077,604	21,009,270
Republic of Serbia	15,080,206	15,070,551	7,891,267	7,885,580
Other	35,392	717	9,544,318	9,502,973
	80,445,253	80,142,855	52,108,887	51,812,212

b) Portfolio Quality

The Bank manages the quality of its financial assets using the internal classification of placements.

The quality of portfolio based on the Bank's classification system, as at 31 December 2024 and 2023 is presented in the following table:

Categories	Placements to customers			Placements to banks			Amount in RSD thousand	
							Total 2024	Total 2023
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Placements to customers and banks	Placements to customers and banks
A	659,707	168	66,698	4,408,677	-	-	5,135,250	3,123,662
B	1,680,023	74,373	-	2,015,042	-	-	3,769,438	3,316,850
C	1,423,384	27	-	-	-	-	1,423,411	2,097,937
D	774,318	613	410,241	-	-	-	1,185,172	660,349
E	19,502	-	127,511	-	-	-	147,013	267,880
Unclassified	-	-	-	33,534,590	-	-	33,534,590	17,013,124
Total	4,556,934	75,181	604,450	39,958,309	-	-	45,194,874	26,479,802

* items "Loans and receivables from customers" and "Loans and receivables from banks" are included

Breakdown of allowance for impairment and provisions established in accordance with the Bank's internal methodology, as of 31 December 2024 and 2023 is presented in the table below:

Categories	Allowance for impairment and provisions - customers			Allowance for impairment and provisions - banks			Amount in RSD thousand	
							Total 2024	Total 2023
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Placements to customers and banks	Placements to customers and banks
A	9,175	-	50,014	9,578	-	-	68,767	21,835
B	33,803	3,206	-	20,984	-	-	57,993	47,363
C	22,426	0	-	-	-	-	22,426	28,499
D	6,602	17	4,885	-	-	-	11,504	93,022
E	166	-	104,282	-	-	-	104,448	44,323
Unclassified	-	-	-	5,083	-	-	5,083	32,155
Total	72,172	3,223	159,181	35,645	-	-	270,221	267,197

The ageing analysis of loans and receivables from customers past due but not impaired as of 31 December 2024 and 2023 are presented in the tables below:

	Placements to customers and banks			Amount in RSD thousand
	Level 1	Level 2	Level 3	
Undue receivables	623	47	-	670
Past due receivables	4,418	4,291	138,775	147,484
1-30 days	4,418	4,291	-	8,709
31-60 days	-	-	65,407	65,407
61-90 days	-	-	-	-
> 90 days	-	-	73,368	73,368
Total	5,041	4,338	138,775	148,154
Placements to customers and banks				
	Level 1	Level 2	Level 3	Total 2023
	11	-	-	11
Undue receivables	11	-	-	11
Past due receivables	10,520	27,058	109,154	146,733
1-30 days	10,520	9,348	-	19,869
31-60 days	-	17,710	-	17,710
61-90 days	-	-	-	-
> 90 days	-	-	109,154	109,154
Total	10,532	27,058	109,154	146,744

Collateral and Other Credit Enhancement

The amount and type of collateral required depends on an estimated credit risk of each client. Terms of protection with respect to each placement are determined by the analysis of the client's creditworthiness, type of credit risk exposure, maturity of the placement, as well as the amount of the particular loan. The Bank uses its internal methodology to determine the types of collateral and the parameters of their valuation.

Standard types of collaterals accepted by the Bank are as follows:

- for commercial loans: real estate mortgages, cash deposits, guarantees by third parties and pledges on goods and receivables.

Management monitors the movements in the fair value of collaterals and demands additional collateral in accordance with the relevant contracts. In addition, management takes into account the fair value of the collateral when reviewing the adequacy of the allowance for impairment of the placements.

In accordance with the Bank's policies, the collateral is intended for sale in the ordinary course of business. Generally, the Bank does not occupy repossessed properties for business use.

The following table shows the amount of receivables secured by mortgages on real estate (whose estimated market value is not older than three years), the total amount of claims secured by mortgages on real estate, the average LTV indicator, and the amount of claims secured by mortgages against real estate within certain ranges of LTV indicators as of 31 December 2024:

LTV indicator value	<i>Amounts in RSD thousand</i>
Value of receivables secured by a mortgage on property	
Below 50%	942,541
From 50% to 70%	299,722
From 70% to 90%	76,863
From 90% to 100%	154,556
From 100% to 120%	-
From 120% to 150%	-
Over 150%	-
Total	1,473,682
Average LTV indicator	45.64%

Impairment Assessment

The main consideration for the loan impairment assessment are: occurrence of default in payment of principal or interest due, noted difficulties in cash flows of customer, credit rating deterioration and non-compliance with contractual terms.

Items considered when determining allowance for impairment amount include the sustainability assessment of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen and the realisable value and timeframe of realisation of collaterals, availability of other financial support to clients, possibility of collection of overdue receivables, as well as timing of expected cash flows. The impairment losses are evaluated at each balance sheet date, except in case of non-performing loans, when unforeseen circumstances require more careful attention and more frequent review. Impairment of financial guarantees and letters of credit is assessed and provided for in a similar manner as for loans.

c) Rescheduled Loans

	<i>Amounts in RSD thousand</i>	
	31 December 2024	31 December 2023
Corporate clients (small and medium-size entities)	-	7,009
Retail customers	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>
	7,009	7,009

d) Default Receivables

The Bank gives special attention to default receivables by monitoring the total outstanding balance and trend of these receivables. Default is monitored at the Bank department level and most significant industry (for corporate customers and entrepreneurs), while the structure of retail placements is monitored at the products level (cash loans, consumer and housing loans, credit cards, etc.). Monitoring on a regular basis of the total balance and trend in the amount in order to react in a timely manner to their collection and to establish adequate amount of impairment. In determining the default event, the days of default, the existence of restructuring, write-off of receivables, bankruptcy or liquidation, as well as other indicators that may indicate reduced recoverability of placements are taken into account.

Breakdown of gross default receivables as of 31 December 2024 and 2023 is presented in the table below:

	<i>Amounts in RSD thousand</i>	
	31 December 2024	31 December 2023
Corporate customers	635,273	190,371
Retail customers	782	771
	<u>636,055</u>	<u>191,142</u>

The Bank had default exposures as at 31 December 2024 in the amount of RSD 636,205 thousand (as at 31 December 2023: RSD 191,142 thousand).

30.3. Liquidity Risk and Funding Management

Liquidity risk is the risk that the Bank will not be able to meet its obligations as they fall due. To reduce or limit this risk, the Bank's management seeks to diversify its sources of funding, to manage assets by considering its liquidity, and to monitor the Bank's future cash flows and daily liquidity. This includes an estimate of expected cash flows and the existence of highly-grade collateral that can be used to provide additional funding, if required.

The Bank maintains a portfolio consisting of highly marketable securities and diverse assets that can be easily converted into cash in the event of unpredictable and negative fluctuations in the Bank's cash flows. The Bank also maintains required level of obligatory dinar and foreign currency reserves, in accordance with the requirements of the National Bank of Serbia.

The Assets and Liabilities Committee Management is responsible for monitoring liquidity risk, managing liquidity risk and proposing to the Executive Board measures and activities to maintain liquidity, harmonize maturity structure, financing reserve plan and other measures important for the Bank's financial stability.

The Assets and Liabilities Management Committee monitors the main liquidity parameters, striving to balance the inflows and outflows of funds so that the daily liquidity ratio moves within the limits prescribed by the National Bank of Serbia. The basis for quality management and providing the required level of liquidity is the compliance of the maturity of placements with their sources. Deciding on the maturity of placements is based on data on the maturity of deposits, and especially on information on the movement of deposits of significant depositors, as well as their short-term needs. In making its decisions, the Bank shall pay particular attention to the need not to use assets from short-term sources for long-term placements.

The level of liquidity is expressed by the liquidity ratio, which represents the ratio of sum of liquid assets of the first and second order (cash, funds on accounts with other banks, deposits with the National Bank of Serbia, receivables in the process of realization, quoted financial instruments and other receivables due within months) and the sum of liabilities on demand without agreed maturity date and liabilities with agreed maturity date up to a month.

The liquidity ratio during 2024 and 2023 was as presented in the table:

	2024	2023
Average during the period	4.07	3.75
Highest	5.28	4.89
Lowest	3.12	2.61
As of 31 December	3.81	3.49

In accordance with the Bank's Liquidity Risk Management Decision, the Bank also calculates and monitors liquidity coverage ratio (LCR), which represents the ratio of the bank's liquidity buffer and the net outflow of liquid assets that would occur during the next 30 calendar days from the date of calculation of this ratio in assumed stress conditions.

Liquidity coverage ratio (LCR) as at 31 December 2024 and 2023 was as follows:

	2024	2023
LCR	218.22	209.65

Analysis of Financial Liabilities by Remaining Contractual Maturity

The following table shows the maturity profile of the Banks financial liabilities as at 31 December 2024 and 2023, and is based on contractual undiscounted repayment obligations. The Bank expects that many customers will not request repayment on the earliest date the Bank could be require to pay.

2024	Sight	Up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Amounts in RSD thousand	
						Total	2024
Deposits and other liabilities to banks, other financial institutions and the central bank	212,648	1,252,089	810,000	-	-	2,274,737	
Deposits and other liabilities to other customers	49,675,991	7,036,494	5,962,163	1,559,693	3,832	64,238,173	
Other liabilities	-	146,275	-	-	-	146,275	
	49,888,639	8,434,858	6,772,163	1,559,693	3,832	66,659,185	

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2023	<i>Amounts in RSD thousand</i>					Total 2023
	Sight	Up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	
Deposits and other liabilities to banks, other financial institutions and the central bank	6,052	2,044,494	120,000	-	-	2,170,546
Deposits and other liabilities to other customers	29,450,788	2,190,296	7,227,887	1,202,868	26,137	40,097,966
Other liabilities	-	185,024	-	-	-	185,024
	29,456,830	4,419,814	7,347,887	1,202,868	26,137	42,453,536

The maturity structure of undrawn loans and limits, ie irrevocable commitments, guarantees and letters of credit according to the remaining period as at 31 December 2024 and 2023 to the contractual maturity date is presented in the table below:

2024	<i>Amounts in RSD thousand</i>					Total 2024
	Sight	Up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	
Guarantees	756,793	3,095,876	2,414,927	1,823,697	7,619	8,098,912
Letters of credit	-	1,115,298	32,837	-	-	1,148,136
Irrevocable commitments	-	1,115,299	32,837	-	-	1,148,136
	763,859	4,211,175	2,569,674	2,727,737	7,619	10,280,064

2023	<i>Amounts in RSD thousand</i>					Total 2023
	Sight	Up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	
Guarantees	798,846	552,224	3,379,013	2,750,244	25,231	7,505,558
Letters of credit	-	7,173	32,308	-	-	39,481
Irrevocable commitments	2	5,090	227,903	669,011	-	902,006
	798,848	564,487	3,639,224	3,419,255	25,231	8,447,045

The Bank expects that not all of contingent liabilities and irrevocable commitments will be withdrawn before the expiry of the commitments.

Maturity Mismatch Analysis

The liquidity of the Bank, as its ability to settle its liabilities as they fall due, depends upon the structure of the Bank's deposits on the one hand, and coordinating inflows and outflows of pecuniary assets, on the other hand.

The table below presents analysis of the remaining maturities of the Bank's assets and liabilities based on the agreed payment terms. The agreed maturities of assets and liabilities are determined on the basis of the remaining period on the balance sheet date in relation to the contractual maturity date. Maturity mismatch of assets and liabilities as at 31 December 2024 and 2023 is presented in the table below:

	Up to 30 days	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Amounts in RSD thousand
	Up to 30 days	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and balances with the central bank	10,336,321	-	-	-	-	10,336,321
Receivables from derivatives	3,455	-	-	-	-	3,455
Securities	1,466,938	-	652,577	5,696,017	6,845,540	14,661,072
Loans and receivables from banks and other financial organizations	37,331,127	1,961,133	538,568	91,835	-	39,922,663
Loans and receivables from customers	465,381	615,356	2,110,276	1,810,975	-	5,001,988
Intangible assets	-	-	-	-	27,276	27,276
Property, plant and equipment	-	-	-	-	1,498,830	1,498,830
Investment property	-	-	-	-	507,219	507,219
Other assets	46,020	-	-	-	-	46,020
Total assets	49,649,242	2,576,489	3,301,421	7,598,827	8,878,865	72,004,844
Liabilities and equity						
Liabilities from derivatives	11,941	-	-	-	-	11,941
Deposits and other liabilities to banks, other financial institutions and the central bank	212,648	1,252,089	810,000	-	-	2,274,737
Deposits and other liabilities to other customers	49,675,992	7,036,493	5,962,163	1,559,693	3,832	64,238,173
Provisions	44,491	-	-	-	-	44,491
Deferred tax liabilities	0	85,429	-	-	-	85,429
Other liabilities	146,275	-	-	-	-	146,275
Capital	-	-	-	-	5,203,798	5,203,798
Total liabilities	50,091,347	8,374,011	6,772,163	1,559,693	5,207,630	72,004,844
Maturity mismatch as of 31 December 2024	(442,105)	(5,797,522)	(3,470,742)	6,039,134	3,671,235	-
Maturity mismatch as of 31 December 2023	449,098	-2,531,101	(3,318,106)	5,941,979	(541,870)	-

30.4. Market Risk

Market risk is the risk that the fair value or expected future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Bank is not exposed to the risk of changes in the prices of equity instruments and commodity prices. Apart from the concentration of foreign currency risk, the Bank does not have a significant concentration of market risk in other items.

30.4.1. Interest Rate Risk

Interest rate risk is the risk of negative effects on the Bank's financial result and capital due to changes in interest rates. Interest rate risk arises from the possibility that changes in interest rates may affect future cash flows or the fair value of financial instruments.

The Executive Board has set limits, ie the level of interest rates by types of clients, products, currency and by credit rating category. The basis for setting interest rates is market interest rates, on the basis of which the Bank's interest rates are regularly adjusted. Interest rate changes can result in increase or decrease in interest margins. Interest risk management aims to optimize these impacts in terms of their effect on net interest income on the one hand, and economic value of capital on the other.

The Assets and Liabilities Committee Management manages the maturity matching of assets and liabilities based on macroeconomic analyzes and forecasts, forecasting liquidity conditions, analysis and forecasting market interest rate trends for different asset and liability segments.

The following table demonstrates the sensitivity of the Bank's income statement to reasonably possible changes in interest rates while all other variables held constant. The sensitivity of the income statement represents the effect of assumed changes in interest rates on net interest income for one year, based on floating interest rate financial assets and liabilities held as at 31 December 2024 and 2023.

Currency	Amounts in RSD thousand	
	Increase / Decrease in basic point	Income statement sensitivity
2024		
EUR	+1%	82,616
USD	+1%	11,507
RSD	+1%	401,442
2023		
EUR	+1%	26,978
USD	+1%	25,950
RSD	+1%	254,307

The following table shows Repricing Gap Report, i.e. The Bank's exposure to the interest rate risk as at 31 December 2024. The table includes the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing of maturity dates.

	Up to 30 days	From 1 to 3 months	From 3 to 12 months	Over a year	Amounts in RSD thousand	
					Non-interest bearing	Total
As of 31 December 2024						
Total assets	47,044,509	4,243,542	3,490,765	13,520,564	3,705,464	72,004,844
Total liabilities and equity	9,622,802	3,102,100	2,507,439	374	56,772,129	72,004,844
Net exposure to interest rate risk as at 31 December 2024	37,421,707	1,141,442	983,326	13,520,190	(53,066,665)	-
As of 31 December 2023						
Total assets	31,013,701	3,042,327	2,170,552	6,796,649	3,039,201	46,062,430
Total liabilities and equity	2,347,788	3,339,980	4,171,048	431	36,203,183	46,062,430
Net exposure to interest rate risk as at 31 December 2023	28,665,913	(297,653)	(2,000,496)	6,796,218	(33,163,982)	-

30.4.2. Foreign Currency Risk

Foreign currency risk is the risk that the value of financial instruments will change and that there will be adverse effects on the financial result and capital of the Bank due to changes in the exchange rate. Banking operations in different currencies result in exposure to fluctuations in the exchange rates of several currencies. The Bank manages foreign exchange risk by seeking to prevent negative effects of changes in cross-currency exchange rates and foreign currency exchange rates against the dinar (FX loss) on both the financial result of the Bank and the ability of clients to repay loans in foreign currency.

In order to hedge against foreign exchange risk, the Bank monitors the movement of foreign exchange rates on the financial market on a daily basis, pursues a policy of low exposure to foreign exchange risk and contracts a currency clause with customers used loan and placement.

In accordance with the regulatory requirements of the National Bank of Serbia, the Bank should ensure that its total net open foreign currency position does not exceed 20% of its capital. As of 31 December 2024, the foreign currency indicator was 2.02%.

The analysis calculates the result of reasonably possible movements in the currencies rates against the dinar while constantly maintaining other variables. Negative amounts in the table represent a potential decrease in operating results or equity, while positive amounts represent net potential increases.

Currency	Change in currency rate in (%)	<i>Amounts in RSD thousand</i>	
		Effect on pre- tax operating result	Effect on equity
2024			
EUR	10%	(6,926)	-8.43 pp
USD	10%	270	
2023			
EUR	10%	(8,209)	
USD	10%	5,680	-4.89 pp

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The following table presents the Bank's exposure to foreign currency risk as at 31 December 2024 and 2023. The table includes assets and liabilities at their carrying amounts.

Currency item	EUR	USD	CHF	Other currencies	Amounts in RSD thousand		
					Total in foreign currency	Total in local currency	Total
Assets							
Cash and balances with the central bank	4,239,040	9,991	6,368	-	4,255,399	6,080,922	10,336,321
Pledged financial assets	-	-	-	-	-	2,187,500	2,187,500
Receivables from derivates	-	-	-	-	-	3,455	3,455
Securities	3,361,987	232,408	-	-	3,594,395	8,879,177	12,473,572
Loans and receivables from banks and other financial organizations	5,387,834	998,805	47	3,391	6,390,077	33,532,586	39,922,663
Loans and receivables from customers	2,586,342	-	-	-	2,586,342	2,415,646	5,001,988
Intangible assets	-	-	-	-	-	27,276	27,276
Property, plant and equipment	-	-	-	-	-	1,498,830	1,498,830
Investment property	-	-	-	-	-	507,219	507,219
Other assets	(896)	1,539	-	-	643	45,377	46,020
Total assets	15,574,307	1,242,743	6,415	3,391	16,826,856	55,177,988	72,004,844
Liabilities							
Derivative liabilities	-	-	-	-	-	11,941	11,941
Deposits and other liabilities to banks, other financial institutions and the central bank	703,478	-	-	-	703,478	1,571,259	2,274,737
Deposits and other liabilities to other customers	33,303,626	1,237,380	3,093	218	34,544,317	29,693,856	64,238,173
Provisions	3,342	79	-	-	3,421	41,070	44,491
Deferred tax liabilities	-	-	-	-	0	85,429	85,429
Other liabilities	4,460	2,581	-	223	7,264	139,011	146,275
Equity	-	-	-	-	-	5,203,798	5,203,798
Total liabilities and equity	34,014,906	1,240,040	3,093	441	35,258,480	36,746,364	72,004,844
Open items	(18,440,599)	2,703	3,322	2,950	(18,431,624)	18,431,624	-
Off-balance sheet assets	19,073,429	-	-	-	19,073,429	701,857	19,775,286
Off-balance sheet liabilities	702,090	-	-	-	702,090	19,113,203	19,815,292
Net foreign currency position as at 31 December 2024	(69,260)	2,702	3,321	2,949	(60,285)	20,278	(40,006)
Net foreign currency position as at 31 December 2023	(82,088)	56,802	3,348	(239)	(19,592)	-	(82,327)

30.5. Bank Exposure

The Bank's exposure risks include the risks of its exposure to a single person or a group of related parties, as well as the risks of its exposure to a person related to the Bank.

Monitoring the Bank's exposure risk to a single person or a group of related parties, as well as persons related to the Bank is under charge of the organizational unit responsible for approving the placements. Monitoring the Bank's exposure to this risk is a mandatory part of the granting loan procedure in the sense that the body approving the placements has the information regarding the total amount of the Bank's exposure to a single person or group of related parties in relations to the Bank's capital.

The Risk Management Sector quarterly determines the Bank's large exposure indicator to a single person or group of related parties that exceeds the prescribed limit of 10% of capital, as the ratio of total exposure to these persons and the Bank's capital, and compares it with the Great Exposures Overview per client and their compliance with the limits previously approved by the Board of Director. The Sector quarterly determines the indicator of exposure to related parties, as the ratio between the total net exposure to those entities and the bank's capital.

The Board of Directors pre-approves the Bank's exposure to customers or group of related parties with large exposure exceeding 10% of capital, or pre-approves the increase of this exposure to over 20% of the Bank's capital. The Executive Board makes individual decisions on placements to a single person or a group of related parties representing large exposure of the Bank up to the amount determined by the risk management policy (exceeding 20% of the Bank's capital).

30.6. Investment Risks

The Bank's investment risks include equity shares of the Bank in other legal entities' capital and in PPE. In accordance with the regulations of the National Bank of Serbia, the amount of the Bank's investments in one non-financial sector party (10% of the Bank's capital) is monitored, as well as the total Bank's investments in a single non-financial sector entity and in the Bank's fixed assets (60% of the Bank's capital). As of 31 December 2024, investment indicators were within regulatory limits.

Exposure to the Bank's investment risk in other legal entities and fixed assets is monitored in such a way that the organizational unit or body competent for procurement of fixed assets and investment in legal entities is familiar with the current exposure and the amount of capital for the purpose of acting in timely manner in accordance with the prescribed limits.

The Bank's Assembly determines the amount of investments in fixed assets and intangible investments at the beginning of the year, based on the fixed assets and intangible investments procurement plan, which is within the limits prescribed by the National Bank of Serbia. The Bank's Assembly also determines the amount of investments in other legal entities that are not in the financial sector at the beginning of the year. The Accounting Department monitors the compliance of procurement with the approved fixed assets procurement plan for the current year during the quarter.

30.7. Country Risk

Risks related to the Bank's exposure to counterparty's country of origin includes negative effects which may influence financial result and capital of the Bank, as the Bank might not be able to collect receivables from this counterparty due to political, economic or social situation in the country of origin.

To measure country risk, the Bank uses the credit rating of the country of origin of the debtor to which it is exposed. To assess the level of credit quality of the country, the credit assessment of the country used by the export credit agencies that are signatories to the Agreement of the Organization for Economic Cooperation and Development (OECD) is used.

Monitoring risk by analyzing conditions, changes and trends, as a basis for monitoring country risk, is a change in the schedule of the OECD credit assessment. Changes and updates of the country's credit rating are performed by employees of the Risk Management Department, when it is determined that changes in the country's rating have occurred.

Assets and Liabilities Committee Management and the Executive Board review and monitor country risk by maintaining it at a level of risk acceptable to the Bank's risk profile. The Board of Directors may set limits on the placement of assets to legal entities and banks, in certain countries and regions, including the suspension of placements, in case of significant political and economic events.

The Bank conducts the major part of its operations in the territory of the Republic of Serbia, so that the largest portion of the Bank's loan portfolio relates to domestic corporate and retail customers.

30.8. Operational Risk

Operational risk is the risk of negative effects on the Bank's financial result and equity due to failures in performance of operating activities, human mistakes, embezzlement or unpredictable external events. When controls fail to perform, operational risk can damage the Bank's reputation, have legal implications or lead to financial loss.

The Bank cannot eliminate all operational risks, but by introducing a rigorous control framework and monitoring and responding to potential risks, the Bank is able to manage these risks. The role of the operational risk management process is to identify, assess, control and minimize the possibility of occurrence and impact of operational risks and losses. Control includes effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment process, including internal audit.

In operational risk management, the Bank implements quantitative and qualitative procedures based on the collection of data on losses incurred as a result of operational risk, by categories determined according to the sources of losses.

The Bank manages operational risk in such a way as to mitigate the impact of negative and failed internal processes, people and systems or external events to the Bank's financial result. Events that represent sources of operational risk are classified and monitored by lines of business, by type of event (fraud, interruptions, damage to property, etc.), by causes (processes, external factor, human factor, etc.) and by type of loss (loss, avoided loss, etc.). The Bank has developed a database as a basis for recording and monitoring risk events, which is constantly updated by authorized employees.

In accordance with the prescribed requirements and the requirements of the best business practice, the Bank has prepared the plan for ensuring business continuity as a going concern and the business plan in case of unforeseen events.

30.9. Capital Management

The Bank permanently manages its capital, which is a broader concept than “equity” on the face of the balance sheet, in order to:

- comply with the capital requirements set by the National Bank of Serbia, and in particular to ensure sufficient available capital for covering all capital requirements at any time;
- to ensure the possibility of long-term continuation of operations with providing of profit to shareholders and benefits to other interest parties; and
- to provide a solid capital base to support the further development of its business.

The Bank's management regularly monitors the Bank's capital adequacy ratios and other business indicators prescribed by the National Bank of Serbia and delivers quarterly reports on achieved values of ratios.

The Law on Banks and relevant decisions of the National Bank of Serbia stipulate that banks must maintain a minimum amount of capital of the dinar equivalent of 10 million euros at the official middle exchange rate, a capital adequacy ratio of at least 8%, and to align the volume and structure of their operations with the business indicators prescribed by the Decision on Risk Management (“Official Gazette of the Republic of Serbia”, No. 45/2011, 94/2011, 119/2012, 123/2012, 43/2013, 92/2013, 33/2015, 61/2015, 61/2016, 103/2016, 119/2017, 76/2018, 57/2019, 88/2019, 27/2020, 67/2020, 89/2022 and 77/2023) and the Decision on Capital Adequacy (“Official Gazette of the Republic of Serbia”, No. 46/2011, 6/2013, 51/2014, 85/2016, 103/2018, 88/2019, 67/2020, 98/2020, 137/2020, 59/2021, 67/2022, 137/2022, 48/2023, 110/2023 and 102/2024).

The Bank manages its capital structure and makes adjustments in accordance with changes in economic conditions and risk characteristic of its activities.

The aforementioned Decision of the National Bank of Serbia on the capital adequacy of the bank determined the manner of calculating the Bank's capital and the capital adequacy ratio.

The total capital of the Bank consists of core and supplementary capital, while risk weighted on-balance sheet assets and off-balance sheet items are determined in accordance with the prescribed risk ratios for all types of assets. In accordance with the regulations of the National Bank of Serbia, when calculating the capital adequacy ratio, total risk-weighted on balance and off-balance sheet assets are increased by the amount of open foreign currency position, calculated amount of capital requirement for foreign currency, market and operational risk.

In accordance with the Decision of the NBS The Bank on instructions and measures to Srpska banka a.d. no. 8326 dated 9 November 2015, the amount of RSD 477,670 thousand was excluded from regulatory capital for reporting purposes.

In accordance with the Law on Banks and the Decision on Recovery Plans of Banks and Banking Groups (Official Gazette of RS No. 71/2015), the Bank has prepared and submitted to the National Bank of Serbia a Recovery Plan which is the main foundation for strengthening the Bank's financial resilience stability in situations of serious financial disorders.

The table below summarises the structure of the Bank's capital as at 31 December 2024 and 2023, as well as the capital adequacy ratio:

	<i>Amounts in RSD thousand</i>	
	31 December	31 December
	2024	2023
Regulatory capital		
Core capital	3,443,205	2,938,769
Supplementary capital	-	-
Total core and supplementary capital	3,443,205	2,938,769
Total (1)	3,443,205	2,938,769
Risk-weighted balance sheet and off-balance sheet assets		
Balance sheet assets	8,222,346	7,619,549
Off-balance sheet assets	630,244	835,254
Open foreign currency position	69,555	82,327
Operational risk	1,554,215	1,070,715
Total (2)	10,476,360	9,607,845
Capital adequacy (1/2 x 100)	32.87%	30.59%

The capital adequacy ratio as the balance sheet date was 32.87%, which is above the prescribed minimum of 8%, and above the capital adequacy ratio prescribed by the NBS through the supervisory assessment process of 12.88% (total supervisory capital requirement).

Comprehensive capital requirement on the balance sheet date amounted to 16.18% of risky assets, calculated as the sum of total supervisory capital requirements and the combined protective layer of capital on that day.

30.10. The fair value of collateral is presented in the table below:

	<i>Amounts in RSD thousand</i>			
	Carrying value		Fair value	
	2024	2023	2024	2023
Mortgages	1,620,181	1,972,022	1,620,181	1,972,022
Pledges	-	-	-	-
Deposits	5,245,740	3,608,116	5,245,740	3,608,116
State guarantees	930,550	1,038,227	930,550	1,038,227
Total	7,796,471	6,618,365	7,796,471	6,618,365

31. FINANCIAL ASSETS AND LIABILITIES – MEASUREMENT OF FAIR VALUE

Fair value in the financial statements is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an independent transaction. Fair value is calculated using market information available at the reporting date as well as internal individual valuation methods.

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

The fair values of irrevocable credit liabilities and contingent liabilities are the same as their carrying amounts.

The fair value of cash and cash equivalents, short-term deposits, other placements and other assets, transaction deposits, trade payables and other short-term liabilities corresponds to their carrying amount primarily due to the short-term maturity of these financial instruments.

The Bank's financial instruments carried at amortized cost generally have short-term maturities and bear variable interest rates that reflect current market conditions.

In the opinion of the Bank's management, the amounts of financial assets and liabilities stated in the accompanying financial statements reflect the value that in the circumstances is most reliable and most useful for reporting purposes.

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

- Level 1: quoted market prices (unadjusted) in active markets for an identical instrument.
- Level 2: Valuation techniques based on observable inputs that do not represent quoted prices in Level 1, either directly (ie as prices) or indirectly (ie derived from prices). This category includes instruments that are valued using: quoted market prices in active markets for similar instruments; stated prices for the same or similar instruments on the market that are considered less active; or other valuation techniques in which all significant inputs are directly or indirectly apparent from market data.
- Level 3: valuation techniques that use significant inconspicuous inputs. This category includes all instruments, where the valuation technique includes inputs not based on observable data and unobservable inputs have a significant impact on the valuation of the instrument. This category includes instruments that are valued on the basis of quoted prices of similar instruments where significant inconspicuous adjustments or assumptions are needed to reflect the difference between the instruments.

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

Valuation techniques include net present value and discounted cash flow models, comparing with similar instruments for which there is a noticeable market price and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit margins and other premiums used in estimating the discount rate, bond and equity prices, exchange rates, equity and equity indexed prices, and expected price fluctuations and correlations.

The objective of valuation techniques is to determine the fair value that reflects the price of the financial instrument at the reporting date, which would be defined by market participants in free and independent transactions.

The Bank uses widely accepted valuation models to determine the fair value of common and simpler financial instruments, such as interest rates and currency swaps that use only observable market data and require little judgment and evaluation by management. Quoted prices and inputs for models are typically available in the market for quoted debt and equity securities, traded derivatives and simple derivatives as interest rate swaps.

The Bank's business policy is to disclose information about the fair value of assets and liabilities for which there is official market information and when the fair value differs significantly from the carrying amount.

There is not enough market experience in the Republic of Serbia, as well as stability and liquidity in the purchase and sale of receivables and other financial assets and liabilities, as official market information is not available at all times. Therefore, fair value cannot be reliably determined in the absence of an active market.

The Bank's management performs risk assessment and in cases when it is estimated that the value at which the assets are kept in the business books will not be realized, it is recognises a provision.

Valuation of Financial Instruments

In the opinion of the Bank's management, the amounts of financial assets and liabilities stated in the accompanying financial statements reflect the value that in the given circumstances is the most reliable and most useful for reporting purposes.

For financial assets and financial liabilities that are liquid or have a short maturity (up to 3 months), it is assumed that the book values are approximately equal to their fair value. This assumption also applies to demand deposits, maturity savings deposits and financial instruments with variable interest rates.

Fixed Interest Rate Financial Instruments

The fair value of financial assets and liabilities with a fixed interest rate, which are recorded at amortized cost, is estimated by comparing market interest rates at initial recognition with current market rates currently valid for similar financial instruments.

The estimated fair value of fixed-rate deposits is based on discounted cash flows using prevailing money market interest rates for contracts with similar credit risk and maturity.

For listed issued debt instruments, fair values are calculated based on quoted market prices.

For financial instruments for which market prices are not available, a discounted cash flow model is used that is based on the current interest rate yield curve that corresponds to the remaining period to maturity.

Financial instruments, such as securities that are subsequently measured at fair value through other comprehensive income, are measured at fair value based on available market information, or by using the quoted market price at the reporting date.

To selecting the quoted price of financial instruments, one of the following alternatives may be used: the price of the last purchase or the average trading price.

If there is no active market for a given instrument and therefore no Level 1 input, the Bank may determine fair value using inputs from a lower hierarchical level.

The Bank has government securities (bonds/notes) in its portfolio that are classified as securities measured at fair value through other comprehensive income. For government debt securities, the Bank uses the income approach, discounting future cash flows to their present value using a discount rate – the market rate.

For the above securities, the Bank uses fair value valuation methods using Level 2 inputs.

The market rate at which future cash flows are discounted to their present value is calculated by using the average value of interest rates realized from trading on the secondary market in government bonds held by the Bank (if there has been such trading), as well as government bonds on the primary and secondary markets with the same or approximately the same maturity in relation to the bonds being worked on. fair value calculation.

Fair Value Hierarchy of Financial Assets and Liabilities Measured at Fair Value

The table below includes the analysis of financial assets and liabilities measured at fair value by levels in the fair value hierarchy:

	Leve 1	Level 2	Level 3	Amounts in RSD thousand Total
2024				
Financial assets at fair value through other comprehensive income	-	11,353,384		11,353,384
Financial assets at fair value through profit or loss	5,161	-		5,161
	5,161	11,353,384		11,358,545
2023				
Financial assets at fair value through other comprehensive income	-	4,877,614	-	4,877,614
Financial assets at fair value through profit or loss	4,111	-	-	4,111
	4,111	4,877,616		4,881,725

Financial assets not measured at fair value:

	As of 31 December 2024		Amounts in RSD thousand As of 31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial (monetary) assets				
Cash and balances with the central bank	10,336,321	10,336,321	9,581,167	9,581,167
Securities measured at amortized cost	3,302,527	3,302,527	2,787,786	2,787,786
Loans and receivables from banks and other financial organizations	39,922,663	39,922,663	21,550,826	21,550,826
Loans and receivables from customers	5,001,988	5,001,988	5,192,244	5,192,244
Other assets	46,020	46,020	29,051	29,051
Total assets	58,609,519	58,609,519	39,141,074	39,141,074
Financial (monetary) liabilities				
Deposits and other liabilities to banks and other financial organizations	2,274,737	2,274,737	2,170,546	2,170,546
Deposits and other liabilities to other clients	64,238,173	64,238,173	40,097,966	40,097,966
Other liabilities	146,275	146,275	185,024	185,024
Total liabilities	66,659,185	66,659,185	42,453,536	42,453,536

The estimated fair values of financial assets and liabilities not measured at fair value by levels in the fair value hierarchy are presented in the table below:

	Level 1	Level 2	Level 3	<i>Amounts in RSD thousand</i>	
				Total fair value	Carrying amount
<u>2024</u>					
Financial assets measured at amortized cost	-	-	2,587,124	2,587,124	2,587,124
Loans and receivables from banks and other financial organizations	-	-	39,922,663	39,922,663	39,922,663
Loans and receivables from customers	-	-	5,001,988	5,001,988	5,001,988
Total			47,511,775	47,511,775	47,511,775
Deposits and other liabilities to banks, other financial organizations and the central bank	-	-	2,274,737	2,274,737	2,274,737
Deposits and other liabilities to other customers	-	-	64,238,173	64,238,173	64,238,173
Total	-	-	66,512,910	66,512,910	66,512,910
<u>2023</u>					
Financial assets measured at amortized cost	-	-	2,787,786	2,787,786	2,787,786
Loans and receivables from banks and other financial organizations	-	-	21,550,826	21,550,826	21,550,826
Loans and receivables from customers	-	-	5,192,244	5,192,244	5,192,244
Total	-	-	29,530,856	29,530,856	29,530,856
Deposits and other liabilities to banks, other financial organizations and the central bank	-	-	2,170,546	2,170,546	2,170,546
Deposits and other liabilities to other customers	-	-	40,097,966	40,097,966	40,097,966
Total	-	-	42,268,512	42,268,512	42,268,512

32. COMMITMENTS AND CONTINGENT LIABILITIES**(a) *Leases liabilities***

The bank has finance lease liabilities in 2024.

(b) *Litigation*

As of 31 December 2024, 2 litigations are initiated against the Bank by legal entities and 45 litigations are initiated by individuals.

Based on the assessment of the legal, personnel and general affairs department on the outcome of court disputes filed against the Bank, a provision was formed for twelve disputes against the Bank by individuals in the amount of RSD 1,919 thousand. The Management of the Bank expects a positive outcome for the remaining disputes.

(c) *Tax Risks*

Tax system of the Republic of Serbia is undergoing continuous amendments. Tax period in the Republic of Serbia is considered to be open in the five-years period. In different circumstances, tax authorities could have different approaches to certain issues and could detect additional tax liabilities together with related penalty interest and fines. The Bank's management believes that tax liabilities recognised in accompanying financial statements are fairly disclosed.

The Bank has prepared a provisional tax balance sheet for 2024 for determining income tax and preparing the attached financial statements for 2024. In accordance with the provisions of the Law on Corporate Income Tax ("Official Gazette of the Republic of Serbia", No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015, 113/2017, 95/2018, 86/19, 153/2020, 118/2021 and 94/2024), the Bank is required to Submit the tax balance sheet and accompanying forms to the tax administration within 180 days from the date of expiry of the period for which the tax liability is determined. The Bank's management does not expect any material differences in the amount of income tax when preparing and submitting the final tax balance for 2024 compared to the amount of income tax determined based on the provisional tax balance.

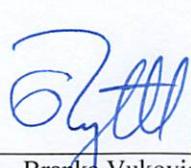
33. EVENTS AFTER THE REPORTING PERIOD

There have been no significant other events subsequent to the balance sheet date, which would require adjustment in the accompanying financial statements or disclosures in the notes to the accompanying financial statements.

Belgrade, 14 March 2025



Slobodan Lečić
Head of Accounting, Finance
and Reporting Department



Branka Vuković
Member of
the Executive Board



Vesna Jokanović
Chairwoman of the
Executive Board

