KPMG d.o.o. Beograd
Milutina Milankovića 1J
11070 Belgrade
Serbia
+381 (0)11 20 50 500

TRANSLATION

Independent Auditor's Report

To the Shareholders of UniCredit Bank Srbija a.d., Beograd Group

Opinion

We have audited the consolidated financial statements of UniCredit Bank Srbija a.d., Beograd Group (the "Group"), whose parent entity is UniCredit Bank Srbija a.d., Beograd, which comprise:

- the consolidated statement of financial position as at 31 December 2024;

and, for the period from 1 January to 31 December 2024:

- the consolidated statement of profit or loss;
- the consolidated statement of other comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows;

and

- notes, comprising material accounting policies and other explanatory information;

(the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

KPMG d.o.o. Beograd, a Serbian limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Registration No.: 17148656
Tax Identity No.: 100058593
Bank Acc.: 265-1100310000190-61

Basis for Opinion

We conducted our audit in accordance with the Law on Auditing and the Law on Accounting of the Republic of Serbia, the Decision on External Audit of Banks and applicable auditing standards in the Republic of Serbia. Our responsibilities under those regulations are further described in the Auditor's Responsibility for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Serbia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the consolidated Annual Business Report for the year ended 31 December 2024.

Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated Annual Business Report, we are also required by the Law on Accounting of the Republic of Serbia to express an opinion on whether the consolidated Annual Business Report:

- is consistent with the consolidated financial statements; and
- has been prepared in accordance with the applicable legal requirements.

Based solely on the work required to be undertaken in the course of the audit of the consolidated financial statements, in our opinion, the information given in the consolidated Annual Business Report for the financial year for which the consolidated financial statements are prepared, in all material respects:

- is consistent with the consolidated financial statements; and
- has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we are required to report if we identify material misstatements in the consolidated Annual Business Report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 the Law on Auditing of the Republic of Serbia, the Decision on External Audit of Banks and applicable auditing standards in the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law on Auditing of the Republic of Serbia, the Decision on External Audit of Banks and applicable auditing standards in the Republic of Serbia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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.

KPMG d.o.o. Beograd

Signed on the Serbian original

Nikola Đenić
Licensed Certified Auditor

Belgrade, 18 February 2025

This is a translation of the original Independent Auditor's 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 questions arise related to interpretation of the information
contained in the translation, the Serbian version of the document shall prevail.
We assume no responsibility for the correctness of the translation of the Group's consolidated financial statements.

KPMG d.o.o. Beograd

DRUŠTVO ZA KONSALTING I REVIZIJU D.O.O.
KPMG
1
BEOGRAD

Nikola Đenić
Licensed Certified Auditor

Belgrade, 18 February 2025

UNICREDIT BANK SRBIJA A.D., BEOGRAD
Consolidated Financial Statements
Year Ended December 31, 2024

CONTENTS

TRANSLATION NOTE: This is a translation of the original document 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 questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024
All amounts expressed in thousands of RSD, unless otherwise stated.

CONSOLIDATED INCOME STATEMENT
Year Ended December 31, 2024
(Thousands of RSD)

	Note	2024	2023
Interest income	3.d, 7	41,322,733	35,914,759
Interest expenses	3.d, 7	(13,580,101)	(10,998,408)
Net interest income		**27,742,632**	**24,916,351**
Fee and commission income	3.e, 8	13,760,158	12,172,964
Fee and commission expenses	3.e, 8	(4,155,460)	(3,961,686)
Net fee and commission income		**9,604,698**	**8,211,278**
Net gains on changes in the fair value of financial instruments	3.f, 9	214,655	112,762
Net gains on derecognition of the financial instruments measured at fair value	3.g, 10	-	182,916
Net losses on derecognition of the financial instruments measured at fair value	3.g, 10	(53,975)	-
Net losses on risk hedging	3.h, 25	(4,481)	(5,044)
Net foreign exchange gains and currency clause effects	3.c, 11	172,005	-
Net foreign exchange losses and currency clause effects	3.c, 11	-	(107,678)
Net gains on impairment of financial assets not measured at fair value through profit or loss	3.k, 12	749,586	-
Net losses on impairment of financial assets not measured at fair value through profit or loss	3.k, 12	-	(1,746,337)
Net gains on derecognition of the financial assets measured at amortized cost	3.i, 13	150,618	-
Net losses on derecognition of the financial assets measured at amortized cost	3.i, 13	-	(1,999)
Other operating income	14	158,323	47,205
Total operating income, net		38,734,061	31,609,454
Salaries, salary compensations and other personal expenses	15	(4,343,688)	(4,023,523)
Depreciation and amortization charge	3.q, 3.r, 3.t, 16	(1,335,132)	(1,341,495)
Other income	17	1,279,795	896,448
Other expenses	18	(6,914,433)	(6,184,982)
Profit before tax		27,420,603	20,955,902
Current income tax expense	3.j, 19	(3,332,221)	(2,441,457)
Deferred tax losses	3.j, 35.2	(33,709)	(107,683)
Profit after tax		**24,054,673**	**18,406,762**
Result of the period - profit		**24,054,673**	**18,406,762**
Profit attributable to the parent entity		**24,054,673**	**18,406,762**

Belgrade, February 14, 2025

Signed on behalf of the management of UniCredit Bank Srbija A.D., Beograd by:

Nikola Vuletić
Management Board Chairperson

Rastko Nicić
Member of the Management Board
Head of Retail

Mirjana Kovačević
Head of Accounting and Regulatory Reporting

"UniCredit Bank Srbija a.d." Beograd "UniCredit Bank Serbia JSC" Belgrade 07

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CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year Ended December 31, 2024
(Thousands of RSD)

	Note	2024	2023
Net profit for the year		24,054,673	18,406,762
Other comprehensive income			
Components of other comprehensive income that cannot subsequently be reclassified to profit or loss:			
- Increase in revaluation reserves based on intangible assets and fixed assets		109,025	7,094
- Actuarial gains		35,615	20,122
Components of other comprehensive income that may subsequently be reclassified to profit or loss:			
- Positive effects of change in value of debt instruments measured at fair value through other comprehensive income		1,730,072	2,102,414
- Gains on cash flow hedging instruments		115,488	350,957
Losses on taxes relating to other comprehensive income	35.2	(298,530)	(372,088)
Total positive other comprehensive income for the year	38.2	1,691,670	2,108,499
TOTAL POSITIVE COMPREHENSIVE INCOME FOR THE YEAR		**25,746,343**	**20,515,261**
Total positive comprehensive income for the year attributable to the parent entity		**25,746,343**	**20,515,261**

Belgrade, February 14, 2025

Signed on behalf of the management of UniCredit Bank Srbija A.D., Beograd by:

Nikola Vuletić
Management Board Chairperson

Rastko Nicić
Member of the Management Board
Head of Retail

Mirjana Kovačević
Head of Accounting and Regulatory Reporting

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024
All amounts expressed in thousands of RSD, unless otherwise stated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2024
(Thousands of RSD)

	Note	2024	2023
Cash and balances held with the central bank	3.l, 20	191,329,015	130,511,716
Receivables under derivative financial instruments	3.m, 21	1,667,357	2,055,657
Securities	3.k, 3.p, 22	102,868,522	104,445,786
Loans and receivables due from banks and other financial institutions	3.k, 3.o, 23	72,007,912	63,006,391
Loans and receivables due from customers	3.k, 3.o, 24	384,756,722	344,469,707
Receivables under derivatives designated as risk hedging instruments	3.n, 25	427,229	636,909
Intangible assets	3.r, 3.u, 26	2,403,826	2,522,455
Property, plant and equipment	3.q, 3.t, 3.u, 27	2,956,285	3,036,516
Investment property	3.s, 28	11,701	7,734
Deferred tax assets	3.j, 35	572,017	904,256
Other assets	29	3,261,267	1,918,501
Total assets		**762,261,853**	**653,515,628**
Liabilities under derivative financial instruments	3.m, 30	1,706,884	2,119,142
Deposits and other liabilities due to banks, other financial institutions and the central bank	3.k, 3.v, 31	168,680,584	146,166,777
Deposits and other liabilities due to customers	3.k, 3.v, 32	463,782,795	389,735,404
Liabilities under derivatives designated as risk hedging instruments	3.n, 25	687,148	734,550
Provisions	3.w, 3.y, 34	4,676,063	5,449,407
Current tax liabilities	3.j, 19.4	1,091,929	1,529,868
Other liabilities	3.t, 36	8,575,808	10,315,537
Total liabilities		**649,201,211**	**556,050,685**
Issued (share) capital	38.1	24,169,776	24,169,776
Profit	38.1	25,356,317	19,760,286
Reserves	38.1	63,534,549	53,534,881
Total equity		113,060,642	97,464,943
Total liabilities and equity		**762,261,853**	**653,515,628**

Belgrade, February 14, 2025

Signed on behalf of the management of UniCredit Bank Srbija A.D., Beograd by:

Nikola Vuletić
Management Board Chairperson

Rastko Nicić
Member of the Management Board
Head of Retail

"UniCredit Bank Srbija a.d." Beograd
"UniCredit Bank Serbia JSC" Belgrade
07

Mirjana Kovačević
Head of Accounting and Regulatory Reporting

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024
All amounts expressed in thousands of RSD, unless otherwise stated.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2024
(Thousands of RSD)

	Share and other capital	Share premium	Reserves from profit and other reserves	Positive revaluation reserves	Negative revaluation reserves	Profit	Total
Opening balance as at 1 January of the previous year	23,607,620	562,156	53,740,761	-	(3,479,631)	9,732,221	84,163,127
Adjusted opening balance as at 1 January of the previous year	23,607,620	562,156	53,740,761	-	(3,479,631)	9,732,221	84,163,127
Total positive other comprehensive income for the period	-	-	-	-	2,108,499	-	2,108,499
Profit for the current year	-	-	-	-	-	18,406,762	18,406,762
Transfer from reserves to result due to reversal of reserves-increase	-	-	-	-	-	2,130	2,130
Distribution of profit - increase	-	-	1,165,252	-	-	-	1,165,252
Distribution of profit, and/or coverage of losses - decrease	-	-	-	-	-	(1,165,252)	(1,165,252)
Dividend payments	-	-	-	-	-	(7,215,575)	(7,215,575)
Total transactions with owners	-	-	1,165,252	-	-	(8,380,827)	(7,215,575)
Balance as at 31 December of the previous year	**23,607,620**	**562,156**	**54,906,013**	**-**	**(1,371,132)**	**19,760,286**	**97,464,943**
Opening balance as at 1 January of the current year	23,607,620	562,156	54,906,013	-	(1,371,132)	19,760,286	97,464,943
Adjusted opening balance as at 1 January of the current year	23,607,620	562,156	54,906,013	-	(1,371,132)	19,760,286	97,464,943
Total positive other comprehensive income for the period	-	-	-	320,538	1,371,132	-	1,691,670
Profit for the current year	-	-	-	-	-	24,054,673	24,054,673
Transfer from reserves to result due to reversal of reserves-increase	-	-	-	-	-	3,576	3,576
Distribution of profit - increase	-	-	8,307,998	-	-	-	8,307,998
Distribution of profit, and/or coverage of losses - decrease	-	-	-	-	-	(8,307,998)	(8,307,998)
Dividend payments	-	-	-	-	-	(10,154,220)	(10,154,220)
Total transactions with the owners	-	-	8,307,998	-	-	(18,462,218)	(10,154,220)
Balance as at 31 December of the current year	**23,607,620**	**562,156**	**63,214,011**	**320,538**	**-**	**25.356.317**	**113.060.642**

Belgrade, February 14, 2025
Signed on behalf of the management of UniCredit Bank Srbija A.D., Beograd by:

Nikola Vuletić
Management Board Chairperson

Rastko Nicić
Member of the Management Board
Head of Retail

Mirjana Kovačević
Head of Accounting and Regulatory Reporting

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CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2024
(Thousands of RSD)

	Note	2024	2023
Cash inflows from operating activities		**49,900,434**	**42,143,699**
Interest inflows		35,090,601	29,986,614
Fee and commission inflows		13,865,970	12,139,450
Inflows from other operating income		943,863	17,635
Cash outflows from operating activities		**(28,377,595)**	**(22,942,786)**
Interest outflows		(12,111,610)	(9,143,106)
Fee and commission outflows		(4,657,200)	(3,932,531)
Payments to, and on behalf of employees		(4,329,397)	(3,965,103)
Taxes, contributions and other duties paid		(798,096)	(716,783)
Outflows from other operating expenses		(6,481,292)	(5,185,263)
Net cash inflows from operating activities prior to increases/decreases in financial assets and financial liabilities		**21,522,839**	**19,200,913**
Decrease in financial assets and increase in financial liabilities		**87,735,391**	**45,860,139**
Decrease in receivables under securities and other financial assets not intended for investment		1,522,472	5,214,214
Increase in deposits and other liabilities due to banks, other financial institutions, the central bank and customers		85,808,832	40,363,360
Increase in other financial liabilities		175,533	129,986
Increase in liabilities under derivatives designated as hedging instruments and changes in the fair value of hedged items		228,554	152,579
Increase in financial assets and decrease in financial Liabilities		**(100.653.189)**	**(1,814,569)**
Increase in loans and receivables due from banks, other financial institutions, the central bank and customers		(100,653,189)	(1,814,569)
Net cash inflow by operating activities before income taxes		**8,605,041**	**63,246,483**
Income tax paid		(3,770,159)	(1,214,196)
Dividends paid		(10,154,220)	(7,215,575)
Net cash inflow by operating activities		**-**	**54,816,712**
Net cash outflow by operating activities		**(5,319,338)**	**-**
Cash inflows from investing activities		**23,092,168**	**30,268,560**
Inflows from investing in investment securities		23,092,168	30,266,364
Inflows from sale of intangible assets, property, plant and equipment		-	2,196
Cash outflows from investing activities		**(17,483,125)**	**(22,967,956)**
Cash outflows for investing in investments securities		(16,709,745)	(21,960,261)
Cash outflows for the purchases of intangible assets, property, plant and equipment		(773,380)	(1,007,695)
Net cash inflows by investing activities		**5,609,043**	**7,300,604**

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CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2024
(Thousands of RSD)

	Note	2024	2023
Cash inflows from financing activities		**25,932,315**	**16,256,532**
Borrowings, inflows		25,932,315	16,256,532
Cash outflows from financing activities		**(17,797,797)**	**(16,675,059)**
Cash outflows from loans taken		(17,265,651)	(16,171,662)
Other outflows from financing activities		(532,146)	(503,397)
Net cash inflow by financing activities		**8,134,518**	-
Net cash outflow in financing activities		-	**(418,527)**
Total cash inflows		**186,660,308**	**134,528,930**
Total cash outflows		**(178,236,085)**	**(72,830,141)**
Net cash increase		8,424,223	61,698,789
Net cash decrease		-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3.I, 39	**100,875,615**	**39,123,223**
Foreign exchange Gains		58,813	53,603
CASH AND CASH EQUIVALENTS, END OF YEAR	3.I, 39	**109,358,651**	**100,875,615**

Belgrade, February 14, 2025

Signed on behalf of the management of UniCredit Bank Srbija A.D., Beograd by:

Nikola Vuletić
Management Board Chairperson

„UniCredit Bank Srbija a.d." Beograd
„UniCredit Bank Serbia JSC" Belgrade
07

Rastko Nicić
Member of the Management Board
Head of Retail

Mirjana Kovačević
Head of Accounting and Regulatory Reporting

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1. BANKING GROUP'S ESTABLISHMENT AND ACTIVITY

In 2024 the Banking Group (hereinafter: the "Group") is comprised of the parent entity UniCredit Bank Srbija a.d. Rajićeva 27-29, Beograd (hereinafter: the "Parent Entity" or the "Bank") and its subsidiary UniCredit Leasing Srbija d.o.o. Beograd.

(a) Establishment and Activity of the Bank

UniCredit Bank Srbija a.d. Beograd was originally established as HVB Banka Jugoslavija ("HVB") in 2001 after obtaining an operating license from the National Bank of Yugoslavia on July 2, 2001. On October 1, 2005, a status change of merger and acquisition of entities HVB Banka Srbija i Crna Gora A.D. Beograd, as the Acquirer and Eksport-Import banka Eksimbank A.D. Beograd as the Acquiree, was registered. The Bank changed its name to UniCredit Bank Srbija a.d. Beograd on March 30, 2007.

The Bank is a member of UniCredit Group. In accordance with the reorganization of the Banking Group's activities in Central and Eastern European countries, under the Demerger and Takeover Agreement executed by and between UniCredit Bank Austria AG and UCG Beteillingsverwaltung GmbH on August 31, 2016 and Merger and Acquisition Agreement executed by and between UCG Beteillingsverwaltung GmbH and UniCredit SpA on September 30, 2016, UniCredit Bank Austria AG transferred its sole (100%) ownership of the Bank to the Austrian holding company UCG Beteillingsverwaltung GmbH. Through merger of UCG Beteillingsverwaltung GmbH with UniCredit SpA, UniCredit SpA became the sole shareholder of UniCredit Bank Srbija a.d., Beograd.

The Bank is registered in the Republic of Serbia to provide banking services associated with payment transfers, lending and depositary activities in the country and abroad and other activities defined by the Law on Banks and the Bank's own Statute.

As of December 31, 2024, the Bank has a 100% stake in the capital of the legal entity UniCredit Leasing Serbia d.o.o. Belgrade. In 2023, the liquidation procedure of the subsidiary UniCredit Partner d.o.o., Belgrade, was initiated and completed.

As of December 31, 2024, the Bank comprises of the Head Office in Belgrade, 71 branch offices and 2 counters located in towns throughout the Republic of Serbia (December 31, 2023: 72 branch offices and 3 counters).

As of December 31, 2024, the Bank has 1,354 employees (December 31, 2023: 1,336 employees).

(b) Establishment and Activity of the Subsidiary UniCredit Leasing Srbija d.o.o. Beograd

The Subsidiary UniCredit Leasing Srbija d.o.o. Beograd (hereinafter: "Leasing") was established under Decision of the Commercial Court in Belgrade, registry card no. 1-92733-00, dated May 18, 2004 under the name of HVB Leasing d.o.o. Beograd. The founder of Leasing was Bank Austria Creditanstalt Leasing GmbH, Vienna. On April 11, 2007, Leasing changed its name into UniCredit Leasing d.o.o. Beograd. Change of the founder was registered with the Serbian Business Registers Agency under no. 4109/2009 dated February 10, 2009, with UniCredit Global Leasing S.p.A, Milan registered as the new founder. In January 2016, in accordance with the Agreement on Sale and Purchase of Equity Interest and upon obtaining the National Bank of Serbia's approval, the Bank became the sole (100%) owner of Leasing. The aforedescribed change in ownership was registered with the Serbian Business Registers Agency on January 26, 2016.

The Leasing Company is principally involved in finance lease activities.

As of December 31, 2024, Leasing has 37 employees (December 31, 2023: 36 employees).

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

(a) Basis of Preparation and Presentation of the Consolidated Financial Statements

Legal entities and entrepreneurs incorporated in Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to present, submit and disclose financial statements in conformity with the Law on Accounting. As a large legal entity, the Bank is required to apply International Financial Reporting Standards ("IFRS"), which as per the aforementioned law comprise the following: the Framework for the Preparation and Presentation of Financial Statements (the "Framework"), International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS"), as well as the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and additional related interpretations issued by the International Accounting Standards Board ("IASB").

The accompanying consolidated financial statements are presented in the format prescribed under the Decision on the Forms and Contents of the Items in the Forms of the Financial Statements of Banks (Official Gazette of RS no. 93/2020).

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

- financial assets stated at fair value through other comprehensive income;
- financial assets and liabilities at fair value through profit and loss,
- derivative financial instruments stated at fair value' and
- investment property stated at fair value;
- property used for performance of the Group's own business activity that are stated at revalued method;
- recognized financial assets and liabilities at amortized cost designated as hedged item in qualifying fair value hedging relationships at amortized cost adjusted for hedging gain or loss.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique according to IFRS 13. Upon estimating the fair value of assets or liabilities, the Group takes into account characteristics of assets or liabilities that other market participants would also consider upon determining the price of assets or liabilities at the measurement date. Fair value for measurement and/or disclosure purposes in the accompanying consolidated financial statements was determined in the aforesaid manner, except for share-based payment transactions, which are in the scope of IFRS 2, leasing transactions, which are in the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as the net realizable value in IAS 2 or value in use in IAS 36.

According to IFRS 13, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

The Group's consolidated financial statements are stated in thousands of dinars (RSD). Dinar is the official reporting currency in the Republic of Serbia.

Standards/amendments to the existing standards and interpretations issued that came into effect in the current period are disclosed in Note 2(b). Standards/amendments to the existing standards and interpretations in issue but not yet in effect are disclosed in Note 2(c).

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

(b) Adoption of the New Standards and Revised/Amended Standards Effective for the Current Year

In 2024, the Group has adopted and applied the following new standards and amendments to the existing standards that are effective for annual periods beginning on or after January 1, 2023:

- Amendments to IAS 1 "Presentation of Financial Statements" - classification of liabilities into current or permanent - postponement of the date of application and current liabilities with covenants;
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback - leasing obligations in a sale and repurchase transaction;
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments - Disclosure of Financial Arrangements of Suppliers.

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group’s unconsolidated financial statements.

(c) New and Revised IFRS Standards in Issue but not yet Effective

At the date of authorization of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- Amendments to IAS 21 "Effects of Changes in Exchange Rates" - Lack of Convertibility Applicable to Periods after 1 January 2025;
- Classification and Valuation of Financial Instruments - Amendments to IFRS 9 to IFRS 7 applicable for periods after 1 January 2026;
- Annual Improvements to Standards Applicable to the Period after January 1, 2026;
- Amendments to IFRS 18 - Presentation and Disclosure in Financial Statements Applicable for Periods after 1 January 2027;
- IFRS 19 Subsidiaries without public liability: disclosures applicable for periods after 1 January 2027.

The Group’s management has elected not to adopt these new standards, amendments to the existing standards and new interpretations in advance of their effective dates. The Group’s management anticipates that the adoption of these standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Group in the period of initial application.

(d) Impact of the uncertainty in the economic environment

Serbia has shown great resilience under the conditions of multidimensional crisis, which is best evidenced in the growth of GDP which is set to be 18% against the pre-pandemic level. Employment and salaries in the private sector continue to grow, FDI and foreign currency reserves are at record levels, while the inflation returned to its target range in May and remained close to it throughout the second half of the year (allowing the NBS to start loosening monetary policy by gradually cutting the policy rate).

Calculation of the expected credit loss

During 2024, the Bank continued with cautious approach regarding assessment of potential negative impacts that may produce the uncertainties on the economic activities arising from Geopolitical situation, increase of energy costs, inflation and interest rates happened during 2022 and 2023. The spill-over effects of Russian-Ukrainian and Middle East conflicts continued leading to revise the outlook for the euro area economy, also pushing up inflationary pressures and interest rates. In light of all those uncertainties, even though the interest rates were revised downwards and macroeconomic expectations for Serbia are slightly better, during the 2024 Bank continues with cautious approach in the ECL calculation by maintaining additional proactive layers regarding the financial of real estate exposure (CREF overlay i.e. Commercial Real Estate Finance overlay) and Geopolitical situation (Geopolitical overlay).

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

(d) Impact of the uncertainty in the economic environment (Continued)

Calculation of the expected credit loss (Continued)

In this context while IFRS 9 models and in particular delta satellite models which are used to incorporate forward looking information and capture the effect of macro-economic scenario at portfolio level, the overlays act on specific sub-portfolios considered particularly vulnerable in case contingent situation may evolve to severe stressed conditions.

As of 31 December 2024 overall overlays applied amount to RSD 1,244,953 thousand and is broken-down according to the following components:

- Regarding Geopolitical overlay:
  - Corporate energy-intensive industry sectors prone to be more affected by spill-over effects linked to Russian-Ukrainian conflict, specifically impacting the energy supply and related price soaring
  - Retail clients, for: (i) floating rate mortgages (not having overdue instalments), given the sensitiveness in this context of increasing interest rate/inflation, and (ii) at least 1 unpaid instalment on their exposures, considered a perimeter with already difficulties in payments and as such particularly vulnerable in this specific contingency.

- Regarding CREF overlay:
  - Corporate clients rated by IPRE model (Income Produced Real Estate) as well as clients classified within construction industry

Overview of components of managerial overlays	December 31, 2023	2024 effect - addition/(reversal)	December 31, 2024
Overlay - Geopolitical	1,143,913	(349,595)	794,318
Overlay - CREF	364,005	86,630	450,635
Total	1,507,918	(262,965)*	1,244,953

* -241,593 thousand RSD released due to inflow to Default, RSD -137,791 thousand due to exit strategy, while RSD +116,419 thousand allocated due to recalibration (change of exposure in scope of CREF/Geopolitical overlay).

As far as the calculation is concerned, credit exposures belonging to the above categories are identified according to their specific features. Starting from this, satellite models are run by applying - as macro-economic conditions - the Multi Year Plan recessive scenario to determine the adjustment to be applied to the default rate. Such adjusted default rate is then applied to the relevant categories to estimate the expected new inflows of defaulted exposure, whose LLPs are then calculated according to the average coverage rate applied to Unlikely to Pay.

(e) Comparative Information

Comparative information in the accompanying consolidated financial statements represents the data from the Group's consolidated financial statements for 2023.

(f) Use of Estimates

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

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

Further explanations have been reported in Note 5.

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

(g) Statement of Compliance

The Group’s financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS) issued by the International Accounting Standards Board (“IASB”).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies presented hereinafter have been consistently applied by the Group for all years presented in the accompanying consolidated financial statements. The Group’s main accounting policies applied to the current and previous reporting periods are presented in greater detail hereunder.

(a) Consolidation

The Group’s consolidated financial statements include the consolidated statement of financial position as of December 31, 2024 and the related consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and notes to the consolidated financial statements.

The Group’s consolidated financial statements as of and for the year ended December 31, 2024 include the financial statements of the Parent Entity (the Bank) and financial statements of the following subsidiary:

	Equity Interest %	
	2024	2023
Subsidiary:		
UniCredit Leasing d.o.o., Beograd	100%	100%

During 2023, the liquidation procedure of UniCredit Partner d.o.o. was initiated and completed. These consolidated financial statements as comparative information include transactions with the aforementioned subsidiary up to the moment of derecognition.

All materially significant amounts, transactions and balances derived from intercompany relationships are eliminated in consolidation.

(b) Going Concern

Considering the circumstances caused by Russian-Ukrainian and Middle East conflicts, the Group's management believe with reasonable certainty that the Group will continue to operate profitably in the foreseeable future. As a result, the Group’s financial statements have been prepared on a going concern basis, assuming that the Group will continue its operations for an indefinite period in the future.

(c) Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at official middle exchange rates effective at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies, as well as those indexed to a currency clause, are translated into dinars by applying the official middle exchange rates prevailing at the reporting date. Gains and losses incurred in realized transactions of purchase and sale of foreign currency and effective foreign currency with individuals and legal entities during the period are stated in the Group's income statement, within the position "Net fee and commission income".

Exchange 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 stated in the Group's income statement under "Net foreign exchange gains/losses and currency clause effects”.

Non-monetary assets and liabilities denominated in foreign currencies measured at fair value are translated to the functional currency at the exchange rate effective at the date that the fair value was determined. Non-monetary assets and liabilities that are stated at historical cost in a foreign currency are translated using the exchange rates effective at the dates of the transactions.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign Exchange Translation (Continued)

The official exchange rates determined by the NBS and applied in the translation of the statement of financial position's components into dinars for the following major currencies were as follows:

	December 31, 2024	December 31, 2023
USD	112.4386	105.8671
EUR	117.0149	117.1737
CHF	124.5237	125.5343

(d) Interest Income and Expenses

(i) The Effective Interest Method

Interest income and expenses are recognized in the income statement in the period they relate to using the effective interest method for all interest-bearing financial instruments measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI).

The effective interest rate is the rate that precisely discounts estimated future payments or receipts over the expected life of the financial instrument or over a shorter period, where appropriate, to the net carrying value of the financial asset or financial liability. In calculation of the effective interest rate, the Group estimates cash flows taking into account all the contractually agreed terms of the financial instrument but does not consider future credit losses. The effective interest rate calculation includes all fees and amounts paid or received between the counterparties and transaction costs that form an integral part of the effective interest rate.

Transaction costs are costs directly attributable to the acquisition or the issuance of a financial asset or liability. These include fees and commissions paid to agents, advisers, brokers and dealers, fees from regulatory agencies and stock exchanges, as well as taxes and fees related to the transfer if exist. Transaction costs do not include premiums or discounts, financing costs or internal administrative costs or maintenance costs. Only transaction costs that are certain or determinable are included in the amortized cost at the initial recognition of a financial asset. If the Group receives a fee from a client that offsets similar charges paid by the Group, only the net amount is included in the amortized value of the asset.

Fees that are integral part of the effective interest rate of a financial instrument include:

a) "origination fees" – fees charged by the Group in connection with issuance or acquisition of a financial asset; such fees include fees for evaluation of the financial position of borrowers, for evaluating and recording guarantees, collaterals and other security arrangements, for negotiating the terms of an instrument, preparing and processing documents and closing transactions;

b) "commitment fees" - fees received for the issue of a loan when it is probable that the loan arrangement will be realized,

c) "origination fees" - fees payable based on the issue of financial liabilities that are measured at amortized cost.

The Group calculates interest income by applying the effective interest rate to the gross carrying amount of financial assets other than those that are credit-impaired. Regular interest income from impaired financial assets is calculated based on the net value of the financial asset using the effective interest method. Calculation of penalty interest income from impaired financial assets is suspended from the moment when the client becomes credit-impaired and is recorded from then on within off-balance sheet items, except for a portion of the legally prescribed penalty interest on written-off loans without debt acquittal, which is recorded when collected.

Impaired loans and receivables are those loans and receivables due from clients who are in the status of default (internal ratings 8-, 9 and 10), i.e., classified in Stage 3 under IFRS 9. If the status of a financial asset is improved so that it is no longer impaired, the Group resumes calculation of interest income on a gross basis.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Interest Income and Expenses (Continued)

(i) The Effective Interest Method (Continued)

For financial assets classified under IFRS 9 as POCI ("purchased or originated credit-impaired" assets), the Group calculates interest income by applying the credit-adjusted effective interest rate on the amortized cost of an asset. Credit-adjusted effective interest rate is the interest rate that, on initial recognition, discounts expected cash flows including credit losses to the amortized value of the POCI financial asset.

(ii) Presentation

Interest income and expenses recognized in profit or loss include:

- interest on financial assets and financial liabilities that are measured at amortized cost (AC) calculated using the effective interest rate method;
- interest on securities measured at fair value through other comprehensive income (FVtOCI) calculated using the effective interest rate method;
- interest on coupon securities held for trading; and
- interest on derivative financial instruments.

(e) Fee and Commission Income and Expenses

Fee and commission income and expenses that are integral part of the effective interest rate of a financial asset or liability are included in the calculation of the effective interest rate and therefore stated within interest income and expenses.

Fees that are not integral part of the effective interest rate of a financial instrument and are therefore accounted for in accordance with IFRS 15 include:

a) "monitoring" or "management" fees – fees charged by the Group for loan servicing;
b) "commitment fees" – fees for issuing a loan when it is unlikely that the loan arrangement will be realized; and
c) syndicated loan fees received by the Group as a transaction agent/arranger.

In accordance with IFRS 15, two approaches for the recognition of fee and commission income are provided: "at a point in time" and "over time" as the related services are performed. Fee and commission income includes revenues from international and domestic payment services, issuance of guarantees, letters of credit and other banking services as well as income from realized transactions of foreign exchange purchases/sales and effective foreign currency transactions.

Fee and commission expenses mostly relate to fees for transactions and services provided and are recorded upon receipt of services. Fee and commission expenses also include expenses from realized transactions of foreign exchange purchases/sales and effective foreign currency transactions.

(f) Net Gains/Losses on Changes in the Fair Value of Financial Instruments

Net gains/losses on the change in the fair value of financial instruments include the effects of fair value adjustment of derivatives, except for derivatives designated as risk hedging instruments and fair value adjustment of financial assets and financial liabilities carried at fair value through profit or loss.

(g) Net Gains/Losses on Derecognition of Financial Instruments Measured at Fair Value

Net gains/losses from derecognition of the financial instruments measured at fair value include the effects of the derecognition of financial assets and financial liabilities measured at fair value through profit or loss, as well as financial assets measured at fair value through other comprehensive income.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Net Gains/Losses on Risk Hedging

Net gains/(losses) on risk hedging include net gains on the value adjustment of financial derivatives designated as risk hedging instruments as well as on the fair value adjustment of loans, receivables and securities as hedged items, these adjustments arising from the risk against which the item is hedged.

(i) Net Gains/Losses on Derecognition of Financial Instruments Measured at Amortized Cost

Net gains/losses from derecognition of the financial instruments measured at amortized cost include the effects arising from derecognition of financial assets at amortized cost.

(j) Income Tax Expenses

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

(i) Current Income Tax

Current income tax is an expected tax payable or receivable as per taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. Current income tax represents an amount calculated in accordance with the Republic of Serbia Corporate Income Tax Law. The prescribed tax rate for 2024 equals 15%. The taxable income is the profit before taxes shown in the statutory statement of income, adjusted in accordance with the tax regulations of the Republic of Serbia.

(ii) Deferred Income Taxes

Deferred income tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxes are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

Based on their future tax consequences, temporary differences can be:

- taxable temporary differences, which will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset is recovered or the liability is settled in accordance with the appropriate tax regime; or
- deductible temporary differences, which will result in amounts that can be deducted in determining the taxable profit (tax loss) of the future period in which the carrying amount of the asset will be recovered or the liability settled in accordance with the appropriate tax regime.

(iii) Other Taxes and Contributions

According to the relevant legislation in the Republic of Serbia, the Group pays various taxes, contributions, and duties payable, such as property tax, payroll contributions charged to the employer and other public duties. These are included under other expenses within the income statement.

(k) Financial Assets and Liabilities

(i) Recognition and Initial Measurement

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(ii) Classification and Subsequent Measurement

Financial Assets

Upon initial recognition, the Group classifies its financial assets in one of the following three categories:

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

The requirements regarding the classification of debt and equity instruments are described below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the perspective of the issuer, such as loans, securities, and other similar receivables.

Classification and measurement of financial assets depend on the following two main criteria:

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

Business Model

The business model reflects the manner in which the Group manages its financial assets in order to generate cash flows therefrom, i.e., the business model determines whether the cash flows will result from holding the assets ("hold to collect" business model) or from their holding as well as sales ("hold to collect and sell" business model). If neither of the aforesaid is applicable (e.g. a financial asset is held for trading), such an asset is held within the "other" business model and classified as measured at fair value through profit or loss (FVtPL). Business model assessment is performed at the level of a group of financial assets such as portfolio or sub-portfolio level, taking into account all the relevant and objective information such as sales of assets that were realized in the past, management's intentions regarding future sales, risk management, valuation the assets' performance and reporting thereon to the management, etc. Business model assessment is based on realistic future expectations. Reclassification of a financial asset is made if the business model within which the asset is managed is changed. The Group does not expect frequent changes of its business models.

SPPI Criterion

In instances of "hold to collect" or "hold to collect and sell" business models, the Group assesses whether the contractual cash flows of the financial asset represent solely payments of the principal and interest payment ("SPPI test"). For the purpose of this assessment, "principal" is defined as the fair value of a financial asset at the date of initial recognition. "Interest" is defined as consideration for the time value of money, the accepted level of credit risk of the borrower, other basic lending risks as well as an appropriate margin. If the contractual terms of a financial asset include exposure to risks that are not in accordance with the underlying loan arrangement, a financial asset is classified and measured at fair value through profit or loss.

Based on the above explained criteria, debt instruments are classified into the following asset categories:

1) Financial Assets at Amortized Cost (AC)

A financial asset that is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and contractual cash flows represent solely payments of principal and interest and is not irrevocably classified as financial asset at fair value through profit or loss, is measured at amortized cost. The amortized value of these financial assets is subsequently adjusted for estimated impairment as explained in Note 3.(k)(viii). Interest income on these financial assets is recognized using the effective interest method and is included in the item of interest Income within in the income statement.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(ii) Classification and Subsequent Measurement (Continued)

Financial Assets (Continued)

Debt Instruments (Continued)

2) Financial Assets at Fair Value through Other Comprehensive Income (FVtOCI)

A financial asset that is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and whose contractual cash flows represent solely payments of principal and interest and is not irrevocably classified as financial asset at fair value through profit or loss, is classified and measured at fair value through other comprehensive income. The effects of the change in fair value in the subsequent measurement of these assets are recorded in the other comprehensive income. As with financial assets at amortized cost, the impairment, interest income and foreign exchange gains/losses are recognized in the income statement. The loss allowance is not recognized in balance sheet but in other comprehensive income considering that book value of those assets should be equal to fair value.

Upon derecognition, cumulative gains and losses previously recognized in the other comprehensive income are reclassified and presented within net gains/losses on derecognition of financial assets measured at fair value in the income statement. Interest income on these financial assets is recognized at the effective interest method and is included in the item of interest Income within the income statement.

3) Financial Assets at Fair Value through Profit or Loss (FVtPL)

A financial asset that does not meet the criteria for classification at amortized cost or at fair value through other comprehensive income is measured at fair value through profit or loss. In addition, the following assets are classified as FVtPL:

- held-for-trading financial assets if they are acquired for purpose of sale or repurchase in the near term or when they are initially recognized as part of a portfolio of financial instruments that are managed together in order to achieve short-term profits;
- financial assets that the Group, upon initial recognition, designates as assets at fair value through profit or loss, irrespective of the business model and cash flow characteristics, in order to eliminate or significantly reduce the so-called "accounting mismatch".

Subsequent changes in the fair value of these assets are recorded through profit or loss within the line item of net gains/losses on the change in the fair value of financial instruments. Interest income on coupon securities held for trading is included in the interest income within the income statement.

Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, i.e., instruments that do not contain the contractual obligation of payment and represent a share in the net assets of the issuer.

The Group 's equity instruments are measured at fair value through other comprehensive income, except when they are traded, in which case they are measured at fair value through profit or loss. Such a classification is performed for each equity instrument individually. Equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs directly attributable to their acquisition, unless the Group assesses in some cases that the cost is the best estimate of their fair value.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(ii) Classification and Subsequent Measurement (Continued)

Financial Assets (Continued)

Equity Instruments (Continued)

Effects of the changes in the fair value of equity instruments that are measured at FVtOCI in subsequent measurement are recognized in the other comprehensive income and are never reclassified to the income statement, even when the asset is derecognized. The provisions of IFRS 9 regarding impairment of financial assets relate only to debt instruments. For equity instruments at FVtOCI, the effects of impairment are not recognized through the income statement. Instead, all changes in their fair value are recorded within the other comprehensive income. Dividends are recognized within the line item of other operating income in the income statement when the Group 's right to receive a dividend is established.

Effects of changes in the fair value of equity instruments at FVtPL are recorded under the item of net gains/(losses) on the change in the fair value of financial instruments in the income statement.

Financial Liabilities

The Group classifies financial liabilities, except for irrevocable commitments for loans and financial guarantees, as liabilities measured at amortized cost or as fair value through profit or loss (please refer to Note 3.(v)).

Financial liabilities at fair value through profit or loss include derivatives, financial liabilities held for trading (e.g. short positions in a trading book) and other financial liabilities that are designated at FVtPL on initial recognition. However, in respect of the measurement of financial liabilities initially designated at FVtPL, IFRS 9 requires that the changes in the fair value of a financial liability that relate to changes in the Group's own credit risk are presented in the other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk would cause or increase an accounting mismatch in the income statement. Changes in the fair value of liabilities arising from credit risk are not subsequently reclassified to the income statement.

(iii) Derecognition

Financial Assets

The Group derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- when the Group transfers substantially all the risks and rewards associated with ownership of the financial asset or it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but does not retain control over a financial asset;
- when contractual terms of a financial asset are significantly modified contractual terms (please refer to Note 3.(k)(iv)).

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset acquired less any new liability assumed) and (ii) any cumulative gain or loss that was previously recognized in other comprehensive income is recognized in profit or loss.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(iii) Derecognition (Continued)

Financial Assets (Continued)

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similarly to repo transactions since the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risk and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement in the asset, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial Liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or have expired.

(iv) Modification

Derecognition due to Significant Modification of Contractual Terms

In instances of amendments to the contractual terms, the Group assesses whether cash flows have been significantly modified. If the cash flows of a financial asset/liability are significantly modified in relation to originally contracted, asset/liability is derecognized and new financial asset/liability is recognized at fair value increased by any transaction costs (referring to new financial asset/liability). Any difference between the carrying amount of the existing asset/liability and fair value of a new financial asset/liability is recognized in the income statement within the net gains/losses on derecognition of the financial instruments recognized at fair value and net gains/losses on derecognition of the financial instruments recognized at amortized cost.

Under significant modification of cash flows, the Group considers: changes of contracts due to commercial reasons that are in accordance with market conditions, changes in the currency or debtor, as well as changes that introduce contractual provisions resulting in non-compliance with the SPPI criteria. In accordance with IFRS 9, a new financial asset is classified in Stage 1 for ECL measurement of expected credit losses (in further text: ECL), unless it is a POCI asset (purchased or originated credit-impaired asset).

Modifications of a Financial Asset that do not Lead to Derecognition

Amendments to the contracts due to the financial difficulties of the borrower are not considered a significant modification and do not lead to derecognition of a financial asset.

In accordance with IFRS 9, the Group determines the new gross carrying amount of a financial asset and recognizes a modification gain/loss in the income statement (the line item of net gains/losses on impairment of financial assets not recognized at fair value through profit or loss).

The gross carrying amount of the financial asset is determined as the present value of the modified cash flows discounted at the original effective interest rate. Any transaction costs adjust the carrying amount of a modified financial asset and are amortized over its useful life.

(v) Offsetting

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(vi) Amortized Cost Measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is subsequently measured, minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initial amount recognized and the maturity amount, less any reduction for impairment.

(vii) Fair Value Measurement

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

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

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and other optional models. The selected valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument of based on other available observable market data. Assets and long positions are measured at a bid price and liabilities and short positions are measured at an asking price.

When the Group has position with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(viii) Impairment Identification and Measurement

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

Expected credit losses (ECL) are recalculated on each reporting date in order to reflect the changes occurred in the credit risk since the initial recognition of a financial instrument. Such an approach results in earlier recognition of credit losses as it is necessary to recalculate expected credit losses over a 12-month period for all credit exposures (the so-called Stage 1). It is necessary to recalculate lifetime expected credit losses for all exposures that have significant increase in the credit risk (the so-called Stage 2).

In ECL calculation, the Group uses forward-looking information and macroeconomic factors, i.e., the Group considers not only the historical information adjusted to reflect the effects of the present conditions and information providing objective evidence of the financial asset being impaired or actual losses incurred, but reasonable and supportable information as well, which include projections of future economic conditions in calculation of expected credit losses, both on individual and at collective bases. The amount of provisions for credit losses will increase with deterioration of the projected economic conditions and decrease with their improvement.

<u>The Basic Principles and Rules Used by the Group in Calculation of Allowances under IFRS 9</u>

The Group calculates 12-month expected credit loss or a lifetime expected credit loss of financial instruments depending on the significance of the change in its credit risk occurred since the instrument's initial recognition.

For these purposes, the Group uses the following three stages of impairment:

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

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

For financial assets in Stage 1, the Group calculates 12-month expected credit losses.
For financial assets in Stage 2, the Group calculates lifetime expected credit losses.
For financial assets in Stage 3, the Group calculates lifetime expected credit losses

Financial assets are transferred from Stage 1 to Stage 2 when the credit risk has increased significantly since the instruments' initial recognition. The transfer logic is based on quantitative and qualitative criteria and must be applied to on exposures that are within the scope of the ECL model. Deterioration of the probability of default (PD) is the key parameter underlying the quantitative criterion of the transfer logic. The PD is calculated at counterparty level and also that the staging process takes place by transaction. The transfer logic model in the Group is based on a quantitative approach named "quantile regression model" where 1) the term significant is translated in term of percentile leading to the determination of a transfer threshold (depending on PD at inception, age and residual maturity), representing a theoretical increase reputed by the quantitative model as "significant" from the statistical standpoint; the quantile regression model uses 3 input variables (PD at inception, age and residual maturity) to describe the target variable which is the quantile; 2) the term increase is translated in term of relative increase/decrease in Lifetime PD from the inception date to the reporting date of the financial instruments. Whenever the realized variation of the IFRS 9 Lifetime PD violates the transfer threshold estimated by the model the financial instruments is classified in Stage 2.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(viii) Impairment Identification and Measurement (Continued)

The Basic Principles and Rules Used by the Group in Calculation of Allowances under IFRS 9 (Continued)

The relative increase in PD that leads to transfer to Stage 2 for each segment, rating at inception and remaining maturity is given in the tables below:

		Remaining Maturity =< 1Y	Remaining Maturity =< 5Y	Remaining Maturity > 5Y
Initial rating (1 to 8)	Corporate	up to 4.64x	up to 3.36x	up to 2.78x
	Small business	up to 17.65x	up to 12.18x	up to 7.34x
	Retail	up to 22.55x	up to 10.83x	up to 4.25x

The following qualitative criteria are applied after the said quantitative parameter:

- Forbearance status classification results in automatic classification to Stage 2 for the following at least 24 months (probation period). After that period, if there are no other significant indicators of credit risk deterioration, the transaction may be reclassified to Stage 1;
- 30 days past due – if a transaction reaches 30 days past due, it should be classified into Stage 2;
- All performing exposures included in Watch List 2 or worsening managerial classification (all performing exposures transferred to the remit of the Loan Restructuring and Workout departments) should be classified into Stage 2.

Watch list 2 means clients with higher risk, showing structural/strategic problems, bad business health, profitability issues. Of course, this Watch list 2 status cannot be assigned to financial instrument at origination, this status is assigned in case of deterioration in credit risk compare to initial credit risk at inception.

In order to improve transfer logic model, Bank has implemented additional quantitative backstop indicators must be classified as Stage 2 :

- facilities with threefold increase in the lifetime credit risk;
- facilities related to counterparties with a Basel PD higher than 20%.

These backstop indicators are complementing the transfer logic model in sense that at origination no transaction could have a greater Basel PD of 9.222% as that is the upper bound of rating 7 from the master scale which is used as a cutoff in the origination process. The transfer logic model could have a more loose threshold applied on these transactions depending on the age, remaining maturity and initial IFRS9 PD so the 20% Basel PD backstop triggers the Stage 2 allocation before the transfer logic model. Similarly, the threefold increase in the lifetime credit risk is there for the transactions in the better rating groups so that if there is a deterioration in their rating the threefold increase will be triggered before the breach of the transfer logic threshold.

The transfer approach from stage to stage forth and back is symmetrical. Specifically, if in subsequent reporting periods the credit quality of a financial asset assigned to Stage 2 improves such that there is no longer a significant increase in credit risk since initial recognition, then the asset is reassigned to Stage 1. Nevertheless, an additional minimum time permanence is present which does not allow transfer to Stage 1 before the minimum continuous time spent in Stage 2 is at least 3 months.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Assets and Liabilities (Continued)

(viii) Impairment Identification and Measurement (Continued)

The Basic Principles and Rules Used by the Group in Calculation of Allowances under IFRS 9 (Continued)

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

(ix) Write-Off

When certain financial assets are determined to be irrecoverable, these are written off. Write-off of an asset represents derecognition of that asset within the statement of financial position, where write-off of assets without debt acquittal is distinguished from write-off with debt acquittal.

Assets are written off without debt acquittal in instances where the Group has estimated that the assets will not be collected but does not waive its contractual and legal rights in respect of such assets. In such cases, the Group estimates that it is economically justified to undertake further activities related to the collection of a financial asset. The Group also has the right to calculate legally prescribed penalty interest after write off without debt acquittal, but ceases to record it until collection.

The Group performs write-offs without debt acquittal (accounting write-offs) based on the decisions of its competent bodies and/or the relevant NBS decision for financial assets with low collectability rates that are fully impaired (100% provided for). Given that the Group does not waive the right to collect financial assets, write-off without debt acquittal, (accounting write-off) represents derecognition of the financial assets in the statement of financial position and recording those within the off-balance sheet items. When the Group estimates that there is no justification for undertaking further activities related to the collection of a financial asset (completed bankruptcy or liquidation procedure, court ruling and the like), the Group's competent bodies enact a decision on derecognition of the asset from the off-balance sheet items.

The Group writes off financial assets with debt acquittal when these are estimated as irrecoverable and that it is not economically justifiable to take further actions toward their collection. In such instances, the written-off financial assets are derecognized from the statement of financial position without any further recording.

In the event that the Group collects a financial asset previously written-off, the income is recognized in the income statement under the net gains/losses on impairment of financial assets not recognized at fair value through profit or loss.

The outstanding amount of written off financial assets without debt acquittal as of December 31, 2024, is RSD 16,676,250 thousands (December 31, 2023: RSD 15,796,048 thousands).

(l) Cash and Balances Held with the Central Bank

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

For the purposes of cash flow statement preparation, cash and cash equivalents include funds held on the accounts with foreign banks, while the obligatory foreign currency reserve held with the central bank is not included in the cash flow statement.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Receivables and Liabilities under Derivatives

Derivatives are derivative financial instruments or other contracts that have three basic characteristics: their value changes depending on changes in some basic or underlying value, they require no or relatively little initial net investment, and they are settled on a specific future date. Derivatives include forward transactions, currency swaps, interest rate swaps as well as interest options. In the statement of financial position, they are presented within assets if their fair value is positive and within liabilities if their fair value is negative. They are initially recognized at fair value and the effects of the change in fair value on subsequent measurement are presented in the income statement, within the line item of net gains/losses on the change in the fair value of financial instruments.

(n) Derivatives Held as Risks Hedging Instruments and Hedge Accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. The Group has exercised the option to continue applying the existing IAS 39 hedge accounting requirements for all its hedging relationships.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objective and strategy in undertaking the hedge, along with the method that will be used to assess the effectiveness of the hedging relationship. The Group assesses, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range from 80% to 125%.

(i) Fair Value Hedges

When a derivative is designated as the hedging instrument in a hedge against a change in the fair value of a recognized asset or liability that could affect the profit or loss, changes in the fair value of the derivative are recognized immediately in the profit or loss (income) statement, together with changes in the fair value of the hedged item that are attributable to the risk hedged.

If only certain risks attributable to hedged items are subject to hedging, the recognized changes in fair value of the hedged items that are not associated with the risk subject to hedging are recognized in accordance with the Group's policy on financial instrument measurement depending on the instrument classification.

(ii) Cash Flow Hedges

When a derivative is designated as the hedging instrument in a hedge against a change in the cash flows of a recognized asset, liability or highly probable future transaction that could affect the profit or loss, changes in the fair value of the derivative are recognized:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income; and
- the ineffective portion of the gain or loss on the hedging instrument shall be recognized in profit or loss.

The recognized changes in fair value of the hedged items are recognized in accordance with the Group's policy on financial instrument measurement depending on the instrument classification.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Loans and Receivables

Line items "loans and receivables due from banks and other financial institutions" and "loans and receivables due from customers" in the Group's statement of financial position include financial assets that are measured at amortized cost or at fair value through profit or loss (please refer to Note 3(k)(ii)). If they are measured at amortized cost, loans and receivables are presented net of allowances for impairment in the statement of financial position (Note 3(k)(viii)). Allowance for impairment is made by reducing the carrying amount of a loan or receivable. If, in a subsequent period, the amount of impairment loss decreases, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognized in the income statement within the line item of net gains/losses on the reversal of impairment/impairment of financial assets not measured at fair value through profit or loss.

(p) Securities

The line item of securities in the statement of financial position includes debt securities that can be classified into all three categories of financial assets depending on the business model and SPPI criteria. For classification and measurement, please refer to Note 3(k)(ii).

(q) Property and Equipment

(i) Recognition and Measurement

Items of property and equipment are initially measured at cost or purchase price. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of such equipment.

Subsequent to the initial recognition:

- the Group measures equipment at cost net of accumulated depreciation and any accumulated impairment losses;
- while property items are measured at revalued amounts, being their fair values at the revaluation date.

Revaluation is made with sufficient regularity to ensure that the carrying value of the property does not depart materially from the fair value thereof at the end of the reporting period. According to the instructions received from the UniCredit Group, the "desktop" revaluations should be performed by certified appraisers on a semi-annual basis. If such a revaluation reveals that fair value deviates by more than 10% from the carrying value, the "full" fair value assessment is to be undertaken.

Recording of the revaluation effects depends on whether the difference between the carrying value and the fair value is positive or negative at the revaluation date. Positive revaluation effects are recognized as increase in the revaluation reserves and/or gains on the change in the fair value of the asset to the extent of the of the decrease previously charged for the same property due to revaluation. Negative revaluation effects are recognized as decrease in the previously made revaluation reserves and/or losses on the change in the fair value of the asset. Revaluation reserves made in this respect are fully reclassified to the retained earnings upon derecognition of the property. Revaluation reserves are reclassified/transferred to the retained earnings even during the use of the property, on a straight-line basis. However, revaluation reserves cannot be reclassified to the profit or loss.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and the difference is recognized net within other income/expenses in the profit or loss statement.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Property and Equipment (Continued)

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits thereof will flow to the Group.

The cost of replacing part of an item of property or equipment is recognized within the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the month following the month when they become available for use. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The depreciation rates used for the current and comparative periods are as follows:

Assets	Estimated Useful Life (Years)	Minimum Annual Rate %
Buildings	according to estimated useful life	-
Furniture	Maximum 25	4%
Electronic systems	Maximum 15	6.67%
Other	Maximum 10	10%

The base for depreciation calculation is the cost of assets or, in case of property, the revalued amount of property. Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted as appropriate.

(r) Intangible Assets

The Group's intangible assets comprise software, licenses and other intangible assets. Intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in the profit or loss on a straight-line basis over the estimated useful life of an intangible asset, from the month following the month when the asset becomes available for its intended use.

The estimated useful life of intangible assets is five years and amortization rate used equals 20%, except for the assets whose usage periods are contractually defined, when these assets are amortized over the contractually defined periods.

Amortization methods, useful lives and residual values of intangible assets are reassessed at each financial year-end and adjusted as appropriate.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Investment Property

Investment property is property held by the owner either to earn rental income or for capital appreciation or both.

Upon acquisition, investment property is initially measured at cost or purchase price. After initial measurement, Group uses the fair value model for investment property measurement. The Group's investment property is no longer depreciated or subject to impairment assessment Gains or losses arising from the fair value adjustment of investment property are recognized as income or expenses in the period when realized/incurred.

(t) Leases

(i) The Group *as the Lessee*

IFRS 16 defines a lease as a contract or a part of a contract that conveys the right to control the use an identified assets for a period time in exchange for a consideration. A right-of-use (ROU) asset is recognized if the following conditions are cumulatively met:

- the underlying assets may be either explicitly or implicitly identified;
- the lessee has the right to obtain substantially all of the economic benefits from the use of the asset throughout the lease period; and
- the lessee has the right to direct the use of the identified asset, i.e., decide about how and for what purpose the asset will be used throughout the period of use.

As allowed by the standard, the Group does not apply the accounting required for lessee to low value leases assets i.e. value up to EUR 5,000 in RSD counter value, to short term leases with lease terms of up to a year and leases of intangible assets. Typical low-value underlying assets are: printers, water dispensers, POS terminals, tablets, computers, telephones and small office furniture items. Such leases are recognized as expenses in the Group's income statement on a straight-line basis.

When a contract is assessed to be/contain a lease, the right-of-use asset is recognized within assets, while the lease liability is recognized within equity and liabilities on the Group's statement of financial position. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made and deposits placed at or before the commencement date;
- any initial direct costs incurred by the lessee;
- decrease for any lease incentives received from the lessor; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to its original condition.

After the initial recognition, the right-of-use (ROU) asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any re-measurement of the lease liability. ROU assets are depreciated on a straight-line basis. Calculation of the depreciation charge commences on the first calendar following the month when the asset became available to the Group.

The lease liability is initially measured at the net present value of the future lease payments (net of value added tax), discounted using the interest rate implicit in the lease, or, if it cannot be readily determined, at the Group's incremental borrowing rate. The incremental borrowing rate is determined based on the cost of financing of liabilities with a similar term and with a similar security to the liability defined by the lease contract.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Leases (Continued)

(i) The Group *as the Lessee (Continued)*

Future lease payments that are included in the amount of the lease liability after discounting encompass:

- fixed lease payments less any lease incentives received;
- variable lease payments, which depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the Group, as the lessee, is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as the lessee, exercising an option to terminate the lease.

After initial recognition, the lease liability is decreased by the amount of the lease payments made and increased by the interest accrued on the lease liability and adjusted for the following:

- a change in future lease payments resulting from a change in an index or a rate initially used to determine those payments;
- a change in the assessment of an option to purchase the underlying asset;
- a change in the amounts expected to be payable under a residual value guarantee; and
- a change in the lease term.

Adjustment to the amount of the lease liability requires a corresponding adjustment of the right-of-use assets. In respect of each lease, the Group recognizes depreciation charge and interest expenses in its income statement.

(i) The Group *as the Lessor*

As a lessor, the Group needs to assess whether a lease is a finance or an operating lease. If the Group assesses that a lease contract transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, such a lease is classified as a finance lease. Otherwise, it will be an operating lease. IFRS 16 does not introduce any significant changes for the lessor lease accounting in comparison to IAS 17.

(u) Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite useful life are tested for impairment on annual basis. An impairment loss is recognized in the amount that the carrying value of an asset or a cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or a cash-generating unit.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount (as the difference between the two). Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Deposits, Borrowings and Subordinated Liabilities

Deposits, borrowings and subordinated liabilities are the Group's main source of debt funding.

The Group classifies equity instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Deposits, borrowings and subordinated liabilities are initially measured at fair value increased by directly attributable transaction costs and are subsequently measured at their amortized cost using the effective interest method.

(w) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Group does not perform discounting of the future cash flows that are, as per the best estimates, expected to arise in the near term.

(x) Financial Guarantees

Financial guarantees represent contracts whereby the Group is obligated to make the designated payment to the guarantee holder for the loss incurred due to the designated debtor's failure to make the relevant payment in timely manner in accordance with the debt instrument terms.

(y) Employee Benefits

In accordance with regulatory requirements of the Republic of Serbia, the Group is under obligation to pay contributions to tax authorities and state social security funds, which guarantee social security insurance benefits to employees. These obligations involve the payment of contributions by the employer, in amounts computed by applying the specific, legally prescribed rates. The Group is also legally obligated to withhold contributions from gross salaries to employees, and, on behalf of its employees, transfer the withheld portions directly to the government funds. These taxes and contributions payable on behalf of the employee and employer are charged to employee salaries and personal expenses in the period in which they arise.

Pursuant to the Labor Law, the Group has an obligation to disburse an employment retirement benefit to a retiree. Long-term provisions for retirement benefits payable upon fulfillment of the prescribed criteria reported at December 31, 2024 represent the present value of the expected future payments to employees determined by actuarial assessment using actuarial assumptions. In determining provisions for retirement benefits, the Group used data and assumptions such as the official statistical mortality rate tables, employee turnover and disability rates, the projected annual salary growth rate of 12%, and an annual discount rate of 5%. In addition, in 2024, the Group accrued expenses for unused annual leaves (vacations).

Liabilities for short-term employee benefits are recognized on undiscounted basis as an expense when the service is provided. Long-term benefits refer to payments based on long-term remuneration schemes of employees which are included in these schemes based on the criteria of contributing to the long-term and growing profitability of the Group. Liabilities for long-term employee benefits are recognized using the appropriate discount rate.

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4. RISK MANAGEMENT

(a) Introduction and Overview

The main types of material risks that the Group is exposed to are the following:

- Credit risk;
- Market risk;
- Operational risk
- Liquidity risk;
- Compliance risk;
- AML risk (Money laundering and terrorist financing risks);
- Strategic risk/Business risk;
- Reputational risk;
- Interest rate risk in the banking book;
- Model risk; and
- Climate and environmental risk.

Risk Management Framework

The most important role in the risk management as a part of internal control system is assigned to the Supervisory Board (SB) of the Bank, which is responsible for risk management system establishing and monitoring. SB is defining strategies and policies for managing key risk types that the Group is exposed to in its operations. Also, SB is in charge of giving prior consent for the bank's exposure to each single person or a group of related persons which exceeds 10% of the bank's regulatory capital, and/or for the increase of this exposure in excess of 20% of bank's regulatory capital. Audit Committee is supporting SB in its functioning by considering the most important internal regulations of the Group before final approval by SB. Management Board of the Bank is responsible for approval and implementation risk strategies and policies and for approval of risk management procedures i.e. procedures for identification, measuring, estimation and managing of risks. Important role in loan approval process is assigned to the Credit Committee, which is in charge of making decisions about credit applications within its competence level or giving recommendation for higher credit approval competence level.

Internal organization of the Group ensures functional and organizational separation of risk management and other regular business activities. The Group has separate organizational unit that covers risk management – Risk Management.

Risk Management[1] is organized in order to cover risk management, through the work of the following structures:
• Strategic, Credit & Integrated Risks (within which there are structures: Collateral and Asset management, Credit risk control & Integrated risks, Credit risk modelling and Credit process & policies);
• Credit Risk Operations (within which there are structures: Retail credit operations, Large corporate underwriting, Small corporates underwriting, Corporate monitoring and Corporate Special credit);
• Financial risks;
• Internal Validation.

All organizational units are directly subordinated to the member of Management Board, who is in charge for risk management, which assures prevention of conflict of interests and separation of risk management and other regular operational activities of the Group.

Internal Audit

The Internal Audit conducts its activities based on the annual operating plan and multi-year internal audit plan approved by the Supervisory Board. Frequency of internal audit (frequency or length of an audit cycle) of a particular process/risk varies from one to five years and directly depends on the assessed risk level, regulatory and/or request of UniCredit Group. Internal Audit regularly monitors implementation of recommendations issued in its reports (action plans) and reports their statuses to the Management Board, Audit Committee and the Supervisory Board including delays in the implementation of the measures.

[1] Within Risk Management there is also a structure in charge of non-financial risks.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk

Credit risk is the risk of possible negative effects on financial result and capital of the Group caused by the Borrower's default on its obligations to the Group and potentially decrease of credit capacity of client.

Credit process in the Group is based on strict segregation of the competences and responsibilities in credit operations between risk taking activities, "business" function responsibilities on one side and credit risk management function on the other side. Business function is represented with structures that are dealing with client acquisition and relationship management, while credit risk management function is represented by mentioned structures in Risk Management in charge of loan underwriting, monitoring, restructuring and collection. According to "four eye" principle, decision on credit application is proposed by business side (first vote) and final decision or recommendation for credit approval decision is given by risk management function (second vote). Exception can be made for standardized products in retail segment, when due to a large number of relatively small loan amounts and simplification of the procedure, approval process can be completely realized within business function, with mandatory applied "4 eyes principle", in accordance with predefined criteria and parameters, approved by risk management function.

With the aim to ensure adequate and timely risk management in the area of crediting activity, the Group applies the following internal bylaws: Risk Management Rulebook, Rules on Competences for Credit Business, documents which define rules for internal credit rating assignment, Rules of Procedure for the Credit Committee, Credit Risk Mitigation Policy, Policy, Real Estate Valuation Policy, Guidelines for the Management of Corporate Special Credit Clients, Guidelines for the monitoring of customers with increased risk and rules on management of Special Credit Clients, Rules on the IAS/IFRS Provisioning and other enactments. The Group's goal is to protect itself from the negative impact and to optimize the level of the risks assumed by defining adequate procedures and individual responsibilities in the risk management process.

In order to define consistent guidelines for the credit activity and a general framework for risk management, the Group enacts credit risk management strategies for the retail and corporate segments for each financial year. The strategies include general guidelines for the basic parameters of risk management, principles for analysis of the creditworthiness of each customer segment, and definition of the direction of development of individual products, as well as detailed strategy direction of portfolio development per certain industries. In this manner, the Group ensures that the adopted business policies are implemented resulting in acceptable credit risk exposure at the level of individual loans, as well as adequate diversification and general quality of the loan portfolio. The Group also considers analysis of the money laundering and terrorist financing risk in making decisions on the credit risk assumption.

Competences, responsibilities and authorities of persons involved in the risk management system are defined by the Rules on Competences for Crediting Business. In credit process decision making, the "four eye" principle has to be followed irrespective of the decision-making level in order to ensure that the two sides involved in the credit process check each other – the one proposing and the other approving a loan. The focus of Corporate Monitoring in 2024 was on assessing warning signals induced by overall crisis related to world conflicts but also negative market trends in several industries (e.g. Agriculture, Construction, Automotive), and its impact on portfolio.

Regarding corporate portfolio monitoring, bearing in mind overall world crisis, the increased monitoring of warning signals, clients and portfolios, and the implementation of various measures aimed at reducing risks in cooperation with clients who are on high-risk client watch lists, is continued. In addition to the existing monitoring list of clients with increased risk ("watch list"). The bank continued with the comprehensive analysis of the existing monitoring process, all with the aim of improving its efficiency and effectiveness, in order to recognize risks earlier and to ensure a timely reaction of the Bank. During 2024, the trend of fluctuations of clients to and from watch lists continued, while the number of clients on watch lists is increased along with increased number of clients transferred from Standard portfolio and from Watch list to worse categories with evident worsening of general market liquidity.

The main goal in 2024 was to ensure continuity to mitigate potential negative effects of geopolitical situation through intensive monitoring process and defining adequate strategy toward clients with the negative impact of Global crisis.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Quarterly monitoring of previously identified clients sensitive to the Russian-Ukrainian and Middle East conflict continued in cooperation with sales function, loan approval function and portfolio monitoring function, as well as more frequent ad hoc occasional corporate sub portfolio analysis including quarterly updating the list of clients.

Credit Risk Reporting

The Group manages credit risk, sets credit risk limits and controls it in all segments of its business and for all relevant types of corporate and retail loans. Timely identification, measuring, monitoring and managing of the credit risk on the Group's portfolio level is supported by the Risk Management Information System ("RMIS"). By reporting at the total portfolio level or at the individual client level, RMIS provides complete, accurate and timely information about the balance, quality and movements of the loan portfolio. RMIS has to fulfil the following four main functions:

1. Collect and process data and credit risk indicators;
2. Analyze movements and changes of the entire loan portfolio and its structural characteristics;
3. Continuously monitor credit risk; and
4. Provide a basis for the process of decision-making on the credit risk management.

The scope of credit risk monitoring, management and reporting on a portfolio level includes monitoring of loan loss provisions (impairment allowances of balance sheet assets and provisions for probable losses per off-balance sheet items).

Credit Risk Parameters

Credit risk is quantified by measuring the expected credit losses (ECL). Main indicators that are used to monitor credit risk and to calculate expected credit losses are as follows:

- Exposure of the Group at default (EaD);
- Probability of default (PD); and
- Loss given default (LGD).

The Group uses internal credit rating models. Rating models define specific rating for clients with similar credit risk levels. Each rating grade is related to a certain PD parameter value on the master rating scale. The Group also internally calculates other credit risk parameters.

Internal credit risk assessment models, credit risk parameters and collaterals are used for loan loss provisions calculation in line with IFRS, as defined by the Group's special bylaws. In order to fulfil the aforesaid functions, RMIS uses IT systems of UniCredit Group and internally generated databases with information about the portfolio at the individual loan facility level. The Group's systems provide rating and past-due days data as important client's credit risk parameters

Limits

The Group manages credit risk concentration of the portfolio by setting appropriate limits. Limits are defined by the Group's internal bylaws and/or NBS regulations and compliance with those is monitored and reported on an ongoing basis.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Credit Risk Reporting (Continued)

Reports

In monitoring of the credit risk on the portfolio level, the following reports are used:

			Report user				
Report	**Responsible organizational unit**	***Frequency***	**CRO Division**	**ALCO**	**Management Board**	**Audit committee**	**Supervisory Board**
CRO report/SB presentation	CFO / Risk management	Quarterly (as needed)			+*	+*	+
Credit Risk Dashboard	Credit risk control & Integrated risks	monthly**	+				
Risk appetite report	Credit risk control & Integrated risks	quarterly		+		+	+
Bank's Risk profile	Financial risks	monthly		+			
Management summary report	Financial risks	daily			+***		
Operational risk report	Non-financial risks	monthly			+****		
Reputational risk report	Non-financial risks	quarterly			+*****		

** Report is presented for consideration and analysis, before final presentation on Supervisory Board.*

*** The predefined report form is updated monthly according to the availability of the most recent data. The report is made available to the Head of the Risk Management and directors of the structures within the Risk Management function.*

**** Report recipients are the following organizational structures: Members of the Management Board (CEO and structures Heads: Finance, Corporates, Retail, Risk Management), Trading, Investment services, Finance, Financial risks, UCL CEO , but also and UniCredit Group representatives (on demand).*

***** Report recipients are the following organizational structures: Management team of the Bank and CEO Leasing, Internal Audit, Compliance, Banking operations, Digital Governance & Control, Digital & Information, Security , Strategic, credit and integrated risks, the structure which is covering the Fraud Management. The report represents the monthly overview of operational risk events.*

******* Report recipients are the Management team of the Bank. The report represents quarterly overview of the analysis results and effect on reputational risk.*

CRO Report to the Supervisory Board is prepared quarterly or more frequently if necessary, depending on the schedule of the Supervisory Board's meetings. All organizational units within the Risk Management participate in preparation of the report while the Strategic, credit and integrated risks is responsible for coordination and delivery of the report. The report is prepared in the form of a presentation and includes, among other things, the following:

- Status overview of the most relevant activities of the Risk Management;
- Information on the structure and movements of the loan portfolio;
- Information on the key indicators of the portfolio quality, balance and movements of non-performing loans (NPLs), provisions for credit losses, risk costs and coverage of NPLs with credit loss provisions;
- Basic information on the portfolio concentration and compliance with the set limits, including the list of 10 largest client groups and 10 largest non-performing clients by their overall exposure.

Credit Risk Dashboard Report is updated on a monthly basis by the Strategic, Credit and integrated risks and delivered to the Management Board member in charge of the Risk Management and Directors of all structures within Risk Management. The information is presented at the sub-segment level (large corporate clients, middle-sized corporate clients, real estate financing, business clients and entrepreneurs and individuals) with comparative data for the previous month and previous year-end.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Credit Risk Reporting (Continued)

Reports (Continued)

The report includes the following information:

- Loan structure (type and currency);
- Portfolio structure per internal credit rating categories;
- Portfolio structure per (non)-default client status;
- Data on the asset quality at the sub-segment level (exposure, NPL volume and ratio, amount of credit loss provisions, NPLs coverage with credit loss provisions);
- PD and LGD per segment;
- Credit loss provisioning costs per sub-segment (charge and release/reversal as compared to the beginning of year and previous month); and
- cost of risk per sub-segment.

The risk appetite report is compiled on a quarterly basis and presented at the ALCO board meeting. The organizational units of the Group that participate in the development of the risk appetite framework participate in the preparation of the report. The report involves monitoring the behavior of key performance risk indicators over time, which aim to:

- to ensure that business is conducted up to risk tolerance at the level of the Group, which is additionally through the 'bottom up' process agreed with the Holding Company and adopted by the local Supervisory Board;
- to warn of potentially significant negative developments of key indicators and their components, as well as to provide an explanation of the same;
- to support the development of future strategic decisions in accordance with its risk profile.

In addition to the standardized reports, there are many activities undertaken in order to provide accurate parameters used in credit risk monitoring: *ad hoc* analyses and reporting and other activities that contribute to the accuracy of the credit risk parameters.

Ad hoc analyses and reporting are applied in cases of the Group's higher risk exposure, especially if the credit risk level is changing drastically and abruptly and when timely reaction is expected – for example: deterioration of internally assigned rating grades, significant need for additional provisions, signs of mismatching in organization, implemented system or procedures, change of any of the credit risk parameters or in calculation of provisions.

Other activities conducted by the Group include: quality verification of data used in monitoring, managing of and reporting on the credit risk, improvement of the existing systems and procedures, annual process of budgeting and subsequent control and any adjustments of the budgeted parameters.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Credit Risk Reporting (Continued)

Credit Risk Exposure

The table below shows the Group's maximum credit risk exposure per financial instrument type:

	Cash and balances held with the central bank (Note 20)		Securities including pledged financial assets (Note 22)		Loans and receivables due from banks and other fin. institutions (Note 23)		Loans and receivables due from customers (Note 24)		Other financial assets** (Note 29)		Off-balance sheet items	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Individually impaired												
Corporate clients, rating 10	-	-	-	-	-	-	569,267	102,153	9,051	1,701	7,542	-
Corporate clients, rating 9	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients, restructured loans *	-	-	-	-	-	-	4,315,882	9,134,163	2,260	6,421	323,870	460,808
Retail clients, > 90 days past due	-	-	-	-	-	-	4,732,657	4,533,856	49,048	74,132	3,534	4,406
Gross loans		-		-		-	9,617,806	13,770,172	60,359	82,254	334,946	465,214
Impairment allowance		-		-		-	6,580,722	8,357,800	56,475	76,725	179,659	313,283
Carrying value	-	-	-	-	-	-	3,037,084	5,412,372	3,884	5,529	155,287	151,931
Group-level impaired												
Corporate clients, rating 1 - 6	191,329,023	130,511,724	100,275,223	102,262,512	72,022,759	63,008,821	240,874,404	209,801,628	268,380	195,501	306,577,947	269,035,254
Corporate clients, rating 7	-	-	-	-	-	-	8,069,983	3,938,136	927	711	4,926,407	8,510,136
Corporate clients, rating 8	-	-	-	-	-	-	241,255	1,026,004	468	2,228	164,535	29,180
Retail clients, Stage 1	-	-	-	-	-	-	128,787,608	104,095,792	23,907	27,751	6,473,843	3,432,107
Retail clients, Stage 2	-	-	-	-	-	-	7,915,193	25,284,784	18,100	-	550,958	2,363,597
Gross loans	191,329,023	130,511,724	100,275,223	102,262,512	72,022,759	63,008,821	385,888,443	344,146,344	311,782	226,191	318,693,690	283,370,274
Impairment allowance	8	8	284,930	271,187	14,847	2,430	4,168,805	5,089,009	586	315	1,059,297	1,224,641
Carrying value	191,329,023	130,511,716	99,990,293	101,991,325	72,007,912	63,006,391	381,719,638	339,057,335	311,196	225,876	317,634,393	282,145,633
Carrying value of rated assets	191,329,015	130,511,716	99,990,293	101,991,325	72,007,912	63,006,391	384,756,722	344,469,707	315,080	231,405	317,789,680	282,297,564
Carrying value of non-rated assets	-	-	2,878,229	2,454,461	-	-	-	-	2,051,924	1,267,772	-	-
Total carrying value	**191,329,015**	**130,511,716**	**102,868,522**	**104,445,786**	**72,007,912**	**63,006,391**	**384,756,722**	**344,469,707**	**2,367,004**	**1,499,177**	**317,789,680**	**282,297,564**

* Category "corporate clients – restructured loans" includes corporate customers with internal rating 8-, whose impairment allowance was made on a group-level and not individually.
** Difference compared to total other assets relates to non-financial assets with gross carrying value of RSD 896,256 thousand (2023: RSD 422,005 thousand) and impairment allowance of RSD 1,993 thousand (2023: RSD 2,681 thousand).

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Implementation of Basel Standards

In the area of application of Basel standards related to credit risk models, the focus of activities was primarily on the continued development of Exposure at Default and Loss Given Default models, as well as software implementation, testing and launch of a new rating model for Mid Corporate segment in November 2024.

Internal Rating System (Rating Scale)

The ranking rules for customers are established at the level of UniCredit Group and as such are uniform for each member of the UniCredit Group. The UniCredit Group's rating system was developed and has been in use since 2004 at the group level for clients in the corporate segment. For retail clients and entrepreneurs, the rating system was internally developed and has been in use since 2010. The Group uses the UniCredit Group's rating models for multinational companies, banks, insurance companies and exposures to states/governments. The master rating scale is used as a unique rating assignment method, which ensures that customers with the same rating have the same credit characteristics and the same probability that they will not settle their liabilities, in part or in full, within the period of 1 year.

The master scale is divided into 10 rating classes that are further broken down into a total of 26 rating subgroups.

Rating Notch	Rating	PD min %	PD mid %	PD max %
1	1+	0.000%	0.020%	0.026%
2	1	0.026%	0.030%	0.035%
3	1-	0.035%	0.041%	0.048%
4	2+	0.048%	0.056%	0.065%
5	2	0.065%	0.076%	0.089%
6	2-	0.089%	0.104%	0.121%
7	3+	0.121%	0.141%	0.165%
8	3	0.165%	0.192%	0.224%
9	3-	0.224%	0.262%	0.306%
10	4+	0.306%	0.357%	0.417%
11	4	0.417%	0.487%	0.568%
12	4-	0.568%	0.663%	0.775%
13	5+	0.775%	0.904%	1.056%
14	5	1.056%	1.232%	1.439%
15	5-	1.439%	1.680%	1.961%
16	6+	1.961%	2.289%	2.673%
17	6	2.673%	3.120%	3.643%
18	6-	3.643%	4.253%	4.965%
19	7+	4.965%	5.796%	6.767%
20	7	6.767%	7.900%	9.222%
21	7-	9.222%	10.767%	12.570%
22	8+	12.570%	14.674%	17.131%
23	8	17.131%	20.000%	100%
24	8-	100%	100%	100%
25	9	100%	100%	100%
26	10	100%	100%	100%

The internal master scale is compliant with Basel Standards, meaning that each rating subgroup has a PD parameter associated with it, with probability that a customer with particular characteristics will be unable to settle liabilities toward the Group and enter the default status. For the first 23 subgroups the probability of default ranges between 0.02% and 20.00%, where those clients are rated between 1+ and 8. Their probability of default is based on the statistical analyses of the historical data

Ratings from 1+ to 6-: These rating notches are reserved for customers determined in an internal credit assessment to have a credit standing of very good to just acceptable. For customers with this rating periodic review of creditworthiness is performed once a year.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Internal Rating System (Rating Scale) (Continued)

Ratings 7+ to 7-: These cover three subgroups for transactions with low credit rating clients. Customers assigned these rating notches have substantially higher risk factors and must be constantly monitored.

Ratings 8+ and 8- cover those clients that are not determined for individual provisioning but are subject to special loan restructuring or debt reduction measures.

Rating 8- relates to customers in default according to the Basel Standards criteria.

Rating 9 refers to customers with loans provided for on an individual basis or those where a portion of the receivables has been written off.

Rating 10 is assigned to the clients in the process of liquidation or bankruptcy.

Ratings 8-, 9 and 10 are by definition assigned to customers in default in accordance with Basel Standards criteria, with special credit loss provisioning calculation.

For IFRS 9 purposes the rating from the master scale is adjusted in such way that clients from the rating notches with the same rating (i.e. 1+, 1 and 1-) are grouped together in one rating class (i.e. rating 1). IFRS 9 PD model creates PD curves for rating classes from 1 to 8 for 3 segments Retail, Business, Corporate. Afterwards these PD curves are adjusted for forward looking information. With FLI the PD values for the first 3 years will be adjusted in accordance with the macroeconomic outlook impacting the PD values to go up or down in value. In addition, based on the policies of the Group, PDs need to be client-specific. Therefore, punctual cumulative PDs (cPDs) on a client level are derived from the cPDs on a rating class level. Clients are assigned to rating classes based on their punctual Basel PD at the reporting date. This Basel PD of a client is compared to the PD mid values taken from the master scale, which is shown in the previous page, of the whole rating class and based on that the cPD curve is shifted upwards or downwards depending on if the clients Basel PD is above or below the PD mid value.

Methodology for Calculation of Expected Credit Losses

In accordance with the current Rulebook on IFRS Loan Loss Provisioning, the Group calculates 12-month ECL or a lifetime ECL of a financial instrument depending on the significance of the change in its credit risk occurred since the instrument's initial recognition. For these purposes, the Group uses the following three stages of impairment:

- Stage 1 includes all new financial assets at initial recognition (except POCI) and instruments without significant credit quality deterioration since their initial recognition, or instrument with low-level credit risk;
- Stage 2 includes financial instruments with significant credit quality deterioration since their initial recognition yet with no objective evidence of impairment based on credit losses;
- Stage 3 includes financial instruments where objective evidence of impairment exists at the reporting date.

Stages 1 and 2 include only performing financial assets. Stage 3 includes only non-performing financial assets. For financial assets in Stage 1, the Group calculates 12-month expected credit losses. For financial assets in Stage 2, the Group calculates lifetime expected credit losses.

Stage 1 12-month expected credit losses are calculated, except for maturity shorter than 12 months. It applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
Allowances are calculated in accordance with the Group methodology the following way:

$$ECL = \sum_{m=1}^{min\,(12;T)} (CPD_m - CPD_{m-1}) \times LGD_m{}^{unsec} \times EAD_m{}^{unsec} \times \left(\frac{1}{1+EIR}\right)^{\frac{m}{12}}$$

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Methodology for Calculation of Expected Credit Losses (Continued)

Where:

- $EAD_{t_i}{}^{unsec}$ Unsecured exposure at default for account at time t_i, namely Exposure at default for account at time m, minus the allocated collateral amount
- $EAD_{\mathrm{m}}{}^{unsec}$ Unsecured exposure at end of month (note: secured part assumed to have LGD 0%, thus ECL 0)
- CPD_m Cumulative punctional PD at month m
- $LGD_m{}^{unsec}$ Unsecured loss given default at month m
- T Maturity in months
- EIR Effective interest rate
- m End of month

Financial instruments, for which significant deterioration in credit quality has occurred since initial recognition are assigned to Stage 2. However, these financial instruments are not in default yet, lifetime expected credit losses are calculated. Allowances are calculated in accordance with the Group methodology using the following approach:

$$ECL = \sum_{m=1}^{T} (CPD_m - CPD_{m-1}) \times LGD_m{}^{unsec} \times EAD_m{}^{unsec} \times \left(\frac{1}{1+EIR}\right)^{\frac{m}{12}}$$

Where:

- $EAD_{t_i}{}^{unsec}$ Unsecured exposure at default for account at time t_i, namely Exposure at default for account at time m, minus the allocated collateral amount
- $EAD_{\mathrm{m}}{}^{unsec}$ Unsecured exposure at end of month (note: secured part assumed to have LGD 0%, thus ECL 0)
- CPD_m Cumulative punctional PD at month m
- $LGD_m{}^{unsec}$ Unsecured loss given default at month m
- T Maturity in months
- EIR Effective interest rate
- m End of month

LGD is one of the key components of the credit risk parameters based ECL model presented in Equation above. LGD based on IFRS 9 requirement are to be adjusted by Forward-looking information and calculated in the following manner:

$$LGD_{unsec} = LGD_{liquidation} * (1 - cure\ rate)$$

Where LGD liquidation is the estimated pool based average values of LGD for default events resolved in liquidation for the 3 segments Retail, Business and Corporate, and the cure rate is the probability that the default event will return to the performing portfolio, thus be cured. The main goal of the FLI is to incorporate in LGD parameters the future macroeconomic tendencies and adjust the predicted portfolio RRs for following years. Specifically, based on a macroeconomic model, the Group forecasts the year-to-year percentage change (Δ) of the yearly recovery rates with respect to the current point in cycle, which is expected to be recovered within a 12-month time horizon, calculated as follows:

$$\Delta_{t_i}^{RR} = \frac{RR\_FL_{t_i} - RR_{t0}}{RR_{t0}}, i = 1, 2, 3\mathrm{sv}$$

Where:

- *RR_FL_{ti},* corresponding to the forecasted yearly recovery rates in 1 year, 2 years, and in 3 years;
- *RR_{t0},* corresponding to the last yearly recovery rates

Multi scenario overlay is applied to fulfill the requirements of IFRS 9 standard and the best practices in the banking industry for including macro-economic effects, based on a range of possible outcomes, into the expected credit losses.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

The table containing weights for four alternative scenarios (out of which baseline (BL), negative or contagion (CONT) and positive (POS) were communicated from the Group, and the average (AVG) scenario is simply the weighted average of aforementioned 3) that were applied to November's LLP run is represented below:

Methodology for Calculation of Expected Credit Losses (Continued)

Name	Severity	Weight	Comment
Bl	-	60%	Baseline
Cont	downturn	35%	Contagion
Pos	upturn	5%	Positive
Avg	-	-	It has been created taking the weighted average of each "delta" i.e. change in PD/LGD values per segment among all the scenarios above. This is used only for Staging allocation, meaning that the final calculation of multi scenario overlay will take the stage from the average scenario and all other information from the previous 3 scenarios.

The forecasted default rates (as well as recovery rates) represent the input for the point in time (PIT)/FLI adjustment of the lifetime probability of default (and lifetime loss given default) parameters used to calculate the multi scenario overlay.

Sensitivity of EAD and ECL per local segment and stage is given in RSD thousands in the following tables:

Portfolio	EAD Baseline				EAD Negative				EAD Positive			
	of which S1	*of which S2*	*of which S3*	*Total*	*of which S1*	*of which S2*	*of which S3*	*Total*	*of which S1*	*of which S2*	*of which S3*	*Total*
Corporate	157,378,785	37,968,878	4,868,189	200,215,852	151,698,044	43,649,619	4,868,189	200,215,852	157,930,260	37,417,403	4,868,189	200,215,852
Small Business	34,571,914	3,824,339	1,319,334	39,715,587	34,512,523	3,883,730	1,319,334	39,715,587	34,567,722	3,828,531	1,319,334	39,715,587
Retail - Mortgages	38,485,259	1,191,637	434,487	40,111,383	38,465,469	1,211,427	434,487	40,111,383	38,491,965	1,184,931	434,487	40,111,383
Retail - Others	58,422,550	3,040,515	3,234,334	64,697,399	58,243,808	3,219,246	3,234,345	64,697,399	58,485,896	2,977,158	3,234,345	64,697,399
Total	288,858,508	46,025,369	9,856,344	344,740,221	282,919,844	51,964,022	9,856,355	344,740,221	289,475,843	45,408,023	9,856,355	344,740,221

Portfolio	EAD Baseline				EAD Negative				EAD Positive			
	of which S1	*of which S2*	*of which S3*	*Total*	*of which S1*	*of which S2*	*of which S3*	*Total*	*of which S1*	*of which S2*	*of which S3*	*Total*
Corporate	750,084	827,298	4,143,103	5,720,485	752,935	1,145,593	4,143,616	6,042,144	740,273	788,283	4,142,815	5,671,371
Small Business	278,392	246,121	941,045	1,465,558	280,515	251,818	945,705	1,478,038	279,134	246,372	938,404	1,463,910
Retail Mortgages	29,522	18,158	100,310	147,990	30,117	20,178	101,088	151,383	29,337	17,440	99,933	146,710
Retail - Others	647,349	421,247	2,455,378	3,523,974	698,872	483,494	2,508,953	3,691,319	630,679	398,506	2,429,455	3,458,640
Total	1,705,347	1,512,824	7,639,836	10,858,007	1,762,439	1,901,083	7,699,362	11,362,884	1,679,423	1,450,601	7,610,607	10,740,631

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Methodology for Calculation of Expected Credit Losses (Continued)

Portfolio	ECL Final			
	of which S1	*of which S2*	*of which S3*	*Total*
Corporate	744,360	820,667	4,143,103	5,708,130
Small Business	278,081	245,818	941,045	1,464,944
Retail - Mortgages	29,523	18,159	100,310	147,992
Retail - Others	647,366	421,258	2,455,389	3,524,013
Total	1,699,331	1,505,901	7,639,847	10,845,079

Multi scenario overlay for Q4 2024 and Q4 2023 is given in the table below. Overlay factor is added as a multiplier on top of ECL calculation for all performing transactions.

Local Portfolio	Overlay Factor Q4 2024	Overlay Factor Q4 2023	GW Portfolio	Overlay Factor Q4 2024	Overlay Factor Q4 2023
Business:	1.005	1.0113	**FI (Banks):**	1.0195	1.0145
Corporate:	1.0613	1.1638	**GPF:**	1.0609	1.6012
Retail:	1.0345	1.045	**MNC:**	1.0777	1.097
			SOV:	1.2181	1.1589

Rules and Principles for ECL Calculation for Non-Performing Financial Assets – Stage 3

In accordance with the current Rulebook on IFRS Loan Loss Provisioning, if there is objective evidence of impairment (default status) on the financial statements' preparation date, all financial assets are classified into Stage 3. According to Art. 178 of the EU regulation n. 575/2013 a 'default' shall be considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

1) the obligor is past due more than 90 days on any material credit obligation; or/and

2) the obligor is unlikely to pay at least one of his credit obligations in full without recourse actions to be taken by the respective legal entity. For financial instruments classified into Stage 3, the rule is that impairment is based on the calculation of lifetime ECL. In this process, the Group specifically treats clients in the default status whose exposure is considered significant and such loans or clients are individually assessed by the Group on a case by case basis, whereas the loans that are not individually significant are assessed on a collective basis.

A financial asset is impaired and impairment has occurred if there is an evidence of impairment arising from one or more events that occurred after the date of initial recognition of the asset, which have an impact on the estimated future cash flows of that financial asset. If any such evidence exists, the Group is required to calculate the amount of such impairment in order to determine whether the impairment loss should be recognized. In other words, if there is any evidence of impairment, the Group should estimate the amount that can be recovered for that asset or group of assets and recognize the impairment losses.

When determining the adequate amount of the provision, the Group must differentiate the need to calculate the specific provision on an individual basis and the specific provision on a collective basis for clients that are grouped into categories with similar risk characteristics, based on the segment to which the client belongs and the total amount of exposure at the client level. The total exposure of the client is comprised of the balance sheet and off-balance sheet receivables, including undrawn loan funds. The process of determining a specific provision on an individual basis is intended to measure the impairment loss at the client level. An individual provision is assessed as the difference between the carrying amount of the receivable and the present value of the expected future cash flows discounted at the effective interest rate of the financial asset (e.g., the effective interest rate specified when upon contract execution). In other words, the provision will be determined in the amount of an individual receivable that is not expected to be recovered.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Methodology for Calculation of Expected Credit Losses (Continued)

Rules and Principles for ECL Calculation for Non-Performing Financial Assets – Stage 3 (Continued)

In the event that the effective interest rate is not available, an alternative interest rate that is defined in accordance with the Group's bylaws will be used to calculate the provision. When determining the present value of the receivables, the discounted cash flow from the repayment of principal, interest or any other cash flow from a loan is calculated first. Thereafter, the discounted cash flow from the net realizable value of collateral for that loan is calculated. The final net present value of future cash flows of the loan is compared to its carrying amount and the amount of provision for impairment losses for the given loan that are recognized in the profit or loss statement is determined.

The calculation of provisions for exposures with impairment that are not classified as individually significant is carried out on a collective basis by grouping the default status clients into homogeneous categories with similar risk characteristics. When defining homogeneous categories, the Group applies the criteria used for segmentation when developing a model for calculating the loss rate due to default status (LGD model). The calculation of collective provisions in Stage 3 is performed for the default status clients that do not meet the requirements for an individual assessment of the provision. Calculation of the provision on the collective basis is made using the following calculation formula:

ECL = unsecEAD x LGDs3 (time in default)

Where:

- unsecEAD designates exposure in default reduced by the value of the collateral; and
- LGDs3 (time in default) designates loss at the moment of default.

If a receivable is fully collateralized and for this reason unsecEAD is equal to 0, the following formula is applied:

ECL = EAD x provisioning weight for Stage 1

The provisioning weight for Stage 1 is determined semi-annually, by recalculating this value based on the average level of provisions per portfolio segments. Values of LGDs3 (time in default) depend on the client segment, number of years the repayment lasts, and the period that the client has spent in the default status.

Client support as part of the COVID-19 support package refers to introduction of moratorium defined by the NBS and government guarantee scheme. Following tables present exposures covered by the public guarantee.

Overview of loans and receivables subject of the guarantee scheme as of 31.12.2024

		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne*	Public guarantees received	Inflows to non-performing exposures**
1	Newly originated loans and advances subject to public guarantee schemes	798,154	178,669	181,432	-
2	*of which: Collateralized by residential immovable property*	-			-
3	of which: Non-financial corporations	798,154	178,669	41,917	263,822
4	*of which: Small and Medium-sized Enterprises*	797,626			263,822
5	*of which: Collateralized by commercial immovable property*	9,478			-

* Loans and receivables from customers as of December 31, 2024 by the presented categories.
** Category shows increase in Non-performing exposures after new approval under guarantee scheme (as of December 31, 2023).

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Methodology for Calculation of Expected Credit Losses (Continued)

Rules and Principles for ECL Calculation for Non-Performing Financial Assets – Stage 3 (Continued)

Overview of loans and receivables subject of the guarantee scheme as of 31.12.2023

		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne*	Public guarantees received	Inflows to non-performing exposures**
1	Newly originated loans and advances subject to public guarantee schemes	4,383,682	520,610	1,045,010	-
2	*of which: Collateralized by residential immovable property*	-			-
3	of which: Non-financial corporations	4,383,682	520,610	1,045,010	526,735
4	*of which: Small and Medium-sized Enterprises*	4,377,433			526,735
5	*of which: Collateralized by commercial immovable property*	322,869			202,589

* Loans and receivables from customers as of December 31, 2023 by the presented categories.
** Category shows increase in Non-performing exposures after new approval under guarantee scheme (as of December 31, 2022).

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Methodology for Calculation of Expected Credit Losses (Continued)

Rules and Principles for ECL Calculation for Non-Performing Financial Assets – Stage 3 (Continued)

The table below shows a breakdown of gross and net non-performing loans due from banks and customers.

	Securities (Note 22)		Loans and receivables due from banks and other financial institutions (Note 23)		Loans and receivables due from customers (Note 24)		Other assets (Note 29)		Off-balance sheet items	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
December 31, 2024										
Corporate clients, rating 10	-	-	-	-	569,267	116,515	9,051	376	7,542	600
Corporate clients, rating 9	-	-	-	-	-	1	-	1	-	1
Corporate clients, restructured loans	-	-	-	-	4,315,882	1,455,226	2,260	192	323,870	153,428
Retail clients, > 90 days past due	-	-	-	-	4,732,657	1,465,342	49,048	3,315	3,534	1,258
Total	**-**	**-**	**-**	**-**	**9,617,806**	**3,037,084**	**60,359**	**3,884**	**334,946**	**155,287**
December 31, 2023										
Corporate clients, rating 10	-	-	-	-	102,153	26,018	1,701	317	-	-
Corporate clients, rating 9	-	-	-	-	-	-	-	-	-	-
Corporate clients, restructured loans	-	-	-	-	9,134,163	4,012,735	6,421	930	460,808	150,260
Retail clients, > 90 days past due	-	-	-	-	4,533,856	1,373,619	74,132	4,282	4,406	1,671
Total	**-**	**-**	**-**	**-**	**13,770,172**	**5,412,372**	**82,254**	**5,529**	**465,214**	**151,931**

The aging structure of matured and unimpaired loans as of December 31, 2024, is provided in the table below:

	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	Over 90 days past due	Total
Loans and receivables due from customers					
Gross carrying value	7,626,097	412,036	118,774	-	8,156,907
Impairment allowance	(276,837)	(73,551)	(29,687)	-	(380,075)
Net carrying value	**7,349,260**	**338,485**	**89,087**	**-**	**7,776,832**

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of the Gross Carrying Values of Assets per Class of Assets and per Impairment Stage

(i) Cash and balances held with the central bank

	Changes within the Stage				Transfers among Stages								
Stage	January 1, 2024	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)	Newly approved (+)	December 31, 2024
Stage 1	130,511,724	60,817,299	-	-	-	-	-	-			-	-	191,329,023
Stage 2	-	-	-	-	-	-			-	-	-	-	-
Stage 3	-	-	-	-			-	-	-	-	-	-	-
Total	**130,511,724**	**60,817,299**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**191,329,023**

	Changes within the Stage				Transfers among Stages								
Stage	January 1, 2023	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)	Newly approved (+)	December 31, 2023
Stage 1	69,758,834	60,752,890	-	-	-	-	-	-			-	-	130,511,724
Stage 2	-	-	-	-	-	-			-	-	-	-	-
Stage 3	-	-	-	-			-	-	-	-	-	-	-
Total	**69,758,834**	**60,752,890**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**130,511,724**

(ii) Securities at amortized cost (AC) and at fair value though other comprehensive income (FVtOCI)

	Changes within the Stage				Transfers among Stages								
Stage	January 1, 2024	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)	Newly approved (+)	December 31, 2024
Stage 1	102,262,512	-	(1,987,289)		-	-	-	-			-	-	100,275,223
Stage 2	-	-	-	-	-	-			-	-	-	-	-
Stage 3	-	-	-	-			-	-	-	-	-	-	-
Total	**102,262,512**	**-**	**(1,987,289)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100,275,223**

	Changes within the Stage				Transfers among Stages								
Stage	January 1, 2023	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)	Newly approved (+)	December 31, 2023
Stage 1	102,303,916	31,092,551	(24,980,194)		-	-	-	-			(6,153,761)	-	102,262,512
Stage 2	-	-	-	-	-	-			-	-	-	-	-
Stage 3	-	-	-	-			-	-	-	-	-	-	-
Total	**102,303,916**	**31,092,551**	**(24,980,194)**	**-**	**-**	**-**	**-**		**-**	**-**	**(6,153,761)**	**-**	**102,262,512**

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of the Gross Carrying Values of Assets per Class of Assets and per Impairment Stage

(iii) Loans and receivables due from banks and other financial institutions

		Changes within the Stage		Transfers among Stages including Repayments									
Stage	**January 1, 2024**	**Increases (+)**	**Decreases (-)**	**Total transfers and repayments**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2024**
Stage 1	62,970,750	19,345,156	(6,453,624)	(30,669)	(30,669)	-	-	-			(5,451,781)	1,554,911	71,934,743
Stage 2	38,071	763	-	32,530	32,530	-			-	-	(6,751)	23,403	88,016
Stage 3	-	-	-	-			-	-	-	-	-	-	-
Partial repayments				(1,861)	(1,861)	-	-	-	-	-			
Total	**63,008,821**	**19,345,919**	**(6,453,624)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,458,532)**	**1,578,314**	**72,022,759**

		Changes within the Stage		Transfers among Stages including Repayments									
Stage	**January 1, 2023**	**Increases (+)**	**Decreases (-)**	**Total transfers and repayments**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2023**
Stage 1	75,622,390	5,557,015	(22,613,826)	283,009	(13,727)	296,736	-	-			(17,319,945)	21,442,107	62,970,750
Stage 2	277,481	-	(1,808)	(242,006)	12,688	(254,694)			-	-	(681)	5,085	38,071
Stage 3	-	-	-	-			-	-	-	-	-	-	-
Partial repayments				(41,003)	1,039	(42,042)	-	-	-	-			
Total	**75,899,871**	**5,557,015**	**(22,615,634)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(17,320,626)**	**21,447,192**	**63,008,821**

(iv) Loans and receivables due from customers

		Changes within the Stage		Transfers among Stages including Repayments									
Stage	**January 1, 2024**	**Increases (+)**	**Decreases (-)**	**Total transfers and repayments**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2024**
Stage 1	247,025,832	10,379,188	(34,776,809)	4,998,890	(25,570,112)	32,484,286	(1,952,489)	37,205			(49,788,784)	159,564,558	337,402,875
Stage 2	97,117,338	172,486	(6,469,454)	(25,633,108)	18,144,176	(42,576,565)			(1,893,663)	692,944	(25,718,019)	9,016,963	48,486,206
Stage 3	13,773,346	38,056	(1,459,121)	2,297,500			1,584,047	(44,646)	1,611,522	(853,423)	(7,161,142)	2,128,529	9,617,168
Partial repayments				18,651,832	7,596,714	10,242,163	348,792	8,108	288,514	167,541			
Total	**357,916,516**	**10,589,730**	**(42,705,384)**	**315,114**	**170,778**	**149,884**	**(19,650)**	**667**	**6,373**	**7,062**	**(82,667,945)**	**170,710,050**	**395,506,249**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024
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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of the Gross Carrying Values of Assets per Class of Assets and per Impairment Stage (Continued)

(iv) Loans and receivables due from customers

		Changes within the Stage		Transfers among Stages including Repayments									
Stage	**January 1, 2024**	**Increases (+)**	**Decreases (-)**	**Total transfers and repayments**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2024**
Stage 1	223,844,649	6,084,994	(28,757,893)	(22,178,975)	(33,387,009)	12,335,432	(1,170,019)	42,621			(38,441,346)	106,474,403	247,025,832
Stage 2	106,359,367	1,114,433	(12,494,032)	3,320,148	24,633,103	(16,450,832)			(5,252,461)	390,338	(25,055,920)	23,873,342	97,117,338
Stage 3	12,787,854	55,977	(3,559,730)	4,491,133			962,134	(51,896)	4,154,596	(573,701)	(1,550,821)	1,548,933	13,773,346
Partial repayments				14,367,694	8,753,906	4,115,400	207,885	9,275	1,097,865	183,363			
Total	**342,991,870**	**7,255,404**	**(44,811,655)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(65,048,087)**	**131,896,678**	**357,916,516**

(v) Other assets

		Changes within the Stage		Transfers among Stages including Repayments									
Stage	**January 1, 2024**	**Increases (+)**	**Decreases (-)**	**Total transfers and repayments**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2024**
Stage 1	1,813,920	1,250,210	(174)	22,823	(520)	23,257	(2)	88			(14,303)	58,549	3,131,025
Stage 2	105,860	17,342	(11,832)	(33,916)	596	(33,728)			(1,892)	1,108	(19,344)	70,827	128,937
Stage 3	78,442	7,428	(10,338)	2,543			8	(656)	4,105	(914)	(52,551)	34,835	60,359
Partial repayments				8,550	(76)	10,471	(6)	568	(2,213)	(194)			
Total	**1,998,222**	**1,274,980**	**(22,344)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(86,198)**	**164,211**	**3,320,321**

		Changes within the Stage		Transfers among Stages including Repayments									
Stage	**January 1, 2023**	**Increases (+)**	**Decreases (-)**	**Total transfers and repayments**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2023**
Stage 1	1,949,592	38,543	(89,238)	(78,380)	(78,454)	75	(1)	-			(12,343)	5,746	1,813,920
Stage 2	36,356	3,319	(2,091)	70,071	71,816	(69)			(1,911)	235	(23,237)	21,442	105,860
Stage 3	74,805	15,898	(6,616)	4,571			8	-	5,164	(601)	(41,540)	31,324	78,442
Partial repayments				3,738	6,638	(6)	(7)	-	(3,253)	366			
Total	**2,060,753**	**57,760**	**(97,945)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(77,120)**	**58,512**	**1,998,222**

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of the Impairment Allowance of Assets per Class of Assets and per Impairment Stage

(i) Cash and balances held with the central bank

		Changes within the Stage			Transfers among Stages								
Stage	**January 1, 2024**	**Increases (+)**	**Decreases (-)**	**Total transfers**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2024**
Stage 1	8	-	-	-	-	-	-	-				-	8
Stage 2	-	-	-	-	-	-			-	-	-	-	-
Stage 3	-	-	-	-			-	-	-	-	-	-	-
Total	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**

		Changes within the Stage			Transfers among Stages								
Stage	**January 1, 2023**	**Increases (+)**	**Decreases (-)**	**Total transfers**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2023**
Stage 1	3	5	-	-	-	-	-	-			-	-	8
Stage 2	-	-	-	-	-	-			-	-	-	-	-
Stage 3	-	-	-	-			-	-	-	-	-	-	-
Total	**3**	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**

(ii) Securities at amortized cost (AC) and at fair value though other comprehensive income (FVtOCI)

		Changes within the Stage			Transfers among Stages								
Stage	**January 1, 2024**	**Increases (+)**	**Decreases (-)**	**Total transfers**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2024**
Stage 1	271,187	13,743	-	-	-	-	-	-			-	-	284,930
Stage 2	-	-	-	-	-	-			-	-	-	-	-
Stage 3	-	-	-	-			-	-	-	-	-	-	-
Total	**271,187**	**13,743**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**284,930**

		Changes within the Stage			Transfers among Stages								
Stage	**January 1, 2023**	**Increases (+)**	**Decreases (-)**	**Total transfers**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2023**
Stage 1	67,707	205,844	(51)	-	-	-	-	-			(2,313)	-	271,187
Stage 2	-	-	-	-	-	-			-	-	-	-	-
Stage 3	-	-	-	-			-	-	-	-	-	-	-
Total	**67,707**	**205,844**	**(51)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,313)**	**-**	**271,187**

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of the Impairment Allowance of Assets per Class of Assets and per Impairment Stage (Continued)

(iii) Loans and receivables due from banks and other financial institutions

		Changes within the Stage			Transfers among Stages								
Stage	**January 1, 2024**	**Increases (+)**	**Decreases (-)**	**Total transfers**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2024**
Stage 1	3,254	2,347	(779)	(64)	(64)	-	-	-			(1,662)	12,707	15,803
Stage 2	(606)	-		64	64	-			-	-	(197)	1	(738)
Stage 3	-	-		-			-	-	-	-	-	-	-
Total transfers	-			-	-	-	-	-	-	-			-
Change*	(218)			-	-	-	-	-	-	-			(218)
Total	**2,430**	**2,347**	**(779)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,859)**	**12,708**	**14,847**

		Changes within the Stage			Transfers among Stages								
Stage	**January 1, 2023**	**Increases (+)**	**Decreases (-)**	**Total transfers**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2023**
Stage 1	4,976	1,461	(3,329)	1,129	(3)	1,132	-	-			(1,578)	595	3,254
Stage 2	351	-	(17)	(1,129)	3	(1,132)			-	-	(5)	194	(606)
Stage 3	-	-	-	-			-	-	-	-	-	-	-
Total transfers				-	-	-	-	-	-	-			-
Change*	905			(1,123)	(1)	(1,122)	-	-	-	-			(218)
Total	**6,232**	**1,461**	**(3,346)**	**(1,123)**	**(1)**	**(1,122)**	**-**	**-**	**-**	**-**	**(1,583)**	**789**	**2,430**

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of the Impairment Allowance of Assets per Class of Assets and per Impairment Stage (Continued)

(iv) Loans and receivables due from customers

		Changes within the Stage			Transfers among Stages								
Stage	**January 1, 2024**	**Increases (+)**	**Decreases (-)**	**Total transfers**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2024**
Stage 1	2,714,355	83,260	(592,989)	779,012	(235,266)	1,028,501	(36,274)	22,051			(488,832)	1,217,842	3,712,648
Stage 2	1,857,990	276,157	(411,445)	(680,335)	235,266	(1,028,501)			(325,957)	438,857	(858,227)	467,833	651,973
Stage 3	5,202,864	557,050	(966,916)	(98,677)			36,274	(22,051)	325,957	(438,857)	(4,457,238)	1,569,912	1,806,995
Total transfers	-			-	-	-	-	-	-	-			-
Change*	3,671,600			906,311	500,889	(830,601)	985,119	(22,457)	697,519	(424,158)			4,577,911
Total	**13,446,809**	**916,467**	**(1,971,350)**	**906,311**	**500,889**	**(830,601)**	**985,119**	**(22,457)**	**697,519**	**(424,158)**	**(5,804,297)**	**3,255,587**	**10,749,527**

		Changes within the Stage			Transfers among Stages								
Stage	**January 1, 2023**	**Increases (+)**	**Decreases (-)**	**Total transfers**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2023**
Stage 1	2,571,387	172,987	(724,525)	219,341	(325,942)	558,658	(46,008)	32,633			(432,623)	907,788	2,714,355
Stage 2	2,641,485	381,535	(935,469)	(475,283)	325,942	(558,658)			(416,621)	174,054	(602,086)	847,808	1,857,990
Stage 3	7,160,562	510,747	(2,773,651)	255,942			46,008	(32,633)	416,621	(174,054)	(1,103,680)	1,152,944	5,202,864
Total transfers				-	-	-	-	-	-	-			-
Change*	1,774,722			1,896,878	521,192	(470,874)	440,656	(31,594)	1,595,175	(157,677)			3,671,600
Total	**14,148,156**	**1,065,269**	**(4,433,645)**	**1,896,878**	**521,192**	**(470,874)**	**440,656**	**(31,594)**	**1,595,175**	**(157,677)**	**(2,138,389)**	**2,908,540**	**13,446,809**

(v) Other assets

		Changes within the Stage			Transfers among Stages								
Stage	**January 1, 2024**	**Increases (+)**	**Decreases (-)**	**Total transfers**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2024**
Stage 1	6,396	2	(4,229)	607	(1)	42	(4)	570			(1)	200	2,975
Stage 2	1,487	144	(15)	797	1	(42)			(32)	870	(103)	276	2,586
Stage 3	61,827	8,393	(10,033)	(1,404)			4	(570)	32	(870)	(49,523)	32,078	41,338
Total transfers	-			-	-	-	-	-	-	-			-
Change*	10,011			2,144	2	(19)	4	(570)	3,590	(863)			12,155
Total	**79,721**	**8,539**	**(14,277)**	**2,144**	**2**	**(19)**	**4**	**(570)**	**3,590**	**(863)**	**(49,627)**	**32,554**	**59,054**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024
All amounts expressed in thousands of RSD, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

(v) Other assets (Continued)

	Changes within the Stage				Transfers among Stages								
Stage	January 1, 2023	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)	Newly approved (+)	December 31, 2023
Stage 1	365	6,072	(4)	(20)	(16)	-	(4)	-			(18)	1	6,396
Stage 2	1,032	43	(48)	526	16	-			(39)	549	(212)	146	1,487
Stage 3	56,622	16,597	(2,642)	(506)			4	-	39	(549)	(36,614)	28,370	61,827
Total transfers				-	-	-	-	-	-	-			-
Change*	6,161			3,850	-	-	4	-	4,394	(548)			10,011
Total	**64,180**	**22,712**	**(2,694)**	**3,850**	**-**	**-**	**4**	**-**	**4,394**	**(548)**	**(36,844)**	**28,517**	**79,721**

Movements of off-balance sheet exposures

	Changes within the Stage				Transfers among Stages								
Stage	January 1, 2024	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)	Newly approved (+)	December 31, 2024
Stage 1	214,540,508	14,283,892	(24,537,521)	9,183,441	(8,962,369)	18,117,799	(16,270)	44,281			(80,050,914)	136,320,873	269,740,279
Stage 2	68,829,766	2,773,054	(4,713,106)	(7,395,285)	9,421,285	(16,730,736)			(110,227)	24,393	(32,186,716)	21,645,697	48,953,410
Stage 3	465,214	175	(183)	42,913			12,696	(79,476)	117,788	(8,095)	(335,399)	162,227	334,947
Partial repayments				(1,831,069)	(458,916)	(1,387,063)	3,574	35,195	(7,561)	(16,298)			
Total	**283,835,488**	**17,057,121**	**(29,250,810)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(112,573,029)**	**158,128,797**	**319,028,636**

	Changes within the Stage				Transfers among Stages								
Stage	January 1, 2023	Increases (+)	Decreases (-)	Total transfers	S1 (-) to S2 (+)	S2 (-) to S1 (+)	S1 (-) to S3 (+)	S3 (-) to S1 (+)	S2 (-) to S3 (+)	S3 (-) to S2 (+)	Exit (-)	Newly approved (+)	December 31, 2023
Stage 1	181,287,432	10,420,760	(11,767,741)	(17,492,793)	(29,244,813)	11,984,285	(232,339)	74			(65,251,519)	117,344,369	214,540,508
Stage 2	43,276,780	2,426,331	(1,429,042)	21,410,554	29,593,675	(8,194,032)			(1,388)	12,299	(23,406,537)	26,551,680	68,829,766
Stage 3	587,134	1,002	(57,979)	73,692			86,061	(55)	1,366	(13,680)	(338,548)	199,913	465,214
Partial repayments				(3,991,453)	(348,862)	(3,790,253)	146,278	(19)	22	1,381			
Total	**225,151,346**	**12,848,093**	**(13,254,762)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(88,996,604)**	**144,095,962**	**283,835,488**

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of provision for off-balance sheet exposures (Continued)

		Changes within the Stage			Transfers among Stages								
Stage	**January 1, 2024**	**Increases (+)**	**Decreases (-)**	**Total transfers**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2024**
Stage 1	341,291	32,060	(51,725)	346,064	(16,866)	321,299	(97)	41,728			(103,338)	201,186	765,538
Stage 2	334,482	52,529	(192,056)	(304,786)	16,866	(321,299)			(1,262)	909	(275,400)	335,274	(49,957)
Stage 3	174,802	267	(9,965)	(41,278)			97	(41,728)	1,262	(909)	(231,406)	101,596	(5,984)
Partial repayments	-			-	-	-	-	-	-	-			-
Change*	687,349			(157,990)	124,942	(288,005)	5,454	(41,364)	41,708	(725)			529,359
Total	**1,537,924**	**84,856**	**(253,746)**	**(157,990)**	**124,942**	**(288,005)**	**5,454**	**(41,364)**	**41,708**	**(725)**	**(610,144)**	**638,056**	**1,238,956**

		Changes within the Stage			Transfers among Stages								
Stage	**January 1, 2023**	**Increases (+)**	**Decreases (-)**	**Total transfers**	**S1 (-) to S2 (+)**	**S2 (-) to S1 (+)**	**S1 (-) to S3 (+)**	**S3 (-) to S1 (+)**	**S2 (-) to S3 (+)**	**S3 (-) to S2 (+)**	**Exit (-)**	**Newly approved (+)**	**December 31, 2023**
Stage 1	406,425	16,627	(107,100)	(26,448)	(70,300)	44,741	(918)	29			(147,552)	199,339	341,291
Stage 2	156,583	120,223	(24,425)	33,183	70,300	(44,741)			(117)	7,741	(218,549)	267,467	334,482
Stage 3	265,578	24,393	(32,716)	(6,969)			918	(29)	(117)	(7,741)	(203,950)	128,466	174,802
Total transfers	-			-	-	-	-	-	-	-			-
Change*	314,231			373,118	380,639	(32,889)	32,180	(29)	621	(7,404)			687,349
Total	**1,142,817**	**161,243**	**(164,241)**	**372,884**	**380,639**	**(32,889)**	**32,180**	**(29)**	**387**	**(7,404)**	**(570,051)**	**595,272**	**1,537,924**

In the migration overviews above, by position, the following are shown:

- "Changes within the Stage" represent increases and decreases exposures for receivables that exist at the beginning and end of the period;
- The part of the table "Transfers among Stages" shows the exposures with changed Stage at the end of the period compared to the beginning of the period;
- In the "Exit" part of the table, fully repaid exposures are shown, i.e exposures that exist at the beginning of the period but do not exist at the end of the period;
- The "Newly approved" category shows the exposures created during the period;
- Change* means net re-measurement of loss allowances.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Security Instruments - Collaterals

Credit risk is mitigated through adequate collateral management process. The purpose of acquiring all available collaterals, proper booking, assessment and monitoring is to minimize the risk as much as possible. Therefore, the Group is especially dedicated to the management of collaterals in order to maintain the acceptable relationship between the undertaken risk and the realistic rate of the collateral recovery, control and mitigation of risks related to quality, concentration, or securitization of the receivables, maturity, currency, etc. Aiming at further enhancement of processes and systems with regards to credit risk mitigation, the Group set up a special organizational unit, whose activities include collateral appraisal, process of collateral monitoring, accurate reporting, management of the relationships with external associates (licensed certified valuers and appraisers, insurance companies and supervisors), preparations of expert opinions, internal appraisal reports and the overall legal and economic collateral assessment, improvement of data quality and statistical monitoring of collaterals.

The Group uses relevant policies and procedures for collateral management. The most significant collaterals accepted and used by the Group for minimizing credit risk comprise:

- financial collaterals (cash deposits), allowed to be recognized in full amounts;
- payment guarantees issued by first-class banks and governments, allowed to be recognized at full amounts;
- mortgages on residential or commercial property, recognized up to 70% and 60%, respectively, of the appraised value of the property; and
- securities issued by governments, central banks or institutions with adequate credit rating.

In the event that the currency of a security instrument differs from the currency of the loan for which it provides security, the value of the security instrument must be further reduced using a factor defined for every currency combination, as prescribed by the Group’s internal bylaws governing the process of credit risk mitigation.

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4. RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Security Instruments – Collaterals (Continued)

Appraised fair values of collaterals securitizing the Group's loans up to the credit risk exposure level as of December 31, are presented in the table below:

	Loans and receivables due from banks and other financial institutions		Loans and receivables due from customers		Off-balance sheet assets	
	2024	2023	2024	2023	2024	2023
Corporate clients, rating 10	**-**	-	**186,470**	**29,830**	-	**-**
Real estate	-	-	78,339	28,227	-	-
Cash deposit	-	-	-	-	-	-
Guarantee	-	-	12,777	1,603	-	-
Pledge	-	-	14,322	-	-	-
Other	-	-	81,032	-	-	-
Corporate clients, rating 9	-	-	**-**	**-**	**-**	**-**
Real estate	-	-	-	-	-	-
Cash deposit	-	-	-	-	-	-
Guarantee	-	-	-	-	-	-
Pledge	-	-	-	-	-	-
Other	-	-	-	-	-	-
Corporate clients, restructured loans	**-**	-	**1,775,963**	**6,063,521**	**2,549**	**79,253**
Real estate	-	-	980,500	5,108,591	-	31,497
Cash deposit	-	-	4,706	72,803	400	47,756
Guarantee	-	-	91,725	229,296	-	-
Pledge	-	-	334,115	652,831	2,149	-
Other	-	-	364,917	-	-	-
Retail clients, > 90 days past due	**-**	-	**664,891**	**478,558**	**-**	**-**
Real estate	-	-	464,919	446,256	-	-
Cash deposit	-	-	637	630	-	-
Guarantee	-	-	30,727	31,672	-	-
Pledge	-	-	-	-	-	-
Other	-	-	168,608	-	-	-
Group-level impairment allowance based on collateral appraisal	**292,538**	**294,589**	**138,801,373**	**120,178,361**	**20,956,547**	**21,294,837**
Real estate	-	-	96,644,841	99,930,722	9,761,870	10,833,957
Cash deposit	292,413	293,989	3,053,351	2,830,307	6,243,061	5,581,018
Guarantee	125	600	16,515,215	14,980,087	4,859,444	4,810,639
Pledge	-	-	1,858,742	1,937,605	45,801	36,696
Other	-	-	20,729,224	499,640	46,371	32,527
Total	**292,538**	**294,589**	**141,428,697**	**126,750,270**	**20,959,096**	**21,374,090**

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4. RISK MANAGEMENT (Continued)

(c) Market Risks

Market risks represent the possibility of adverse effects on the financial performance and the Group's capital due to changes in the value of on-balance sheet and off-balance sheet items that arise from the fluctuations of market prices. The market risks include foreign exchange risk and price risks in respect of debt and equity securities.

The set-up system of limits for the Group's exposure to the market risks establishes threshold for the total absorption of economic capital as well as the acceptable level of economic loss both for the activities carried out through the trading book and for the overall business activity of the Group in accordance with its risk-taking capacities.

One of the basic indicators for monitoring of the Group's exposure to the market risks during 2024 is:

- VaR (Value at Risk) – a potential loss of portfolio value in one day with 99% confidence interval; VaR is calculated based on the historical simulation approach and is monitored daily. The main risk factors that are covered by this calculation are: interest rate risk, credit spread risk, foreign exchange risk, volatility and inflation,

In addition to these basic indicators, when monitoring and managing exposure to market risks, the Group also uses some additional granular limits - aimed at preventing increased exposure within individual risk factors, as well as in risk factors that are not sufficiently taken considered in VaR analyses. The most important of these indicators are sensitivity analyses – BPV (Basis Point Value Sensitivity) and CPV (Credit Point Value Sensitivity).

During 2024, the Group's exposure to market risks was within defined limits and in accordance with its risk-taking capacities.

Breakdown of VaR position of the trading portfolio:

	At December 31	Average	Maximum	Minimum
2024				
Foreign exchange risk	1,948	10,954	25,731	1,846
Interest rate risk	40,907	321,445	595,365	18,827
Credit spread risk	58,272	194,329	362,202	13,588
Covariance	(34,314)	-	-	-
Total	66,813	331,879	599,615	22,519
2023				
Foreign exchange risk	1,014	1,949	7,229	138
Interest rate risk	29,310	23,479	41,427	3,237
Credit spread risk	29,907	24,982	37,299	5,801
Covariance	(26,465)	-	-	-
Total	33,766	32,238	53,916	5,954

Retroactive testing (back-testing) of the VaR model is monitored on a monthly basis and reported to the ALCO.

If the realized loss is higher than the loss shown by the VaR model, it is considered as overdraft. Retroactive testing refers to the period of last 250 working days in relation to the date of observation.

Climate risk exposure is gradually introduced in Market risk monitoring, currently only for information purposes. The effect on which climate-related risks potentially affect market risk is reflected in the change in fair value of the Group's positions due to volatility in market factors (interest rates, exchange rates) caused by: transition risk (due to more restrictive regulatory requirements to control the economy leading to global warming) and physical risk (due to the economic impact of increased emissions).

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4. RISK MANAGEMENT (Continued)

(c) Market Risks (Continued)

There were no strategic changes relating to liquidity and market risk management compared to 2023. Basic updates in internal policies relate to the revision of existing process roles and activities, updating of appropriate limits for indicators and implementation of deposit modeling without agreed maturity (from the point of view of liquidity and interest rate risk).

Foreign Exchange (Currency) Risk

Foreign exchange (currency) risk is the risk of potential negative effects on the Group's performance and capital due to fluctuations in the foreign currency exchange rates.

The foreign currency risk ratio is the total open foreign currency position relative to the Group's capital, calculated in accordance with the relevant regulator's decision on the capital adequacy of banks. The Group is under obligation to maintain the ratio between assets and liabilities in such a way that its total open foreign currency position at the end of a working day must not exceed 20% of its capital. The Financial Risk prepares a report on the Group's foreign exchange risk position for the purposes of NBS on an intraday basis (the report is sent at noon and at 2 p.m.), as well as on daily and monthly bases.

The Group is exposed to the effects of exchange rate fluctuations for major foreign currencies on its financial position and cash flows. The Group's management sets limits for the risk exposure per foreign currencies and constantly monitors whether balances (positions) in various foreign currencies are within the prescribed limits. Limits apply to all the relevant foreign currency products within the Trading. They cover trading items as well as selected strategic foreign currency of ALM & Funding. All sensitivities that result from foreign currency balances are limited by the general VaR limit set level, both at the Group aggregate level and for the Trading and ALM & Funding.

In order to protect itself against the risk of fluctuations in the foreign currency exchange rates, the Group executes derivative contracts and loan contracts with a foreign currency index clause.

The Group's foreign currency risk management at the operating level is the responsibility of the Trading organizational structure within Client Risk Management & Treasury.

Foreign exchange risk ratio is calculated as ratio between the total Net open FX position and the Bank's capital.

	2024	2023
Foreign exchange risk ratio:		
- as at December 31	0.85	3.78
- maximum for the period – December*	4.33	4.38
- minimum for the period – December*	0.07	0.12

*The max and min ratios are provided for the Bank only.

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4. RISK MANAGEMENT (Continued)

(c) Market Risks (Continued)

Foreign Exchange (Currency) Risk (Continued)

The Group's net currency position as at December 31, 2024:

	USD	EUR	CHF	Other currencies	RSD	Total
Cash and balances held with the central bank	145,889	39,740,822	159,485	87,734	151,195,085	191,329,015
Receivables under derivative financial instruments	-	1,647,794	-	-	19,563	1,667,357
Securities	117,009	19,990,882	-	-	82,760,631	102,868,522
Loans and receivables due from banks and other financial institutions	18,307,076	16,336,500	49,814	503,822	36,810,700	72,007,912
Loans and receivables due from customers	-	259,751,003	80,001	-	124,925,718	384,756,722
Receivables under derivatives designated as risk hedging instruments	-	427,229	-	-	-	427,229
Other assets	59,538	1,062,523	-	-	2,139,206	3,261,267
Total assets	**18,629,512**	**338,956,753**	**289,300**	**591,556**	**397,850,903**	**756,318,024**
Liabilities under derivative financial instruments	-	1,693,591	-	-	13,293	1,706,884
Deposits and other liabilities due to banks, other financial institutions and the central bank	397,671	135,704,297	381	-	32,578,235	168,680,584
Deposits and other liabilities due to customers	17,829,982	201,095,006	4,540,662	1,157,751	239,159,394	463,782,795
Liabilities under derivatives designated as risk hedging instruments	-	687,148	-	-	-	687,148
Other liabilities	454,328	4,686,327	32,614	107,750	3,294,789	8,575,808
Total liabilities	**18,681,981**	**343,866,369**	**4,573,657**	**1,265,501**	**275,045,711**	**643,433,219**
Off-balance sheet financial instruments (FX swap, forward and spot)	48,278	4,296,938	4,286,106	665,887	(9,291,027)	6,182
Net currency position as of December 31, 2024	**(4,191)**	**(612,678)**	**1,749**	**(8,058)**	**113,514,165**	**112,890,987**

**Note: Assets and liabilities with a currency clause index are stated within currency to which they are indexed*

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4. RISK MANAGEMENT (Continued)

(c) Market Risks (Continued)

Foreign Exchange (Currency) Risk (Continued)

The Group's net currency position as at December 31, 2023:

	USD	EUR	CHF	Other currencies	RSD	Total
Cash and balances held with the central bank	203,066	37,916,047	288,177	102,701	92,001,725	130,511,716
Receivables under derivative financial instruments	-	2,049,563	-	-	6,094	2,055,657
Securities	-	18,750,155	-	-	85,695,631	104,445,786
Loans and receivables due from banks and other financial institutions	20,800,185	13,578,484	49,580	372,249	28,205,893	63,006,391
Loans and receivables due from customers	-	242,141,830	102,530	-	102,225,347	344,469,707
Receivables under derivatives designated as risk hedging instruments	-	636,909	-	-	-	636,909
Other assets	9,267	533,736	-	1	1,375,497	1,918,501
Total assets	**21,012,518**	**315,606,724**	**440,287**	**474,951**	**309,510,187**	**647,044,667**
Liabilities under derivative financial instruments	-	2,098,367	-	-	20,775	2,119,142
Deposits and other liabilities due to banks, other financial institutions and the central bank	416,148	124,936,758	280	4,819	20,808,772	146,166,777
Deposits and other liabilities due to customers	15,574,859	175,289,217	4,555,947	1,120,358	193,195,023	389,735,404
Liabilities under derivatives designated as risk hedging instruments	-	734,550	-	-	-	734,550
Other liabilities	445,701	6,506,670	18,157	136,104	3,208,905	10,315,537
Total liabilities	**16,436,708**	**309,565,562**	**4,574,384**	**1,261,281**	**217,233,475**	**549,071,410**
Off-balance sheet financial instruments (FX swap, forward and spot)	(4,613,291)	(8,065,070)	4,119,213	831,675	7,698,114	(29,359)
Net currency position as of December 31, 2023	**(37,481)**	**(2,023,908)**	**(14,884)**	**45,345**	**99,974,826**	**97,943,898**

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4. RISK MANAGEMENT (Continued)

Non-Financial Risks Strategy is stirring instrument for UniCredit Bank Serbia that represent the comprehensive structured approach for risk reduction and minimization, prepared annually, with a set of actions defined, in order to prevent/mitigate the identified risks.

Non-Financial Risks Strategy is based on analysis done by Non-financial Risks function in cooperation with relevant process owners (RCSA includin ICT/Cyber risk, TOR key risks, Scenario analysis, recorded operational risk losses etc) and on Group Non-Financial Risks Strategy (Operational and Reputational) through specific relevant actions and deadlines defined by the Group Non-Financial Risks function over the year.

The monitoring of implementation of identified non-financial risks mitigation actions is done on a quarterly basesis on Non Financial Risk Committee (NFRC).

(d) Operational Risks

Operational risk is the risk of possible adverse effects on financial result and capital of the Group caused by omissions (unintentional and intentional) in employees' work, inadequate internal procedures and processes, inadequate management of information and other systems, as well as by unforeseeable external events. Operational risk includes legal risk and compliance risk while strategic risks, business risks and reputational risks are different from operational risk. Operational events are those resulting from inadequate or failed internal processes, personnel and systems or from systemic and other external events: internal or external fraud, employment practices and workplace safety, clients claims, products distribution, fines and penalties due to regulation breaches, damage to Company's physical assets, business disruption and system failures, process management.

(e) Liquidity Risk

Liquidity risk is a risk of adverse effects on the Group's financial performance and capital caused by the Group's inability to settle its matured liabilities due to drawdown of the existing sources of financing, i.e., the Group's inability to obtain new sources of financing or difficult conversion of assets into liquid funds because of market disruptions. The main objective of the overall liquidity management of the Group is to maintain adequate liquidity and financing position, which will enable the Group to fulfil its payment obligations not only in regular business, but in stressful circumstances as well.

The liquidity risk that the Group is faced with in everyday business may have different forms:

- Intraday liquidity risk – the liquidity risk during the day occurs when the Group is unable to meet its payment obligations in a timely manner, both under normal and stress conditions;
- Short-term liquidity risk refers to a risk of mismatch between the amounts and/or the maturities of cash inflows and outflows over a short period of time (up to one year);
- Market liquidity risk is a risk that the Group may face a significant loss of its liquid assets' value whenever it is necessary to liquidate them through sales or repo transactions;
- Structural liquidity risk is defined as the inability to obtain the necessary funds to maintain an adequate relationship between mid-term and long-term (over one year) assets and liabilities at reasonable price levels, in a stable and sustainable manner, without affecting the daily operations or the financial position of the Group;
- The risk of unforeseen or stressful circumstances relates to future and unexpected obligations that could require the Group to maintain higher liquidity than what is considered a sufficient amount for conducting regular business operations;
- Financing concentration risk occurs when the Group uses a limited number of sources of financing, so that they become such that a withdrawal of one or more of them could cause liquidity problems;
- Foreign currency liquidity risk (FX risk) arises from the current and projected liquidity mismatch between the cash inflows and outflows in foreign currencies, or a different allocation of assets and liabilities in foreign currencies within a time horizon.

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

Within the liquidity risk management, the Group addresses each of the above listed sources of liquidity risk through the appropriately set up system of limits.

The limit system used in daily liquidity risk management ensures that the Group maintains liquidity and financing position that is strong enough to bear the potential effects of unfavorable scenarios in which the above listed risks can be materialized. The limit system for the Group is defined in the Risk Appetite Framework (RAF) as well as other granular limits.

RAF defines the level of risk that the Group is willing to take in achieving its strategic goals and business plan, considering the interest of its shareholders, as well as capital and other regulatory and legal requirements. As such, RAF is approved by the Supervisory Board, while the granular limits (or other form of limitation) are derived from RAF: their approval and escalation process, however, includes other Group's committees or functions that are set at a lower hierarchy level in the Group's organization.

Some of the main liquidity indicators included in RAF for 2024 were:

- the Bank's liquidity ratio and narrow liquidity ratio;
- the liquidity coverage ratio (LCR) - consolidated; and
- the net stable funding ratio (NSFR).

During 2024, there was no breach of any of the defined limits.

The Group's liquidity ratio and narrow liquidity ratio

The liquidity ratio of the Group is the ratio of the sum of level 1 and level 2 liquid receivables of the Bank and the sum of liabilities payable on demand or with no agreed maturity and liabilities falling due within a month from the date of liquidity ratio calculation.

In the context of this report, based on Decision of NBS on Liquidity Risk Management by Banks, Level 1 liquid receivables are: cash and balances with Central Bank, balances on the accounts with banks that have been rated at least BBB in the Standard & Poor`s or Fitch-IBCA rating or at least Baa3 in the Moody`s rating and Securities portfolio. Level 2 are other receivables due within a month after the liquidity ratio was calculated.

The Group is obliged to maintain the level of liquidity so that:

- at least 1.0 – when calculated as an average of all working days in a month;
- not below 0.9 – for over three consecutive working days; and
- at least 0.8 – when calculated for one working day.

The narrow liquidity ratio is the ratio of level 1 liquid receivables of a Bank and the sum of liabilities payable on demand or with no agreed maturity and liabilities falling due within a month from the date of liquidity ratio calculation.

The Group is obliged to maintain the level of liquidity so that narrow liquidity ratio is:

- at least 0.7 – when calculated as an average of all working days in a month;
- not below 0.6 – for over three consecutive working days; and
- at least 0.5 – when calculated for one working day.

The Group is under obligation to report to the NBS if the liquidity ratios are non-compliant with the prescribed parameters for two consecutive working days and must do so on the next working day. If the Group determines a critically low liquidity ratio, it must report this to the NBS at the latest by the next working day. Such a report should contain information on the amount of shortfall liquid assets, on the reasons for the lack of liquidity and on the activities planned for resolving the causes of illiquidity.

Financial Risk prepares a report on daily liquidity for the National Bank of Serbia daily.

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

Realized values of the liquidity and narrow liquidity ratios during 2024 and 2023:

	2024	2023
The Bank's liquidity ratio		
- as at 31 December	2.24	2.29
- average for the period – December	2.18	2.24
- maximum for the period – December	2.38	2.34
- minimum for the period – December	2.03	2.15

	2024	2023
The narrow liquidity ratio		
- as at 31 December	1.62	1.70
- average for the period – December	1.35	1.38
- maximum for the period – December	1.62	1.70
- minimum for the period – December	1.02	1.20

Liquidity Coverage Ratio (LCR)

This indicator represents the ratio of the Group's high quality liquid assets (liquidity buffer) to the net outflows of its liquid assets that would occur during the next 30 days from this indicator calculation date under the assumed stress conditions. This ratio is calculated monthly for the Bank and twice annually for at the Group's consolidation level. The Group is required to maintain the liquidity coverage ratio observing the total in all currencies at a level not lower than 100%.

The Group's realized LCR values indicate a high level of liquidity maintained during 2024 and 2023:

As at December 31	2024	2023
Liquidity buffer	247,841,765	185,698,171
Net outflows of liquid assets	148,547,904	112,732,451
LCR	167%	165%

Net Stable Funding Ratio (NSFR)

This ratio is calculated based on UniCredit Group's methodology, due to the fact that there was no regulatory requirements in Republic Serbia up to June 2024, since then NBS methodology has been implemented. This ratio is calculated monthly for the Bank and twice annually for at the Group's consolidation level. During 2024, Group was in the targeted range which was defined in RAF process.

The liquidity risk management system also defines specific limits that ensure that the liquidity reserves are high enough to cover even the intense stress periods. The liquidity risk stress test is carried out on a monthly basis and is based on the scenario analyses. If necessary, frequency of stress testing can be increased to weekly basis. The objective of the scenario analysis is testing of the Group's ability to continue its business activities while facing a stressful event.

Three basic scenarios are analyzed:

- Market scenario (stressful circumstances caused by market events);
- The name crisis (stressful circumstances caused by unfavorable news in the media or events related to the Group); and
- Combined scenario (combination of the above two scenarios).

Given the banking turmoil and financial distress of Silicon Valley Bank (SVB) and First Republic Bank in US and of Credit Suisse in Europe, UniCredit Group has introduced a new ad hoc scenario in the liquidity stress test, called Extreme scenario, on top of our regular scenarios. Compared to the combined scenario, the main changes in the extreme scenario are in the positions of financial and interbank deposits, which have a full run-off profile. Extreme scenario is not applied on consolidated level, but only considering Bank positions.

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

To ensure timely and adequate actions in cases of increased liquidity risk, the Group has adopted the Business Continuity Plan, which is tested on an annual basis and which:

- Precisely defines procedures for early detection of the Group's liquidity problems, including a list of early warning indicators;
- Clearly defines activities, obligations and responsibilities in liquidity crisis management; and
- Precisely defines the manner of accessing available or potential sources of liquidity, as well as procedures for securing access to supplementary sources of financing, or sources that are not used in regular business.

The effect on which climate-related risks potentially affect Group liquidity risk. it can occur through transitional risk (increased liquidity needs in high-CARBON companies that have difficulty adapting to a carbon neutral economy) and physical risk (increased need for 'l' liquidity due to severe weather events).

Contingency liquidity or capital policy was not activated (nor was there a need for it). With a stable and adequate liquidity potential, the Group has not experienced an outflow of retail and corporate deposits, nor restrictions on the money market due to the reduction of limits by other financial institutions. Early warning indicators EWI indicators, both for the Group and the market, are set at an appropriate distance from the RAF or the level of regulatory limits, leaving time for the Group to respond in a timely manner during potential or actual crises.

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

The following table provides breakdown of relevant maturity groups of the Group's financial assets and liabilities as of December 31, 2024:

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and balances held with the central bank	191,329,015	-	-	-	-	191,329,015
Receivables under derivative financial instruments	-	-	1,667,357	-	-	1,667,357
Securities	-	-	3,566,818	51,264,737	48,036,967	102,868,522
Loans and receivables due from banks and other financial institutions	69,784,148	29,669	713,432	1,480,663	-	72,007,912
Loans and receivables due from customers	23,485,126	19,988,837	106,559,676	191,905,187	42,817,896	384,756,722
Receivables under derivatives designated as risk hedging instruments	-	-	427,229	-	-	427,229
Other assets	2,447,527	-	813,740	-	-	3,261,267
Total assets	**287,045,816**	**20,018,506**	**113,748,252**	**244,650,587**	**90,854,863**	**756,318,024**
Liabilities						
Liabilities under derivative financial instruments	-	-	1,706,884	-	-	1,706,884
Deposits and other liabilities due to banks, other financial institutions and the central bank	55,361,952	38,300,131	21,917,311	47,498,413	5,602,777	168,680,584
Deposits and other liabilities due to customers	369,140,777	38,867,092	43,601,663	11,331,495	841,768	463,782,795
Liabilities under derivatives designated as risk hedging instruments	-	-	687,148	-	-	687,148
Other liabilities	7,152,200	75,506	580,182	687,258	80,662	8,575,808
Total liabilities	**431,654,929**	**77,242,729**	**68,493,188**	**59,517,166**	**6,525,207**	**643,433,219**
Off-balance sheet items	6,872,867	2,304,791	6,808,528	-	-	15,986,186
Net liquidity gap as at December 31, 2024	**(151,481,980)**	**(59,529,014)**	**38,446,536**	**185,133,421**	**84,329,656**	**96,898,619**

In the analysis of liquidity risk, the Group also takes into account off-balance sheet positions. Using the historical analysis of the time series and the application of the VAR model with a 95% confidence interval, the percentages of potential outflows that can be expected up to 1 month, up to 3 months and up to 1 year cumulatively were calculated. The percentages calculated in this way are applied to the following off-balance sheet positions: revocable and irrevocable credit lines, guarantees and credit cards, and the calculated potential outflows are included in the liquidity risk analysis.

The structure of asset and liability maturities as at December 31, 2024 is indicative of maturity mismatch between the outstanding maturities of assets and those of liabilities in the time buckets, with marked negative mismatch in the buckets of up to a month and from 1 to 3 months. The maturity mismatch in the basket of up to one month was primarily due to the maturity structure of deposits, i.e. the significant share of demand deposits in the Group's total deposits. This negative gap increased compared to December 31, 2023, bearing in mind that with the increase in interest rates, a certain amount of demand deposits was redirected to time deposits in accordance with the increase in interest rates, which caused a negative term default in the basket from 1 to 3 months. Based on historical data and experience, a significant portion of demand deposits may be considered a long-term source of financing given their stability, growth rate and withdrawal rate. At the same time, we underline that the Group is in possession of liquid instruments, i.e., securities and other liquidity reserves, that can be pledged with the National Bank of Serbia at any time, or sold on a secondary market, and has at its disposal funds from the parent bank (in line with funding plan) and international financial institutions in accordance with the adopted financing plan for the current year, all of which can be used to cover potential outflows of funds at any time, even in the stress scenarios. The stress scenario analyses are performed and analyzed by the relevant Group's units and teams on an ongoing basis.

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

The following table provides breakdown of relevant maturity groups of the Group's financial assets and liabilities as of December 31, 2023:

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and balances held with the central bank	130,511,716	-	-	-		130,511,716
Receivables under derivative financial instruments	-	-	2,055,657	-		2,055,657
Securities	2,767,554	-	71,367,819	1,370,346	28,940,067	104,445,786
Loans and receivables due from banks and other financial institutions	63,455,102	337,441	(620,425)	(174,190)	8,463	63,006,391
Loans and receivables due from customers	29,852,095	20,016,829	87,223,187	113,898,432	93,479,164	344,469,707
Receivables under derivatives designated as risk hedging instruments	-	-	636,909	-	-	636,909
Other assets	1,548,717	-	369,784	-	-	1,918,501
Total assets	**228,135,184**	**20,354,270**	**161,032,931**	**115,094,588**	**122,427,694**	**647,044,667**
Liabilities						
Liabilities under derivative financial instruments	-	-	2,119,142	-	-	2,119,142
Deposits and other liabilities due to banks, other financial institutions and the central bank	21,282,132	8,938,059	69,228,458	28,622,697	18,095,431	146,166,777
Deposits and other liabilities due to customers	306,648,764	4,779,323	50,740,688	21,449,322	6,117,307	389,735,404
Liabilities under derivatives designated as risk hedging instruments	-	-	734,550	-	-	734,550
Other liabilities	7,277,783	73,932	1,923,821	921,290	118,711	10,315,537
Total liabilities	**335,208,679**	**13,791,314**	**124,746,659**	**50,993,309**	**24,331,449**	**549,071,410**
Off-balance sheet items	5,972,394	2,070,959	5,194,941	-	-	13,238,294
Net liquidity gap as at December 31, 2023	**(113,045,889)**	**4,491,997**	**31,091,331**	**64,101,279**	**98,096,245**	**84,734,963**

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

The following table provides breakdown of relevant maturity groups of the derivative financial instruments for liquidity risk monitoring purposes:

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
FX derivative financial instruments – receive side	56,342,955	443,152	572,048	-	-	57,358,155
FX derivative financial instruments – pay side	56,342,575	441,598	564,994	-	-	57,349,167
Net maturity gap as at December 31, 2024	**380**	**1,554**	**7,054**	**-**	**-**	**8,988**

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
FX derivative financial instruments – receive side	24,855,011	-	1,274,008	-	-	26,129,019
FX derivative financial instruments – pay side	24,887,139	-	1,269,986	-	-	26,157,125
Net maturity gap as at December 31, 2023	**(32,128)**	**-**	**4,022**	**-**	**-**	**(28,106)**

The maturity structure of FX derivative financial instruments which is relevant from the aspect of monitoring and managing liquidity risk does not indicate a significant existence of maturity mismatch of the remaining maturity period by time baskets. FX derivative financial instruments are included in all indicators used to monitor both short-term and structural liquidity, thus ensuring adequate management of potential liquidity risk that may arise from these positions.

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4. RISK MANAGEMENT (Continued)

(e) Liquidity Risk (Continued)

Structural FX Gap

Structural FX Gap is calculated as the difference between the liabilities over 1 year in a specific foreign currency and the assets over 1 year on the same currency, mapped according to the criteria for calculation of the Structural Liquidity Gap. Behavioral models on non-maturing deposits were also considered which led to revision of trigger due to change of the maturity profile on liability side.

	2024	2023
EUR FX Gap >1Y		
Liabilities in time baskets >1Y	166,378,790	164,196,103
Receivables in time baskets >1Y	208,213,944	187,913,625
Trigger (max)	(51,486,556)	(49,915,996)
FX Gap	**(41,835,154)**	**(23,717,522)**

	2024	2023
Other FX Gap >1Y		
Liabilities in time baskets >1Y	-	-
Receivables in time baskets >1Y	1,420,202	96,946
Trigger (max)	(2,340,298)	(585,869)
FX Gap	**(1,420,202)**	**(96,946)**

The trigger on Structural FX Gap is intended to reduce the imbalance between the structural funding and assets over 1 year in a specific currency, and it is defined as maximum allowed negative difference.

(f) Compliance Risks

Compliance risk represents a possibility of adverse effects on the Group's financial performance and capital due to the failure of the Group to align its operations with the effective laws and regulations, professional standards, procedures for prevention of money laundering and terrorist financing and other procedures, best business practices, business ethics and the Group's internal bylaws and other enactments governing banking operations. It particularly relates to the risk of regulatory sanctions, the risk of financial losses and reputational risk. The Group has organized a special organizational unit whose competence covers compliance review.

The primary task of the Compliance is to identify and assess the Group's compliance risk and report thereon to the Management Board and Audit Committee and, as appropriate, the Supervisory Board and to propose plans on management of the main compliance risks. The Compliance assess risks in accordance with the adopted Methodology and Annual Activity Plan.

Moreover, the Group's compliance function supports other organizational units of the Group in defining procedures, introducing new products or modifying the existing ones, in implementation of the laws and bylaws, rules, standards and the Group's internal bylaws and enactments specifically governing the following areas: prevention of money laundering and terrorist financing, financial sanctions, banking secrets, protection of personal data, insider information and market abuse, professional market conduct standards, conflict of interests, corruption, loansharking, professional conduct with clients and provision of adequate advice to clients in accordance with the Code of Conduct and Ethical Principles, application of standards on the protection of financial service users and transparency in behavior, protection of competition and other regulatory areas in accordance with the rules of UniCredit Group and the adopted program for the Group's compliance function.

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4. RISK MANAGEMENT (Continued)

(g) The Risk of Money Laundering and Terrorist Financing

The risk of money laundering and terrorist financing is a risk of possible adverse effects on the Group's financial performance, capital or reputation due to the use of the Group for money laundering and/or terrorist financing.

The risk of money laundering and terrorist financing arises particularly as a result of the failure of the Group to align its business operations with the effective legislation, regulations and internal bylaws governing prevention of money laundering and terrorist financing, or as a result of mutual non-alignment of the Group's internal bylaws governing this matter.

The Group has in place policies and procedures for identification, measurement, assessment and management of the risk of money laundering and terrorist financing. The Group protects itself from this risk by means of an internal control system in place in its organizational units, timely information and training and education as well as testing of its employees, which is a key factor in the management of the risk of money laundering and terrorist financing.

Within the Compliance a separate organizational unit has been formed – Anti Financial Crime Compliance – to take care of the improvement and continuous implementation of the policies and procedures for managing the risk of money laundering and terrorist financing. The Group has provided the staff of the Anti-Financial Crime Compliance with appropriate HR, material, technical, IT and other resources for work as well as with ongoing professional education and trainings.

(h) Strategic Risks/Business Risk

Strategic/Business risk is the risk of negative effects on financial result or Group's capital coming from lack of adequate policies and strategies or inadequate implementation of existing strategies and policies, as well as the risk coming from changes in the environment in which Group operates or lack of adequate reaction on these changes. It is defined as a measure of distance in the future earnings of the bank and the expected ones. For calculating the internal capital for strategic/business risk, the Group uses Group tool called Pillar II system which, for calculating this internal capital, is based on simulations of ARIMA model for which it uses quarterly series of net interest income, net fees and commissions and operating expenses from P&L statement. Strategic/Business risk is further elaborated in business rule PP455 Methodology for Credit and other Pillar 2 risks Economic Capital models.

Strategic/Business risk management is the responsibility of every employee of the Group within the risk management system, along with the most important role of Supervisory Board of the Bank which is responsible for risk management system establishing, as well as the Management Board. The Group's corporate bodies carry out, among other things, the monitoring of strategic/business risk through establishing and monitoring of the annual budget, as well as the multi-year strategic plan, which is monitored at least quarterly. In that way corporate bodies are in a situation to respond to all changes in the environment in which the Group operates. The Group's management reporting system, established in all business segments, provides an adequate and timely set of information needed for the Group's decision-making process in order to respond to business changes.

Organizational structure of the Group, established by relevant governance bodies, is defined to ensure adequate resources involved in preparation and implementation of risk policies and strategies, as well as methodologies, guidelines, working instructions and other documents. The Group continually monitors, assesses and updates relevant internal regulations and improves processes in order to actively manage changes in the business environment and mitigate their influence on Group's financial result and capital.
Besides quantification of this risk through Pillar 2 system and monitoring of evolution of economic capital, an important element in the management of strategic/business risk is the Group's internal control system which provides continuous monitoring of the risks to which the Group is exposed, or which may be exposed in its business. This system ensures implementation of appropriate policies and strategies in practice and elimination of possible shortcomings, by which strategic risk to which the Group is exposed is additionally monitored and managed.

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4. RISK MANAGEMENT (Continued)

(i) Reputational Risk

Reputational Risk is defined as the current or prospective risk to earnings and capital arising from the adverse perception of the image of the financial institution on the part of customers, counterparties (including also debt-holders, market analysts, and other relevant parties), shareholders/investors, regulators or employees.

Reputational Risk is a secondary risk generated as a "knock-on effect" from risk categories, such as credit, market, operational and liquidity risks and all others risks types (e.g. business risk, strategy risk), but also as an effect of the client's business in one of the sensitive industries from aspect of ESG standards (coal, oil and gas, mining, defense and armaments, water infrastructure, nuclear industry).

Reputational risk evaluation of clients / initiatives / transactions / projects / and other topics for which there is an identification of potential high reputational risk is performed within the Committee on Non-Financial Risks (NFRC) - Reputation Risk Sub-committee.

(j) Interest Rate Risk in the Banking Book

Interest rate risk is defined as a possibility of adverse effects on the Group’s financial performance and equity per items in the Group’s banking book due to changes in interest rates.

The Group's exposure to the interest rate risk is considered from two perspectives:

- Impact on the economic value - when changes in interest rates affect the basic value of assets. liabilities and off-balance sheet instruments, because the economic value of future cash flows changes (and in some cases. The cash flows themselves); and
- Impact on the financial result - when changes in interest rates affect earnings by changing the net interest income.

The system of limits for measuring exposure to the interest rate risk is used for monitoring potential changes in the economic value (EV) and changes in the expected net interest income (NII) or profit, addressing all the material sources of risk, in particular:

- Repricing risk - arises from the structure of the banking book and relates to timing mismatch in the maturity and repricing period of assets and liabilities;
- Yield curve risk - arising from changes in the yield curve shape and or slope;
- Basis risk to which the Group is exposed due to different reference interest rates applicable to the interest-sensitive items with similar characteristics in terms of maturity or repricing; and
- Optionality risk to which the Group is exposed due to embedded options in relation to interest rate-sensitive positions (loans with the option of early repayment, deposits with the option of early withdrawal).

The Group has implemented the framework of interest rate risk scenarios that address all the aforesaid sources of interest rate risk and, depending on the strength of the assumptions used, those can be divided into two basic groups:

- regular business scenarios, and
- stress test scenarios.

The scenarios vary depending on the specific risk generator, whose parameters are changed or stressed:

- assumptions of stress on interest rates (parallel, non-parallel changes in interest rates);
- assumptions of stress on the balance sheet (dynamic balance sheet, constant balance sheet);
- single-factor analysis; and
- multifactor analysis.

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4. RISK MANAGEMENT (Continued)

(j) Interest Rate Risk in the Banking Book (Continued)

The effects of all scenarios are analyzed from the viewpoint of the change in the economic value and net interest income.

Interest rate risk scenarios included in RAF 2024:

- Economic value (EV) sensitivity; and
- Sensitivity of net interest income (NII).

One of the tasks of the Group's ALM & Funding is to establish procedures for the Group to comply with the defined limits for the interest rate risk. This is accomplished through activities in the financial markets (through interbank transactions, securities transactions) conducted in cooperation with the Client Risk Management & Treasury as well as other ALM & Funding activities used to manage interest gaps for protection against the interest rate risk, in line with the Group's preferred risk profile.

At the same time, those organizational units are involved in the management of the Group's investment portfolio, which, together with the approved instruments, enables the achievement of a strategic position that ensures stability of interest income from the banking book. For protection against the interest rate risk, Group undertake hedging transactions to hedge certain portfolios or transactions.

An analysis of the Group's sensitivity (EV loss or gain) coming from parallel shifts of 200 bps on market interest rates in respect of the positions in the banking book (EV), assuming no asymmetric trends in yield curves, is presented as follows:

	Parallel increase of 200 bp	Parallel decrease of 200 bp
2024		
As at December 31	(3,269,395)	3,470,910
Average for the year	(2,672,839)	2,659,806
Maximum for the year	(2,186,923)	3,470,910
Minimum for the year	(3,269,395)	2,129,080
2023		
As at December 31	(2,295,961)	2,361,549
Average for the year	(1,826,735)	1,912,037
Maximum for the year	(252,496)	3,029,295
Minimum for the year	(2,684,186)	(174,185)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024
All amounts expressed in thousands of RSD, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

(j) Interest Rate Risk in the Banking Book (Continued)

The Group's exposure to interest rate changes as at December 31, 2024 is presented for the entire interest-bearing portion of the statement of the financial position:

	Carrying amount	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing
Cash and balances held with the central bank	191,329,015	93,839,825	-	-	-	-	97,489,190
Receivables under derivative financial instruments	1,667,357	-	-	-	-	-	1,667,357
Securities	102,868,522	4,851,441	14,574	3,566,093	54,375,285	40,061,129	-
Loans and receivables due from banks and other financial institutions	72,007,912	69,784,320	276,383	312,304	1,592,753	-	42,152
Loans and receivables due from customers	384,756,722	33,410,849	155,974,242	99,730,512	60,821,197	32,206,199	2,613,723
Receivables under derivatives designated as risk hedging instruments	427,229	-	-	-	-	-	427,229
Other assets	3,261,267	-	-	-	-	-	3,261,267
Total assets	**756,318,024**	**201,886,435**	**156,265,199**	**103,608,909**	**116,789,235**	**72,267,328**	**105,500,918**
Liabilities under derivative financial instruments	1,706,884	-	-	-	-	-	1,706,884
Deposits and other liabilities due to banks, other financial institutions and the central bank	168,680,584	31,236,759	29,338,412	49,313,034	51,300,147	-	7,492,232
Deposits and other liabilities due to customers	463,782,795	89,460,248	52,504,392	38,397,272	7,475,761	1,051,519	274,893,603
Liabilities under derivatives designated as risk hedging instruments	687,148	-	-	-	-	-	687,148
Other liabilities	8,575,808	-	-	-	-	-	8,575,808
Total liabilities	**643,433,219**	**120,697,007**	**81,842,804**	**87,710,306**	**58,775,908**	**1,051,519**	**293,355,675**
Net interest rate risk exposure at December 31, 2024	**112,884,805**	**81,189,428**	**74,422,395**	**15,898,603**	**58,013,327**	**71,215,809**	**(187,854,757)**

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4. RISK MANAGEMENT (Continued)

(j) Interest Rate Risk in the Banking Book (Continued)

The Group's exposure to interest rate changes as at December 31, 2023 is presented for the entire interest-bearing portion of the statement of the financial position:

	Carrying amount	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing
Cash and balances held with the central bank	130,511,716	40,327,414	-	-	-	-	90,184,302
Receivables under derivative financial instruments	2,055,657	-	-	-	-	-	2,055,657
Securities	104,445,786	5,227,861	13,467	1,370,346	70,619,660	27,214,452	-
Loans and receivables due from banks and other financial institutions	63,006,391	61,869,584	292,723	296,425	927	-	546,732
Loans and receivables due from customers	344,469,707	39,638,361	157,165,921	82,450,453	42,057,489	20,239,850	2,917,633
Receivables under derivatives designated as risk hedging instruments	636,909	-	-	-	-	-	636,909
Other assets	1,918,501	-	-	-	-	-	1,918,501
Total assets	**647,044,667**	**147,063,220**	**157,472,111**	**84,117,224**	**112,678,076**	**47,454,302**	**98,259,734**
Liabilities under derivative financial instruments	2,119,142	-	-	-	-	-	2,119,142
Deposits and other liabilities due to banks, other financial institutions and the central bank	146,166,777	14,041,801	72,953,474	40,793,211	9,238,385	-	9,139,906
Deposits and other liabilities due to customers	389,735,404	42,335,861	30,877,233	33,376,473	15,004,404	2,601,264	265,540,169
Liabilities under derivatives designated as risk hedging instruments	734,550	-	-	-	-	-	734,550
Other liabilities	10,315,537	-	-	-	-	-	10,315,537
Total liabilities	**549,071,410**	**56,377,662**	**103,830,707**	**74,169,684**	**24,242,789**	**2,601,264**	**287,849,304**
Net interest rate risk exposure at December 31, 2023	**97,973,257**	**90,685,558**	**53,641,404**	**9,947,540**	**88,435,287**	**44,853,038**	**(189,589,570)**

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4. RISK MANAGEMENT (Continued)

(j) Interest Rate Risk in the Banking Book (Continued)

An analysis of the interest rate gap sensitivity to an interest rate increase/decrease, assuming a parallel change in the yield curve and static banking book is shown in the table below:

	December 31, 2024	December 31, 2023
	The effect of a parallel change in the interest rate by 1 bp	The effect of a parallel change in the interest rate by 1 bp
RSD	(22,688)	(22,439)
EUR	6,615	10,771
USD	128	223
GBP	2	3
CHF	(4)	(20)
Other currencies	-	-
Total effect*	**29,437**	**33,456**

* The total effect is equal to the sum of the absolute values by currencies.

Exposure based on the sensitivity analysis of the interest rate gap during 2024 was within the defined limits.

(k) Model Risk

The model risk pertains to potential errors in modeling for the main types of risks the Group is exposed to (credit risk, market risks, operational risk, strategic/business and reputational risk), such as inadequate modelling methodology, improper model application, lacking parameters and inputs.

Model risk analysis is based on the assessment of the risk model components arising from various types of risks. In order to ensure adequate model risk management and define and implement measures for risk mitigation in this area, the Group applies and regularly evaluates an appropriate set of internal bylaws.

(l) Climate and environmental risk

At the group level, UniCredit strategically manages climate change risks by integrating transition risk, physical risk, and reputational risk into the credit process, while simultaneously implementing Net Zero targets as part of its long-term strategies. The Group focuses on aligning its financial and operational activities with sustainability challenges, while also supporting clients in their transition processes. The Group's defined strategies are published within the publicly available document – the Integrated Sustainability Report Sustainability Reporting – UniCredit.

Transition risk has been incorporated into the credit process, requiring local credit procedures to be adjusted in alignment with the UniCredit Group's strategy. Consequently, an adapted evaluation and monitoring system for client financing was introduced, categorizing clients into two groups: Group A - key competence clients, with credit process changes launched in October 2024, and Group B - other corporate clients, with changes effective from January 2025. Depending on the client's group, transition risk can be assessed through the C&E Questionnaire (Palantir), a simplified version of the questionnaire (Excel file), or pre-existing external database information (CERVED). As part of the modified credit process, the transition risk will determine which products can be offered to the client.

To achieve alignment with Net Zero targets, primarily defined at the group level and subsequently cascaded to local levels, particular attention has been given to clients in Net Zero-relevant industries with significant greenhouse gas emissions (Oil & Gas, Power Generation, Automotive). Clients in these industries are classified based on their Net Zero score: Leaders, Aligning, or Laggards. This classification shapes the business strategy toward each client and determines the approach to financing their energy transition.

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4. RISK MANAGEMENT (Continued)

(l) Climate and environmental risk (Continued)

These changes in the local credit process have been enhanced by the implementation of Group IT tools, developed to enable detailed risk analysis, greenhouse gas emissions assessments, and robust support in decision-making related to financing energy transition and decarbonization projects. In addition to technical advancements, particular emphasis has been placed on employee training to ensure readiness for the application of new standards and procedures within the credit process.

(m) Capital Management

As the Group's regulator, the NBS defines the method of calculating capital and capital adequacy based on Basel III Regulatory Framework. The regulatory capital, capital adequacy ratios and calculation of risk-weighted assets are defined by the Decision on Capital Adequacy of Banks, including all amendments, effective as from June 30. 2017 (the "Decision"). The Group monitors its capital adequacy ratio on a quarterly basis using the standardized approach.

The Group is required to calculate the following capital adequacy ratios:

1. the Common Equity Tier 1 capital ratio (CET 1 ratio) represents the common equity tier 1 capital relative to the risk-weighted assets, expressed as percentage. The minimum CET 1 ratio defined by the Decision is 4.5%;
2. the Tier 1 capital ratio (T1 ratio) is the core capital adequacy ratio, representing the core capital relative to the risk-weighted assets, expressed as percentage. The minimum T1 ratio defined by the Decision is 6%;
3. the total capital adequacy ratio (CAR) represents the capital relative to the risk-weighted assets, expressed as percentage. The minimum CAR defined by the Decision is 8%.

The Group is required to maintain its core capital in RSD equivalent amount of EUR 10,000,000 at all times, using the official middle exchange rate of NBS effective as at the calculation date. In addition, the Group is required to maintain at all times its capital in the amount necessary for coverage of all risks the Group is or may be exposed to in its operations, yet no less than the amount required to maintain the minimum capital adequacy ratios or increased capital adequacy ratios – in case NBS orders the Group to achieve and maintain capital adequacy ratios higher than the prescribed ones.

In 2024, the NBS maintained capital adequacy ratios higher than prescribed.

The Group's capital is the sum of the core capital (Tier 1) and supplementary capital (Tier 2). The core capital is the sum of the common equity Tier 1 capital (CET1) and additional Tier 1 capital (AT1).

The common equity Tier 1 capital is the sum of the following items adjusted for the regulatory adjustments less deductible items:

- shares and other equity instruments;
- relevant share premium with the common equity Tier 1 instruments;
- the profit;
- revaluation reserves and other unrealized gains;
- reserves from profit and other reserves;
- reserve funds for general banking risks.

Regulatory adjustments – When calculating the value of its capital components, the Group is bound to exclude from any capital component any increase in equity determined under IFRS/IAS resulting from securitization of exposures. Since the Republic of Serbia has no regulations enacted to govern this area, the said regulatory adjustment is not applicable.

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4. RISK MANAGEMENT (Continued)

(m) Capital Management (Continued)

The Group does not include in its capital the following:

- fair value reserves relating to gains or losses in cash flow hedging instruments for financial instruments measured at other than fair value, including the projected cash flows;
- gains or losses on the liabilities measured at fair value, resulting from the changes in the Bank's credit quality;
- gains or losses arising from the credit risk for liabilities per derivatives measured at fair value, where the Bank may not offset such gains or losses against those arising from its counterparty credit risk.

Unrealized gains or losses on assets or liabilities measured at fair value, except for the above listed gains or losses, are included in the calculation of capital. In the calculation of capital, as a deductible item, additional value adjustments are included that are applied to all assets that are valued at fair value, which is calculated as 0.1% of the sum of the absolute value of assets and liabilities that are calculated at fair value in accordance with IFRS/IAS.

Deductible from the Common Equity Tier 1 capital are:

- current and prior year's losses and unrealized losses;
- intangible assets, including goodwill, decreased for the amount of deferred tax liabilities that would be derecognized in case of impairment or derecognition of intangible assets under IFRS/IAS;
- deferred tax assets dependable on the Group's future profitability in line with the effective regulations;
- defined benefit pension fund assets on the Group's balance sheet;
- the Group's direct, indirect and synthetic holdings of its own common equity Tier 1 instruments, including those that the Group is under an actual or contingent obligation to repurchase by virtue of a constructive obligation;
- the Group's direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where those entities have reciprocal holdings in the Group, designed to artificially inflate the Group's capital;
- the Group's applicable direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where the Group holds no significant investments in accordance with Articles 19 and 20 of the Decision;
- the Group's applicable direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where the Group holds significant investments in accordance with Sections 19 and 20 of the Decision;
- the amount for which the Group's additional Tier 1 capital deductible items exceed the Group's additional Tier 1 capital;
- the amount of exposures qualifying for application of a risk weight of 1.25%, where the Group decides to deduct the exposure from the common equity Tier 1 rather than apply the said risk weight, such as:
  - holdings in non-FSI entities exceeding 10% of their capital and/or holdings enabling effective exertion of significant influence on the management of such entities or their business policies;
  - securitized items in accordance with Section 201, paragraph 1, item 2), Section 202, paragraph 1, item 2), and Section 234 of the Decision;
  - free deliveries, if the counterparty has failed to settle its liability within four working days from the agreed delivery/payment date, in accordance with Section 299 of the Decision;
- any tax charge relating to the common equity Tier 1 items foreseeable at the moment of its calculation, except where the Group has previously suitably adjusted the amount of common equity Tier 1 items insofar as such tax charges reduce the amount up to which those items may be used to absorb risks or losses;
- gross amount of receivables due from a private individual debtor (other than a farmer and sole trader/entrepreneur) for consumer loans, cash or other loans recorded on accounts 102, 107 and 108 in accordance with NBS decision prescribing the chart of accounts and contents of the accounts within the chart of accounts for banks, where the credit indebtedness of the debtor prior to the loan approval was higher than the percentage rate defined in line with NBS decision governing classification of the balance sheet assets and off-balance sheet items of banks, or the said percentage rate will be higher due to the loan approval, where this item will be deducted regardless of whether after the loan approval, the debtor's credit indebtedness decreased below the said percentage rate.

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4. RISK MANAGEMENT (Continued)

(m) Capital Management (Continued)

- gross amount of receivables due from a private individual debtor (other than a farmer and sole trader/entrepreneur) for consumer loans, cash or other loans approved, except for the loans specified under the bullet above, which are recorded on accounts 102, 107 and 108:
    - for which the contractually defined maturity is over 2,920 days, if such loans were approved from January 1, 2019 up to December 31, 2019;
    - for which the contractually defined maturity is over 2,555 days, if such loans were approved from January 1, 2021 up to December 31, 2021;
    - for which the contractually defined maturity is over 2,190 days, if such loans were approved from January 1, 2022;
- gross amount of receivables due from a private individual debtor (other than a farmer and sole trader/entrepreneur) for consumer loans approved for purchase of motor vehicles, which are recorded on account 102, for which the contractually defined maturity is over 2,920 days, if such loans have been approved as from January 1, 2019; and
- amount of the required reserve for estimated losses in accordance with NBS regulations, if such regulations prescribe the Group's obligation to form such a reserve.

From the calculation of deductible items from indents 13 and 14 of the previous paragraph, the period in which the moratorium on the basis of approved loans defined by those indents lasted is not included in the number of days of agreed maturity for the purposes of application of these provisions. The moratorium means a delay in the repayment of obligations in accordance with the provisions of the decision which regulates the temporary measures for preserving the stability of the financial system in the Republic of Serbia in the conditions of the pandemic caused by COVID-19. The deductibles refer to indents 13, 14 and 15 of previous paragraph shell does not apply to receivables restructured in accordance with the decision governing the classification of bank balance sheet assets and off-balance sheet items if following conditions are meet: the receivables have been incurred under loans refer to indents 13, 14 and 15 which deductibles from those provisions had not been applied, the restructuring is carried out based on the bank's offer, the restructuring does not increase the outstanding loan amount, the agreed maturity of the loan after the restructuring is no longer than 3,285 days for loans refer to indents 13 and 14, and no longer than 4,015 days for loans form intents 15 and receivables have not been restructured accordance with the provisions.

Upon determining deductible deferred tax assets items and the Group's applicable direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where the Group holds significant investments, the Group is not required to deduct from the common equity Tier 1 capital the amounts of items that in the aggregate are equal to or lower than the limit which is arrived at by multiplying the common equity Tier 1 items remaining after the regulatory adjustments and decrease for deductible items by 17.65%:

- deferred tax assets dependable on the Group's future profitability, arising from the temporary differences in the amount lower than or equal to 10% of the Group's common equity Tier 1 capital calculated in accordance with Section 21, paragraph 2 of the Decision;
- the Group's direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where the Group holds significant investments in the amount lower than or equal to 10% of the Group's common equity Tier 1 capital calculated in accordance with Section 21, paragraph 2 of the Decision.

As of December 31, 2024, the Group did not reduce its common equity Tier 1 capital for the amount of direct holdings of common equity Tier 1 instruments or for deferred tax assets dependable on the Group's future profitability, arising from the temporary differences since their aggregate amount was below the defined limit.

According to the Decision on the temporary measure related to the calculation of the Bank's capital, the Group has decided to apply the measure starting from the report for the second quarter of 2022. In 2024, from the Common Equity T1 capital calculation the Bank excluded the amount of the temporary regulatory adjustment obtained by a reduction factor of 0.50 for the calculation for the first and second quarters and a reduction factor of 0.25 for the third and fourth quarters (in 2023, a reduction factor of 0.70 was used).

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4. RISK MANAGEMENT (Continued)

(m) Capital Management (Continued)

The Group's additional Tier 1 capital consists of the sum of the following items less respective deductibles:

- shares and other equity instruments that meet the requirements referred to in Section 23 of the Decision;
- relevant share premium.

As of December 31, 2024, the Group had no additional Tier 1 capital.

The Group's supplementary (Tier 2) capital consists of the sum of the following items less respective deductibles:

- shares and other Tier 2 instruments and liabilities under subordinated loans;
- the relevant share premium, i.e., amounts paid in above the par value of such instruments;
- general credit risk adjustments gross of tax effects, of up to 1.25% of the risk-weighted credit risk exposures for banks calculating the risk-weighted exposures amounts by applying the standardized approach.

The amount in which the supplementary Tier 2 capital instruments, i.e., subordinated liabilities, are included in the calculation of the supplementary Tier 2 capital during the final five years before they mature, is calculated as follows: the quotient their nominal value and/or the principal amount on the first day of the final five-year period before their mature and he number of calendar days in that period is multiplied by the number of the calendar days remaining to maturity of the instruments or subordinated liabilities at the calculation date.

As of December 31, 2024, the Group had no supplementary Tier 2 capital.

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4. RISK MANAGEMENT (Continued)

(m) Capital Management (Continued)

The following table presents the Group's balance of capital and total risk-weighted assets as of December 31, 2024 and 2023:

	2023	2022
Common equity Tier 1 capital - CET1		
Paid in common equity Tier 1 instruments	23,607,620	23,607,620
Relevant share premium with the common equity Tier 1 instruments	562,156	562,156
Current year's profit qualifying for inclusion into CET 1 capital	1,078,133	1,078,092
Revaluation reserves and other unrealized gains	562,814	103,671
(-) Unrealized losses	(357,085)	(766,876)
Other reserves	63,214,011	54,906,013
(+) Fair value of reserves related to gains (-) or losses (+) from cash flow hedging instruments not valued at fair value, including projected cash flows	357,085	455,249
(-) Additional value adjustments	(44,507)	-
(-) Intangible assets, including goodwill, decreased for the amount of deferred tax liabilities)	(2,403,826)	(2,522,455)
(-) Gross amount of receivables due from a private individual debtor (other than a farmer and sole trader/entrepreneur) for consumer loans, cash or other loans recorded on accounts 102, 107 and 108 in accordance with NBS decision prescribing the chart of accounts and contents of the accounts within the chart of accounts for banks, where the credit indebtedness of the debtor prior to the loan approval was higher than the percentage rate defined in line with NBS decision governing classification of the balance sheet assets and off-balance sheet items of banks, or the said percentage rate will be higher due to the loan approval, where this item will be deducted regardless of whether after the loan approval, the debtor's credit indebtedness decreased below the said percentage rate	(78,005)	(78,532)
(-) Gross amount of receivables due from a private individual debtor (other than a farmer and sole trader/entrepreneur) for consumer loans, cash or other loans approved, except for the loans specified under the bullet above, which are recorded on accounts 102, 107 and 108 in accordance with NBS decision prescribing the chart of accounts and contents of the accounts within the chart of accounts for banks, which based on the maturity criterion meet condition for deduction from CET 1 capital:	(381,778)	(762,452)
of which (-) whose contractual maturity is longer than 2920 days – if these loans are approved in period from January 1 to December 31 2019	(15,316)	(27,202)
of which (-) whose contractual maturity is longer than 2920 days – if these loans are approved in period from January 1 to December 31 2020	(10,143)	(14,546)
of which (-) whose contractual maturity is longer than 2190 days – if these loans are approved in period from January 1 to December 31 2021	(356,319)	(720,704)
Total common equity Tier 1 capital - CET1	**86,116,618**	**76,582,486**
Additional Tier 1 capital - AT1	-	-
Total core Tier 1 capital - T1 (CET1 + AT1)	**86,116,618**	**76,582,486**
Supplementary capital - T2	-	-
Total regulatory capital (T1 + T2)	**86,116,618**	**76,582,486**

In both 2024 and 2023, the Bank achieved business indicators within the limits defined by NBS Decision on Capital Adequacy and Decision on Risk Management: basic share capital adequacy indicator - CET1, capital adequacy indicator - T1 and capital adequacy indicator of 20.63% (in 2023.: 19.72%).

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5. USE OF ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

These disclosures supplement the comments on financial risk management (Note 4).

Critical Accounting Estimates and Judgments in Applying the Group's Accounting Policies

(i) Provisions for Expected Credit Losses

Impairment of financial assets is assessed in the manner escribed in note 3(k)(viii).

Under IFRS 9, measurement of ECL for all categories of financial assets requires estimates and judgements to be made, particularly those relating to determining the amount and expected timing of the future cash flows, both from operation and from collateral foreclosure upon determining the ECL and assessing whether there has been a significant credit risk increase. The said estimates are based on a number of factors, the combination and interaction of which may result in different amounts of expected credit loss provisions in different scenarios analyzed.

The Group's ECL calculations are a result of complex models involving a number of assumptions concerning a selection of input variables and their interdependence. Elements of ECL models that are included in the accounting judgments and estimates include the following:

- the internal model for assessing credit quality, which is used to assign PD values to individual credit rating categories;
- the Group's criteria for assessing whether there has been a significant credit risk increase, which consequently result in lifetime ECL calculation using the quantitative criteria (a change in PD compared to the initial recognition date of a financial asset) as well as qualitative assessments (forbearance or restructuring classification, 30 days past due or watch list 2 classification);
- segmentation of the financial assets when their ECL need to be assessed on a collective basis;
- development of ECL models, including various formulas and inputs to be selected;
- establishing relations between macroeconomic scenarios and economic inputs, such as GDP movements, movements in unemployment rates, salaries and interest rates and modelling of their relations and impacts on the used PD and LGD; and
- selection of macroeconomic forward-looking scenarios in collaboration with UniCredit Group and probability-weighting of those scenarios in order to arrive at the relation between the ECL models and possible economic trends.

In line with its internal policies, the Group regularly reviews, maintains and adjusts its models within the context of its actually experienced credit losses.

The Group assess impairment of financial assets and probable losses per off-balance sheet items for individually significant receivables on an individual basis. The individual impairment assessment involves determining whether there is objective evidence of impairment, i.e., whether the default status exists. The amount of impairment of financial assets is determined as the difference between the carrying value of each receivable and the present value of the expected future cash flows from the receivable, while the assessment of ECL per off-balance sheet items entails assessing recoverability of the future cash flows for each off-balance sheet commitment.

The Group assess impairment of financial assets and ECL per off-balance sheet items on a collective basis for all receivables where the impairment losses cannot be directly linked to the receivables, but may be estimated to be present in the loan portfolio based on the experience.

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5. USE OF ESTIMATES AND JUDGMENTS (Continued)

Critical Accounting Estimates and Judgments in Applying the Group's Accounting Policies (Continued)

(i) Provisions for Expected Credit Losses (Continued)

Upon performing the said assessment, the Group groups receivables according to their similar credit risk characteristics, which reflect the ability of the borrowers to settle their liabilities in accordance with contractual terms (portfolio segments, rating categories, etc.). collective impairment assessment represents a joint estimate of the future cash flows for a group of receivables based on the historical information on the losses incurred in prior periods per receivables with credit risk characteristics similar to those in that group, in accordance with the Group's methodology.

(ii) Measurement of Financial Instruments at Fair Value (Note 3 (k)(vii)

Determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(k)(vii). For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on inputs other than quoted prices for identical instruments, observable either directly (as prices) or indirectly (e.g., derived from prices). This category includes instruments measured using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs are not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are measured based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

The Group uses generally accepted models for determining the fair values of regular and common financial instruments such as interest rate and currency swaps, for which exclusively observable inputs are used, requiring less estimates and assumptions to be made by the management. Observable model inputs are mostly available on the market of the quoted debt and equity instruments, trading derivatives and simple derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for estimates and assumptions made by management and reduces uncertainty associated with determining fair value. Availability of observable market prices and inputs varies depending on the products and market; it is prone to changes caused by various events and general conditions prevailing in the future markets

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5. USE OF ESTIMATES AND JUDGMENTS (Continued)

Critical Accounting Estimates and Judgments in Applying the Group's Accounting Policies (Continued)

(ii) Measurement of Financial Instruments at Fair Value (Note 3 (k)(vii) (Continued)

Level 2 securities are measured based on internally developed valuation model which basically relies on quoted market prices in active markets for similar instruments. Portfolio consists of T-bills issued by Ministry of Finance and denominated in RSD and EUR currency. Output of the model is RSD and EUR valuation curve which is further used for calculation of Fair value of securities. Since secondary market for RSD denominated securities is relatively active, RSD valuation curve is constructed by using quoted yields on the secondary market for benchmark (the most liquid) securities with different maturities. On the other side, for EUR denominated securities curve is constructed based on EURIBOR money market curve with add-on spread realized on primary market auctions.

Both models for RSD and EUR curves are regularly back tested on yearly basis.

Level 3 securities are municipality bonds which are not liquid or tradable on the market and it is valued by using discounted cash flow approach.

(iii) Estimated Useful Lives of Intangible Assets, Property and Equipment and Amortization/Depreciation Rates Used (Note 3 (q), 3 (r), 26 i 27)

The calculation of amortization/depreciation charge and amortization/depreciation rates applied are based on the estimated useful lives of intangible assets, property and equipment, which are subject to an ongoing review. The estimated useful lives are reviewed for adequacy at least annually, or more frequently if there is any indication that significant changes have occurred to the factors determining the previously defined estimated useful lives or other events affecting the estimated useful lives. Useful life estimates require the management to make significant estimates and judgments based on the historical experience with similar assets, as well as anticipated technical advancement and changes in economic and industrial factors that may affect the useful lives of assets.

(iv) Impairment of Non-Financial Assets (Note 3 (u))

At each reporting date, the Group's management reviews the carrying amounts of the its non-financial assets other than investment property and deferred tax assets in order to determine the indications of impairment losses. 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 impairment loss. If the estimated recoverable amount of an asset is below its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is immediately recognized as an expense of the current period. Assessment of indicators and objective evidence of impairment requires the management to make significant estimates regarding the expected cash flows, discount rates and usage capacity of the assets subject to review.

(v) Fair value of property and investment property (Notes 3 (k)(vii), 3 (q), 3 (s), 27 and 28)

The Group uses the fair value model for the valuation of investment property and the revaluation model for real estate that it uses for its own business purposes. Fair value measurement is performed regularly to reconcile the carrying amount at the end of the reporting period.

(vi) Deferred Tax Assets (Notes 3 (j) and 35)

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which such deferred tax assets may utilized. The Group's management needs to make prudent assessments of deferred tax assets which may be recognized, based on their period of inception and amounts, as well as on the amount of future taxable income and tax policy planning strategy.

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5. USE OF ESTIMATES AND JUDGMENTS (Continued)

(b) Critical Accounting Estimates and Judgments in Applying the Group's Accounting Policies (Continued)

(vii) Provisions for Litigations (Notes 3 (w) and 34)

The Group is involved in a number of lawsuits and labor disputes. Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Estimating of the provisions for legal suits requires the Group's management and Legal Unit to make significant estimates and judgments, including the estimate of the probability of negative suit outcomes and probable and reasonable estimates of loss amounts. The required provision amounts represent the best estimates made by the management based on the information available as at the reporting date. However, they may be subject to future changes due to new events taking place or new information obtained.

(viii) Provisions for Employee Benefits (Notes 3 (y) and 34)

The costs of provisions for employee retirement benefits determined by actuarial calculation. The actuarial calculation includes an assessment of the discount rate, future salary growth rate, future employee turnover rate and mortality rates. Actual outcome may vary significantly from the said estimates, particularly given the long term they relate to.

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6. FINANCIAL ASSETS AND LIABILITIES - ACCOUNTING CLASSIFICATION AND FAIR VALUES

The following tables show the breakdown of financial instruments measured at fair value at the end of the reporting period, grouped in fair value hierarchy levels:

2024	Note	Level 1	Level 2	Level 3	Total
Receivables under derivatives	21	-	1,666,127	1,230	1,667,357
Receivables under derivatives designated as risk hedging instruments	25	-	427,229	-	427,229
Securities					
- at FVtPL	22	117,009*	1,254,720	-	1,371,729
- at FVtOCI	22	11,841,158*	26,805,346		38,646,504
		11,958,167	**30,153,422**	**1,230**	**42,112,819**
Liabilities under derivatives	30	-	1,706,884	-	1,706,884
Liabilities per derivatives designated as risk hedging instruments	25	-	687,148	-	687,148
		-	**2,394,032**	**-**	**2,394,032**

* Securities at FVtPL and at FVtOCI – Level 1 include bonds issued by the Republic of Serbia, denominated in EUR and USD (Eurobonds) and listed in EU Stock Exchanges

2023	Note	Level 1	Level 2	Level 3	Total
Receivables under derivatives	21	-	2,054,579	1,078	2,055,657
Receivables under derivatives designated as risk hedging instruments	25	-	636,909	-	636,909
Securities					
- at FVtPL	22	87,827*	2,366,634	-	2,454,461
- at FVtOCI	22	10,651,430*	29,125,164	-	39,776,594
		10,739,257	**34,183,286**	**1,078**	**44,923,621**
Liabilities under derivatives	30	-	2,119,142	-	2,119,142
Liabilities per derivatives designated as risk hedging instruments	25	-	734,550	-	734,550
		-	**2,853,692**	**-**	**2,853,692**

* Securities at FVtPL and at FVtOCI – Level 1 include bonds issued by the Republic of Serbia, denominated in EUR and listed in EU Stock Exchanges.

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6. FINANCIAL ASSETS AND LIABILITIES - ACCOUNTING CLASSIFICATION AND FAIR VALUES (Continued)

(i) Fair Value Hierarchy for Assets and Liabilities Other than Measured at Fair Value

Estimated fair values of financial assets and liabilities other than measured at fair value are provided in the table below, according to the fair value hierarchy levels under IFRS 13:

2024	Note	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
Cash and balances held with the central bank	20	-	191,323,140	-	191,323,140	191,329,015
Securities						
- securities measured at amortized cost (AC)	22	3,970,909*	60,194,440	-	64,165,349	62,850,289
Loans and receivables due from banks and other financial institutions	23	-	-	71,927,206	71,927,206	72,007,912
Loans and receivables due from customers	24	-	-	384,052,938	384,052,938	384,756,722
Other assets	29	-	-	3,261,267	3,261,267	3,261,267
		3,970,909	**251,517,580**	**459,241,411**	**714,729,900**	**714,205,205**
Deposits and other liabilities due to banks, other financial institutions and the central bank	31	-	-	171.801.547	171.801.547	168,680,584
Deposits and other liabilities due to customers	32	-	-	465.469.969	465.469.969	463,782,795
Other liabilities	36	-	-	8,575,808	8,575,808	8,575,808
		-	**-**	**645,847,323**	**645,847,323**	**641,039,187**

* Securities at amortized cost (AC) – Level 1 include bonds issued by the Republic of Serbia, denominated in EUR and listed in EU Stock Exchanges.

2023	Note	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
Cash and balances held with the central bank	20	-	130,511,716	-	130,511,716	130,511,716
Securities						
- securities measured at amortized cost (AC)	22	6,888,426*	53,874,651	22,664	60,785,741	62,214,731
Loans and receivables due from banks and other financial institutions	23	-	-	62,995,753	62,995,753	63,006,391
Loans and receivables due from customers	24	-	-	339,859,586	339,859,586	344,469,707
Other assets	29	-	-	1,918,501	1,918,501	1,918,501
		6,888,426	**184,386,367**	**404,796,504**	**596,071,297**	**602,121,046**
Deposits and other liabilities due to banks, other financial institutions and the central bank	31	-	-	148,161,313	148,161,313	146,166,777
Deposits and other liabilities due to customers	32	-	-	389,761,376	389,761,376	389,735,404
Other liabilities	36	-	-	10,315,537	10,315,537	10,315,537
		-	**-**	**548,238,226**	**548,238,226**	**546,217,718**

* Securities at amortized cost (AC) – Level 1 include bonds issued by the Republic of Serbia, denominated in EUR and listed in EU Stock Exchanges.

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6. FINANCIAL ASSETS AND LIABILITIES - ACCOUNTING CLASSIFICATION AND FAIR VALUES (Continued)

(i) Fair Value Hierarchy for Assets and Liabilities Other than Measured at Fair Value (Continued)

Valuation techniques and models the Group uses for fair value calculations are disclosed in Note 5(ii).

(ii) Assets The Fair Values of which Approximate their Carrying Values

For high liquid financial assets and financial liabilities that have a short-term original maturity (less than one year) it is assumed that the carrying amounts approximate their fair values. The basic assumption used here is that in the near term, for high liquid assets, no significant market changes will occur that can affect the fair value. This assumption is also applied to demand deposits and savings accounts without specified maturity.

(iii) Financial Instruments with Fixed Interest Rates

The fair values of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments. The estimated fair values of fixed interest-bearing financial instruments are based on discounted cash flows using prevailing money-market interest rates for financial instruments with similar credit risk characteristics and maturities.

Financial assets held to maturity and loans and deposits include a portion of the loan portfolio at fixed interest rates, which causes differences between the carrying amounts and fair values of such instruments.

7. NET INTEREST INCOME

Net interest income includes:

	2024	2023
Interest income from		
Cash and balances held with the central bank	1,201,636	516,214
Securities at fair value through OCI	1,011,174	1,112,790
Securities at amortized cost	2,691,530	2,474,353
Loans and receivables due from banks and other financial institutions	5,178,896	3,937,175
Loans and receivables due from customers	28,907,544	25,759,165
Total interest income using effective interest rate	**38,990,780**	**33,799,697**
Securities at fair value through profit or loss	128,933	90,514
Receivables under derivative financial instruments	1,022,044	993,839
Financial derivatives and assets held for risk hedging purposes	1,180,976	1,030,709
Total interest income	**41,322,733**	**35,914,759**
Interest expenses from		
Liabilities under derivative financial instruments	(1,042,233)	(1,022,546)
Liabilities per financial derivatives designated as risk hedging instruments	(291,065)	(268,141)
Deposits and other liabilities due to banks, other financial institutions and the central bank	(7,079,630)	(5,801,073)
Deposits and other liabilities due to customers	(5,117,012)	(3,856,319)
Lease liabilities	(50,161)	(50,329)
Total interest expenses	**(13,580,101)**	**(10,998,408)**
Net interest income	**27,742,632**	**24,916,351**

In accordance with the Group's accounting policy 3 (d), interest income from non-performing impaired loans amounted to RSD 580,670 thousand in 2024 (2023: RSD 456,583 thousand).

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8. NET FEE AND COMMISSION INCOME

Net fee and commission income includes:

	Private individuals		Corporate clients		Total	
	2024	2023	2024	2023	2024	2023
Fee and commission income						
Payment transfer activities	494,280	453,544	2,205,506	2,112,568	2,699,786	2,566,112
Fees related to loans	54,840	74,750	851,581	415,515	906,421	490,265
Fees arising from card operations	733,898	626,552	2,309,751	1,993,695	3,043,649	2,620,247
Maintaining of current accounts	798,496	691,794	202,434	194,736	1,000,930	886,530
Brokerage fees	1,031	-	14,918	6,879	15,949	6,879
Custody fees	225	67	382,938	346,364	383,163	346,431
Fee on foreign exchange purchases/sales and foreign cash transactions	460,272	382,551	3,244,088	3,291,374	3,704,360	3,673,925
Other fees and commissions	125,145	140,614	679,865	423,887	805,010	564,501
Total fee and commission income from contracts with customers	2,668,187	2,369,872	9,891,081	8,785,018	12,559,268	11,154,890
Fees on issued guarantees and other contingent liabilities	3,775	4,115	1,197,115	1,013,959	1,200,890	1,018,074
Total fee and commission income	2,671,962	2,373,987	11,088,196	9,798,977	13,760,158	12,172,964
Fee and commission expenses						
Payment transfer activities	-	-	(554,623)	(534,943)	(554,623)	(534,943)
Fees arising from card operations	-	-	(2,307,567)	(2,030,782)	(2,307,567)	(2,030,782)
Fees arising on guarantees, sureties and letters of credit	-	-	(10,367)	(13,389)	(10,367)	(13,389)
Fee arising on foreign exchange purchases/sales and foreign cash transactions	(47,644)	(56,548)	(1,031,917)	(1,145,425)	(1,079,561)	(1,201,973)
Other fees and commissions	-	-	(203,342)	(180,599)	(203,342)	(180,599)
Total fee and commission expenses	(47,644)	(56,548)	(4,107,816)	(3,905,138)	(4,155,460)	(3,961,686)
Net fee and commission income	**2,624,318**	**2,317,439**	**6,980,380**	**5,893,839**	**9,604,698**	**8,211,278**

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

Net gains on the changes in the fair value of financial instruments include:

	2024	2023
Net gains on the changes in the fair value of derivatives at FVtPL	237,823	90,315
Net (losses)/gains on the changes in the fair value of securities at FVtPL	(23,168)	22,447
Net gains on the changes in the fair value of financial instruments	**214,655**	**112,762**

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10. NET (LOSSES)/GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE

Net (losses)/gains on derecognition of financial instruments measured at fair value include:

	2024	2023
Net losses on derecognition of securities measured at FVtOCI	(382,221)	(32,298)
Net gains on derecognition of securities measured at FVtPL	328,246	215,214
Net (losses)/gains on derecognition of financial assets measured at fair value	**(53,975)**	**182,916**

11. NET FOREIGN EXCHANGE GAINS/(LOSSES) AND CURRENCY CLAUSE EFFECTS

Net foreign exchange gains/(losses) and currency clause effects include:

	2024	2023
Foreign exchange gains and currency clause effects	19,665,760	24,000,346
Foreign exchange losses and currency clause effects	(19,493,755)	(24,108,024)
Net foreign exchange gains/(losses)	**172,005**	**(107,678)**

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

Net gains/(losses) on impairment of financial assets not measured at fair value through profit or loss include:

	2024	2023
Financial assets measured at amortized cost (AC)		
Net decrease/(increase) in individual impairment allowance	246,371	(67,752)
Net decrease/(increase) in collectively assessed impairment	173,720	(505,160)
	420,091	(572,912)
Net (increase) in impairment charge per securities measured at FVtOCI	(47,501)	(72,116)
Contingent liabilities		
Net decrease in individual impairment allowance (Note 34.2)	133,085	52,515
Net (increase)/decrease in collectively assessed impairment (Note 34.2)	165,883	(447,622)
	298,968	(395,107)
Net losses on modification*	(509,089)	(1,138,945)
Write-offs	(8,985)	(4,050)
Recovery of the receivables previously written off	596,102	436,793
Total gains/(losses)	**749,586**	**(1,746,337)**

* In 2024, the position “Net losses on modification” includes the modification loss recognized by the Group based on the implementation of the Decision on the temporary limitation of interest rates for credit contracts concluded with private individuals adopted by the National Bank of Serbia (“Official Gazette” No. 102/2024) in the amount RSD 516,102 thousand. In 2023, the same position includes the modification loss recognized by the Bank based on the implementation of the Decision on temporary measures for banks adopted by the National Bank of Serbia (“Official Gazette” No. 78/2023) in the amount RSD 1,143,730 thousand (note 24.4).

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13. NET GAINS/LOSSES ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST

Net gains/(losses) on derecognition of financial assets measured at amortized cost include:

	2024	2023
Gains on the sales of placements measured at amortized cost	150,618	1,172
Losses on the sales of placements measured at amortized cost	-	(3,171)
Total net gains/(losses)	**150,618**	**(1,999)**

14. OTHER OPERATING INCOME

Other operating income includes:

	2024	2023
Rental income, reimbursement and other operating income	158,323	47,205
Total other operating income	**158,323**	**47,205**

15. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES

Salaries, salary compensations and other personal expenses include:

	2024	2023
Employee salaries, net	(2,702,576)	(2,460,903)
Payroll taxes and contributions	(1,067,671)	(978,092)
Net expenses per provisions for employee retirement benefits and unused annual leaves	(30,771)	(38,603)
Other personnel expenses	(542,670)	(545,925)
Total personnel expenses	**(4,343,688)**	**(4,023,523)**

16. DEPRECIATION/AMORTIZATION CHARGE

Depreciation/amortization charge includes:

	2024	2023
Amortization charge for intangible assets (Notes 26.2, 26.3)	(566,866)	(593,417)
Depreciation charge for property, plant and equipment (Notes 27.2, 27.3)	(259,607)	(249,508)
Depreciation charge for right-of-use assets (Note 27.5, 27.6)	(508,659)	(498,570)
Total depreciation/amortization charge	**(1,335,132)**	**(1,341,495)**

17. OTHER INCOME

Other income includes:

	2024	2023
Reversal of provisions for litigations (Note 34.2)	912,461	782,349
Gains on the valuation of investment property	3,983	469
Other income	363,351	113,630
Total other income	**1,279,795**	**896,448**

The item "Other income" includes income from performance awards, compensation for damages from insurance companies and similar income.

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18. OTHER EXPENSES

18.1. Other expenses include:

	2024	2023
Business premises costs	(182,715)	(171,373)
Office and other supplies	(59,541)	(67,434)
Rental costs (Note 18.2)	(441,596)	(422,012)
Information system maintenance	(1,245,276)	(1,082,471)
Property and equipment maintenance	(89,710)	(96,194)
Marketing, advertising, entertainment, culture and donations	(315,045)	(221,906)
Lawyer fees, other consultant and research services and auditing fees	(281,494)	(293,590)
Telecommunications and postage services	(121,538)	(103,279)
Insurance premiums	(1,035,150)	(953,889)
Security services – for property and money transport and handling	(256,076)	(220,595)
Professional training costs	(35,449)	(35,785)
Servicing costs	(121,412)	(95,456)
Transportation services	(10,881)	(10,678)
Employee commuting allowances	(38,670)	(41,756)
Accommodation and meal allowances – business travel costs	(27,811)	(23,530)
Other taxes and contributions	(682,440)	(632,476)
Provisions for litigations (Note 34.2)	(937,661)	(773,670)
Losses on the valuation of investment property	(15)	(9)
Losses on the valuation of tangible assets	-	-
Losses on disposal, retirement and impairment of property, equipment and intangible assets	(5,050)	(10,066)
Other costs	(1,026,903)	(928,813)
Total other expenses	**(6,914,433)**	**(6,184,982)**

The item "Other costs" refers to court and administrative fee expenses, costs for occupational safety and environmental protection, costs of participation in financing persons with disabilities, costs related to lost litigations, archiving and scanning costs, compensation costs from regular business and similar expenses.

18.2. Rental costs of RSD 441,596 thousand incurred in 2024 relate to the costs which, in line with IFRS 16 and the Group's accounting policy (Note 3.t) are not included in the measurement of the lease liability. The breakdown of the said rental costs is provided in the table below:

	2024	2023
Rental cost per leases with low-value underlying assets	(177,847)	(163,813)
Rental costs per short-term leases	(13,482)	(10,709)
VAT payable per leases recognized in accordance with IFRS 16	(90,039)	(84,753)
Assets not identifiable in accordance with IFRS 16	(159,104)	(161,564)
Variable lease payments	(849)	(700)
Other	(275)	(473)
Total	**(441,596)**	**(422,012)**

19. INCOME TAXES

19.1. Basic components of income taxes as at December 31 were as follows:

	2023	2022
Current income tax expense	(3,332,221)	(2,441,457)
Decrease in deferred tax assets and increase in deferred tax liabilities	(33,709)	(107,683)
Total	**(3,365,930)**	**(2,549,140)**

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19. INCOME TAXES (Continued)

19.2. Numerical reconciliation of the effective tax rate is provided below:

	2024	2023
Profit before taxes	27,420,603	20,955,902
Income tax at the legally prescribed tax rate of 15%	(4,113,090)	(3,143,385)
Tax effects of permanent differences:		
Tax effects of expenses not recognized for tax purposes	(11,778)	(35,876)
Tax effects of income adjustment relate to interest on debt securities issued by RS	677,961	643,251
Tax effects of income adjustment achieved from the cancellation of unused long-term provisions that were not recognized as an expense in the tax period in which they were incurred	139,926	117,569
Tax effects of income adjustment on the basis of written-off, adjusted and other receivables, which are not recognized as expenses, and which are subsequently charged	3,056	93,565
Tax effects of temporary differences:		
Differences in amortization for tax and accounting purposes	11,771	4,799
Tax effects of IAS 19	(1,379)	(3,360)
Tax effects of losses which will be recognized in future periods	(111,362)	(215,710)
Tax effects of reductions of current tax according to legal regulations and IFRS application	72,674	97,690
Tax effects presented in the income statement	**(3,332,221)**	**(2,441,457)**
Effective tax rate	*12.15%*	*11.65%*

19.3 Income taxes recognized within other comprehensive income are provided below:

	2024			2023		
	Before taxes	**Tax expense**	**After taxes**	**Before taxes**	**Tax expense**	**After taxes**
Gains on the change in the fair value of debt instruments at FVtOCI	1,730,072	(259,511)	1,470,561	2,102,414	(315,362)	1,787,052
Increase in revaluation reserves based on intangible assets and fixed assets (Notes 39.3)	109,025	(16,354)	92,671	7,094	(1,064)	6,030
Actuarial gains	35,615	(5,342)	30,273	20,122	(3,018)	17,104
Gains on cash flow hedging instruments	115,488	(17,323)	98,165	350,957	(52,644)	298,313
Balance at December 31	**1,990,200**	**(298,530)**	**1,691,670**	**2,480,587**	**(372,088)**	**2,108,499**

19.4 The calculated current income tax payable for the year 2024 amounted to RSD 3,332,221 thousand (for 2023: RSD 2,441,457 thousand). Given that the calculated amount of the tax payable was above the sum of the monthly income tax advance payments the Group paid during the year, as of December 31, 2024, the Group reported current tax liabilities in the amount of RSD 1,091,929 thousand (for 2023: current tax assets of RSD 1,529,868 thousand).

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20. CASH AND BALANCES HELD WITH THE CENTRAL BANK

20.1 Cash and balances held with the central bank include:

	2024	2023
RSD cash on hand	6,501,775	4,360,266
Gyro account balance	97,673,774	87,629,697
Foreign currency cash on hand	1,824,488	2,900,900
Other foreign currency cash funds	35,205	35,152
Liquid surplus funds deposited with NBS	47,005,875	-
Obligatory foreign currency reserve held with NBS	38,287,906	35,585,709
	191,329,023	130,511,724
Impairment allowance	(8)	(8)
Balance at December 31	**191,329,015**	**130,511,716**

The gyro account balance includes the RSD required reserves, which represent the minimum amount of RSD reserves allocated in accordance with the Decision on Required Reserves Held with the NBS. In accordance with the said Decision, the required RSD reserves are calculated based on the average daily carrying amount of RSD deposits, loans, securities, and other RSD liabilities during a single calendar month, using a rate rates 2% to 7% depending on the agreed maturity and source of financing, and then held in the bank's giro account. The bank is obliged to maintain the average daily balance of the calculated dinar required reserve. Group is obliged to keep the average daily balance of allocated dinar reserves at the level of the calculated dinar reserve requirements. During 2024 NBS paid interest on the balance of the Group's obligatory RSD reserve at interest rate of 0.75% per year.

The NBS, in accordance with the Decision on Interest Rates Applied by the NBS in the Monetary Policy Implementation Procedure, in order to mitigate the economic consequences of the COVID-19 pandemic, calculated dinar required reserves, pays interest at an interest rate increased by 0.50% on an annual basis. The amount on which interest is calculated on that basis is determined in the amount of the average daily balance of dinar loans that meet the conditions prescribed by the Decree, or the Law establishing a guarantee scheme as a measure of economic support to mitigate the consequences of the COVID-19 SARS-CoV-2 if each individual loan included in that balance is approved at an interest rate that is at least 0.5% lower than the maximum interest rate prescribed by the Decree or the Law for loans approved in RSD.

The required foreign currency reserve with the National Bank of Serbia represents the minimum foreign currency reserve amount allocated in accordance with the Decision on Required Reserves Held with the NBS. In accordance with the said Decision, the required foreign currency reserves are calculated based on the average daily carrying amount of foreign currency deposits, loans and other foreign currency liabilities or those in RSD with a currency clause index (EUR to RSD) during a single calendar month. The required foreign currency reserve rates is 23% on foreign currency liabilities up two years and 16% on foreign currency liabilities over two years. The rate applied to the portion of the foreign currency reserve comprised of RSD liabilities with a currency clause index was 100%.

The Group is obliged to keep the average daily balance of allocated foreign currency reserves at the level of the calculated foreign currency reserve requirements. Foreign currency obligatory reserve does not accrue interest.

20.2 Movements on the account of impairment allowance of cash and balances held with the central bank during the year are provided in the table below:

	Individual		Collective	
	2024	2023	2024	2023
Balance at January 1	-	-	(8)	(3)
Impairment losses:				
Change for the year	-	-	-	(5)
Total for the year	-	-	-	(5)
Balance at December 31	**-**	**-**	**(8)**	**(8)**

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21. RECEIVABLES UNDER DERIVATIVE FINANCIAL INSTRUMENTS

Receivables under derivative financial instruments include:

	2024	2023
Receivables per forward revaluation and currency swaps	19,563	6,094
Receivables per interest rate swaps	1,647,794	2,049,563
Balance at December 31	**1,667,357**	**2,055,657**

22. SECURITIES

22.1 Securities include:

	2024	2023
Securities measured at amortized cost	63,032,961	62,377,169
Securities measured at fair value through OCI	38,748,762	39,885,343
Securities measured at fair value through profit or loss	1,371,729	2,454,461
Total	103,153,452	104,716,973
Impairment allowance	(284,930)	(271,187)
Balance at December 31	**102,868,522**	**104,445,786**

22.2 Movements on the account of impairment allowance of securities at AC and at FVtOCI during the year are provided in the table below:

	Individual		Collective	
	2024	2023	2024	2023
Balance at January 1	-	-	(271,187)	(67,707)
Impairment losses:				
Change for the year	-	-	(67,788)	(209,170)
Foreign exchange effects	-	-	102	29
Effects of the sales of securities	-	-	53,943	5,661
Total for the year	-	-	(13,743)	(203,480)
Balance at December 31	**-**	**-**	**(284,930)**	**(271,187)**

22.3 Breakdown of securities per measurement and issuer is presented in the table below:

	Measurement	2024	2023
Receivables discounted bills of exchange	AC	21,523	22,664
Treasury bills issued by the Republic of Serbia	AC	57,620,101	57,085,922
	FVtOCI	27,469,542	28,937,720
	FVtPL	1,371,729	2,454,461
Treasury bills of the Republic of Serbia and municipal bonds – hedged items	FVtOCI	11,176,962	10,838,874
	AC	5,208,665	5,106,145
Balance at December 31		**102,868,522**	**104,445,786**

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22. SECURITIES (Continued)

As of December 31, 2024, the Group's receivables per discounted bills of exchange of RSD 21,523 thousand represent investments with maturities of up to a year and at a discount rate equal to 1-month BELIBOR plus 2.80% to 3% per annum.

As of December 31, 2024, the Group's securities measured at amortized cost of RSD 57,620,101 thousand refer to the investments in the Treasury bills issued by the Republic of Serbia maturing up to 2032.

As of December 31, 2024, the Group's securities measured at fair value through other comprehensive income of RSD 27,469,542 thousand pertain to the investments in the Treasury bills issued by the Republic of Serbia maturing up to 2032.

As of December 31, 2024, the Group's securities measured at fair value through profit or loss of RSD 1,371,729 thousand pertain to the investments in the Treasury bills issued by the Republic of Serbia maturing up to 2034.

As of December 31, 2024, the Group's securities measured at fair value through other comprehensive income totaling RSD 11,176,962 thousand refer to the investments in the Treasury bills issued by the Republic of Serbia as hedged items, with maturities up to 2029.

Investments in securities measured at amortized cost of RSD 5,208,665 refer to the investments in Treasury bills issued by the Republic of Serbia as hedged items, with maturities up to 2027.

For protection of the municipal bonds and Treasury bills of the Republic of Serbia against the interest rate risk, the Group implemented fair value micro hedging (note 25).

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

23.1. Loans and receivables due from banks and other financial institutions include:

	2024	2023
Foreign currency accounts held with:		
- other banks within UniCredit Group	2,022,341	1,079,453
- other foreign banks	1,301,068	4,870,147
Total foreign currency accounts	3,323,409	5,949,600
Overnight deposits:		
- in foreign currency	29,653,983	23,555,187
Total overnight deposits	29,653,983	23,555,187
Guarantee foreign currency deposit placed for purchase and sale of securities	4,681	4,687
Short-term deposits in foreign currency	-	4,688,315
Foreign currency earmarked deposits	37,309	12,293
Short-term loans:		
- in RSD	7,317	627,055
Total short-term loans	7,317	627,055
Long-term loans:		
- in RSD	2,182,327	478,268
Total long-term loans	2,182,327	478,268
REPO with NBS in RSD	36,795,248	27,692,035
RSD finance lease receivables	18,485	1,381
Total	72,022,759	63,008,821
Impairment allowance	(14,847)	(2,430)
Balance at December 31	**72,007,912**	**63,006,391**

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23. LOANS AND RECEIVABLES DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

23.2. Movements on the account of impairment allowance of loans and receivables due from banks during the year are provided in the table below:

	Individual		Collective	
	2024	2023	2024	2023
Balance at January 1	-	-	(2,430)	(6,232)
Impairment losses:				
Change for the year	-	-	(12,398)	3,077
Foreign exchange effects	-	-	(19)	64
Write-off without debt acquittal	-	-		661
Total for the year	-	-	(12,417)	3,802
Balance at December 31	**-**	**-**	**(14,847)**	**(2,430)**

23.3. The Group's balances/foreign currency accounts held with banks members of UniCredit Group are listed below:

	2024	2023
UniCredit Bank Austria AG, Vienna	1,104,716	326,589
UniCredit Bank AG, Munich	14,663	20,237
UniCredit Bank Hungary Z.r.t., Hungary	336,679	27,441
UniCredit Bank Czech Republic and Slovakia A.S.	115,970	286
UniCredit S.P.A. Milan	416,878	664,521
UniCredit Bank BIH	935	3,953
UniCredit Bank ZAO Moscow	32,500	36,426
Balance at December 31	**2,022,341**	**1,079,453**

24. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

24.1 Loans and receivables due from customers include:

	2024	2023
Short-term loans:		
- in RSD	50,944,741	44,532,309
- in foreign currencies	148,025	636,110
Total short-term loans	51,092,766	45,168,419
Long-term loans:		
- in RSD	297,565,635	276,893,174
- in foreign currencies	20,455,139	13,717,425
Total long-term loans	318,020,774	290,610,599
Receivables in respect of acceptances, sureties and payments made per guarantees:		
-in RSD	27,906	-
Total	27,906	-
Factoring receivables		
-in RSD	5,128,255	4,174,137
-in foreign currencies	106,753	10,166
Total factoring receivables	5,235,008	4,184,303
RSD finance lease receivables	21,129,795	17,952,830
Other RSD loans and receivables	-	365
Total	395,506,249	357,916,516
Impairment allowance	(10,749,527)	(13,446,809)
Balance at December 31	**384,756,722**	**344,469,707**

Loans with a currency clause index (EUR, CHF, USD) are presented within RSD loans in the above table.

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24. LOANS AND RECEIVABLES DUE FROM CUSTOMERS (Continued)

24.2. Movements on the account of impairment allowance of loans and receivables due from customers during the year are provided in the table below:

	Individual		Collective	
	2024	2023	2024	2023
Balance at January 1	(5,088,382)	(5,163,703)	(8,358,427)	(8,984,453)
Impairment losses:				
Change for the year	64,110	(347,118)	114,155	(424,060)
Foreign exchange effects	4,398	4,807	4,830	2,530
Unwinding (time value)	19,326	9,719	1,131	912
Effects of the portfolio sales	821,985	89,750	-	-
Write-off with debt acquittal	-	-	343	512
Write-off without debt acquittal*	935,494	318,163	731,510	1,046,132
Total for the year	1,845,313	75,321	851,969	626,026
Balance at December 31	**(3,243,069)**	**(5,088,382)**	**(7,506,458)**	**(8,358,427)**

*Write-off without debt acquittal, i.e., accounting write-off, is a write-off of receivables made in accordance with the Decision on the Accounting Write-Off of Bank Balance Sheet Assets of the NBS (Official Gazette of RS no. 77/2017), effective as from September 30, 2017. In line with the said Decision, the Group writes off balance sheet assets with highly unlikely recoverability, i.e., makes a full accounting write-off of impaired receivables. Within the meaning of the aforesaid Decision, the accounting write-off entails transfer of the written-off receivables from the Group's balance sheet assets to its off-balance sheet items.

24.3. Breakdown of loans and receivables due from customers is provided below:

	2024		
	Gross Amount	Impairment Allowance	Carrying Amount
Public sector	24,535,131	(98,448)	24,436,683
Corporate customers	252,908,018	(6,526,833)	246,381,185
Retail customers	118,063,100	(4,124,246)	113,938,854
Balance at December 31	**395,506,249**	**(10,749,527)**	**384,756,722**

	2023		
	Gross Amount	Impairment Allowance	Carrying Amount
Public sector	10,813,178	(61,511)	10,751,667
Corporate customers	234,340,081	(8,496,645)	225,843,436
Retail customers	112,763,257	(4,888,653)	107,874,604
Balance at December 31	**357,916,516**	**(13,446,809)**	**344,469,707**

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24. LOANS AND RECEIVABLES DUE FROM CUSTOMERS (Continued)

24.4 Corporate loans were mostly approved for maintaining current liquidity (current account overdrafts), financing working capital and investments. They were used for funding business activities in trade and services, manufacturing industry, construction industry, agriculture and food industry and other purposes. Short-term loans were approved for periods ranging from 30 days to a year. Interest rates on short-term loans with a currency clause index ranged from 1-month, 3-month or 6-month EURIBOR increased by 3.06% on the average, while RSD short-term loans accrued interest at the rates between 1-month, 3-month or 6-month BELIBOR increased by 2.73% on the average.

Long-term corporate loans were approved for periods up to 10 years. Interest rate applied to long-term loans with a currency clause index ranged from 1-month, 3-month or 6-month EURIBOR increased by 3.03% annually on the average, while RSD long-term loans accrued interest at the rates between 1-month, 3-month or 6-month BELIBOR increased by 3.09% annually on the average, in line with the other costs and the Group's interest rate policy.

Finance lease loans were approved to enterprises for purchases of vehicles and equipment at average fixed interest rate of 5.73% and variable interest rate based on 3-month EURIBOR increased by 2.89% on the average The average financing period of enterprises was up to 4 years. Finance lease loans were approved to individuals for purchases of vehicles and equipment at average fixed interest rate of 5.97% and variable interest rate based on 3-month EURIBOR increased by 2.2% on the average. The average financing period of individuals was about 4 years.

The Group offers housing loans with fixed, variable and combined interest rates. Housing loans indexed in EUR for households are approved with a repayment period of 60 to 360 months in the case of the variable and combined interest rate option, or up to 240 months in the case of fixed interest rate loans.

Loans with a fixed nominal interest rate for amounts over EUR 200,000 were realized at an interest rate ranging from 6.95% to 8.45%. Loans with a combined nominal interest rate, also for amounts over EUR 200,000 are realized at a fixed interest rate for the first 60 months, with nominal interest rate of 6.45%, while after that period the interest rate is realized at interest rate of 3.30% increased by the 6-month EURIBOR. Loans with a variable interest rate were realized at an interest rate ranging of 3.30% increased by the 6-month EURIBOR.

The Group also offers housing loans for private individuals in dinars that are approved for a period of 240 months, with a variable interest rate of 5% plus a six-month grace period.

During 2023, the National Bank of Serbia adopted the Decision on temporary measures for banks related to housing loans to private individuals, which prescribes temporary measures and activities aimed at preserving the stability of the financial system, which commercial banks are obliged to apply in order to protect debtors - users of housing credit and stability of the financial system. The decision came into force on September 13, 2023 and was referring to the first housing loan for the purchase/construction of residential real estate to private individuals with a variable interest rate in the amount of up to EUR 200,000 which is secured by a mortgage on residential real estate. Housing loan users were also subject to a temporary moratorium on nominal interest rate growth during 2024, starting with the first annuity due after October 1, 2023, and ending on December 31, 2024.

By the end of 2024, the application of the aforementioned Decision is completed. From the beginning of 2025, a new Decision of the National Bank of Serbia on the temporary limitation of interest rates for credit contracts concluded with private individuals is implemented which apply the limitation of the variable nominal interest rate, so the same in the period from January 1, 2025 till December 31, 2025, when the Decision expires, it cannot be higher than 5.00% on an annual basis.

The Group offers loans for investment financing, for working capital, as well as other standard products, including documentary business products.

The Group has implemented cash flow hedging to hedge against exposure to changes in cash flows of loan interest which have variable interest rate by using interest rate swaps (note 25).

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24. LOANS AND RECEIVABLES DUE FROM CUSTOMERS (Continued)

24.5. The concentration of total loans and receivables due from customers per industry was as follows

	2024	2023
Corporate customers		
- Energy	20,822,101	21,553,778
- Agriculture	3,612,990	4,717,906
- Construction industry	24,517,027	24,500,650
- Mining and industry	71,664,164	55,951,500
- Trade	38,701,641	42,617,129
- Services	51,943,564	41,698,483
- Transportation and logistics	28,105,981	30,050,956
- Other	13,540,550	13,249,679
	252,908,018	234,340,081
Public sector	24,535,131	10,813,178
Retail customers		
- Private individuals	107,270,716	104,050,130
- Entrepreneurs	10,792,384	8,713,127
	118,063,100	112,763,257
Total	**395,506,249**	**357,916,516**
Impairment allowance	(10,749,527)	(13,446,809)
Balance at December 31	**384,756,722**	**344,469,707**

Structure of loans and receivables to private individuals per loan type is presented in table below:

	2024	2023
- Overdrafts	706,502	632,854
- Consumer loans	118,941	208,521
- Working capital loans	1,091,460	991,412
- Investment loans	3,261,602	3,594,193
- Mortgage loans	39,780,073	40,593,136
- Cash loans	60,062,121	56,018,404
- Credit cards	1,581,380	1,282,206
- Leasing contacts	668,637	729,404
Total	**107,270,716**	**104,050,130**

Loans to private individuals also include loans to registered agricultural producers.

The Group manages credit risk concentration in portfolio by determining limits. Limits are determined by internal acts and/or NBS regulations, and they are regularly monitored and reported on.

With defining industrial limits, geographical limits, limit of leverage transactions and through regular monitoring and reporting of portfolio exposure per segments, products, collateral types etc. the Bank controls credit risk at portfolio level.

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25. HEDGE ACCOUNTING

Net losses on risk hedging include:

	2024	2023
Net gains on the change in the value of hedged loans, receivables and securities	243,531	598,008
Net losses on the change in the value of derivatives designated as risk hedging instruments	(248,012)	(603,052)
Net losses on risk hedging	**(4,481)**	**(5,044)**

25.1 Fair value hedge

The Bank applies accounting for the protection against the risk of Treasury bills of the Republic of Serbia using interest rate swaps as a hedging instrument, while the hedged risk is interest rate risk.

Information about remaining maturity of interest rate swaps are presented in the following table:

	Maturity 2024			Maturity 2023		
	Less than 1 year	1-5 years	More than 5 years	Less than 1 year	1-5 years	More than 5 years
Nominal amount	-	16,581,011	-	-	15,197,429	1,406,084
Average fixed interest rate	-	1.62%	-	-	1.77%	0.03%

The amounts relating to hedging instrument are presented in the following table:

Instrument	Line item in the statement of financial position	2024			2023		
		Nominal amount	Carrying amount		Nominal amount	Carrying amount	
			Assets	Liabilities		Assets	Liabilities
Interest rate swap	Receivables under derivatives designated as risk hedging instruments	9,829,251	338,442	-	9,842,591	553,490	-
Interest rate swap	Liabilities under derivatives designated as risk hedging instruments	6,751,760	-	176,956	6,760,922	-	119,337

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25. HEDGE ACCOUNTING (Continued)

25.1 Fair value hedge (Continued)

The amounts relating to items designated as hedged items and hedge effectiveness at 31 December 2024 were as follows:

Hedged item	Line item in the statement of financial position	Carrying amount	Change in fair value of instrument used for calculating hedge ineffectiveness	Change in value of hedged item used for calculating hedge ineffectiveness	Line item in the income statement	Ineffectiveness recognised in profit or loss	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
							Assets	Liabilities	
Treasury bills issued by the Republic of Serbia carried at FVtOCI	Securities	11,176,962	206,627	(204,978)	Net loss from risk hedging	4,536	(204,978)	-	-
Treasury bills issued by the Republic of Serbia carried at AC	Securities	5,208,665	70,615	(69,775)	Net loss from risk hedging	2,308	(69,775)	-	-

The amounts relating to items designated as hedged items and hedge effectiveness at 31 December 2023 were as follows:

Hedged item	Line item in the statement of financial position	Carrying amount	Change in fair value of instrument used for calculating hedge ineffectiveness	Change in value of hedged item used for calculating hedge ineffectiveness	Line item in the income statement	Ineffectiveness recognised in profit or loss	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
							Assets	Liabilities	
Treasury bills issued by the Republic of Serbia carried at FVtOCI	Securities	10,838,874	363,513	(366,355)	Net loss from risk hedging	12,575	(366,355)	-	-
Treasury bills issued by the Republic of Serbia carried at AC	Securities	5,106,145	151,367	(152,831)	Net loss from risk hedging	6,052	(152,831)	-	-

In this hedging relationships, the main source of ineffectiveness is the effect of Credit/Debit Value and Funding Value adjustment impacting derivative transactions fair value.

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25. HEDGE ACCOUNTING (Continued)

25.2 Cash flow hedge

The Group has implemented cash flow hedging to hedge against variability of interest cash flows stemming from variable rate EUR denominated loans. Considering that part of loans with variable interest rate is financed from sight deposits with fixed or zero interest rate, the Bank has decided to apply cash flow hedge accounting converting highly probable future variable interest cash flows into fixed ones using interest rate swaps.

	Maturity 2024			Maturity 2023		
	Less than 1 year	1-5 years	More than 5 years	Less than 1 year	1-5 years	More than 5 years
Nominal amount of hedged item	-	1,495,190	6,030,168	-	-	8,551,077
Average fixed interest rate	-	3.28%	1.04%	-	-	0.32%

The amounts relating to hedging instrument are presented in the following table:

		2024			2023		
Instrument	Line item in the statement of financial position	Nominal amount	Carrying amount		Nominal amount	Carrying amount	
			Assets	Liabilities		Assets	Liabilities
Interest rate swap	Receivables under derivatives designated as risk hedging instruments	3,581,956	88,787	-	4,602,323	83,419	-
Interest rate swap	Liabilities under derivatives designated as risk hedging instruments	3,943,402	-	510,192	3,948,754	-	615,213

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25. HEDGE ACCOUNTING (Continued)

25.2 Cash flow hedge (Continued)

The amounts relating to items designated as hedged items and hedge effectiveness at 31 December 2024 were as follows:

Hedged item	Changes in the value of the hedging instrument recognised in OCI	Change in value of hedged item	Line item in the income statement	Ineffectiveness recognised in profit or loss	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Highly probable interest cash flows derived from variable rate loans	(420,100)	412,732	Net loss from risk hedging	(11,325)	(420,100)	-

The amounts relating to items designated as hedged items and hedge effectiveness at 31 December 2023 were as follows:

Hedged item	Changes in the value of the hedging instrument recognised in OCI	Change in value of hedged item used	Line item in the income statement	Ineffectiveness recognised in profit or loss	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Highly probable interest cash flows derived from variable rate loans	(535,588)	543,803	Net loss from Risk Hedging	(23,671)	(535,588)	-

Generally, the Group is always in under hedged position (not targeting full offset since hedge item will be lower than hedge eligible item). Ineffectiveness could appear when:
- The FV of the derivatives is higher than the FV of the hedged underlying with regard to the hedged interest rate risk. Hypothetical derivative change in Fair value might not reflect collateralized contract (usage of collateralize hedging derivatives is a source of ineffectiveness). Currently, there is no clear plan to switch to collateral module in Murex (module which supports credit support annex agreements (CSA)) for CEE countries, including Serbia. As the revaluation in Murex (and risk) systems will not consider collateralization to compute the FV (by adopting a specific discounting curve, eg ESTER), ineffectiveness situations are not expected.
- Deterioration in credit risk of the hedging instrument counterparty affects the cash flows and reduces the fair value of the derivative. However if this is the case Group's strategy covers revoking the designation of such derivatives and replacing them with new ones from a counterparty with sound credit standing. In this hedging relationships, the only source of ineffectiveness is the effect of Credit/Debit Value and Funding Value adjustment impacting derivative transactions fair values.

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26 INTANGIBLE ASSETS

26.1 Intangible assets, net:

	2024	2023
Software and licenses	1,607,522	1,569,936
Investments in progress	796,304	952,519
Balance at December 31	**2,403,826**	**2,522,455**

26.2 Movements in intangible assets in 2024 are presented in the table below:

	Software and licences	Investment in Progress	Total
Cost			
Balance at January 1, 2024	6,770,588	952,519	7,723,107
Additions	-	463,807	463,807
Transfer from investment in progress	612,187	(612,187)	-
Impairment losses	(2,547)	-	(2,547)
Other	(7,791)	(7,835)	(15,626)
Balance at December 31, 2024	7,372,437	796,304	8,168,741
Accumulated amortization and impairment losses			
Balance at January 1, 2024	5,200,652		5,200,652
Amortization charge for the year	566,866	-	566,866
Impairment losses	(2,207)	-	(2,207)
Other	(396)	-	(396)
Balance at December 31, 2024	5,764,915	-	5,764,915
Net book value at December 31, 2024	**1,607,522**	**796,304**	**2,403,826**
Net book value at January 1, 2024	**1,569,936**	**952,519**	**2,522,455**

26.3 Movements in intangible assets in 2023 are presented in the table below:

	Software and licences	Investment in Progress	Total
Cost			
Balance at January 1, 2023	6,587,706	517,269	7,104,975
Additions	-	671,099	671,099
Transfer from investment in progress	220,643	(220,643)	-
Impairment losses	(28,699)	(6,709)	(35,408)
Other	(9,062)	(8,497)	(17,559)
Balance at December 31, 2023	6,770,588	952,519	7,723,107
Accumulated amortization and impairment losses			
Balance at January 1, 2023	4,635,284	-	4,635,284
Amortization charge for the year	593,417	-	593,417
Impairment losses	(26,987)	-	(26,987)
Other	(1,062)	-	(1,062)
Balance at December 31, 2023	5,200,652	-	5,200,652
Net book value at December 31, 2023	**1,569,936**	**952,519**	**2,522,455**
Net book value at January 1, 2023	**1,952,422**	**517,269**	**2,469,691**

27. PROPERTY, PLANT AND EQUIPMENT

27.1 Property, plant and equipment comprise:

	2024	2023
Buildings	740,704	610,605
Equipment and other assets	606,201	570,435
Leasehold improvements	167,112	134,362
Investments in progress	210,626	238,259
Right-of-use assets	1,231,642	1,482,855
Balance at December 31	**2,956,285**	**3,036,516**

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27. PROPERTY, PLANT AND EQUIPMENT (Continued)

27.2 Movements in property and equipment in 2024 are presented below:

	Buildings	Equipment and other assets	Leasehold improvements	Investments in progress	Right-of-use assets	Total
Cost/Revalued value						
Balance at January 1, 2024	857,277	2,495,677	642,161	238,259	3,676,371	7,909,745
Additions	-	-	-	324,534	42,461	366,995
Transfer from investments in progress	32,861	227,644	91,551	(352,056)	-	-
Disposal and retirement	-	(101,544)	(28,616)	(111)	(74,157)	(204,428)
Effect of the change in fair value	162,086	-	-	-	-	162,086
Other	-	-	-	-	-	-
Modifications	-	-	-	-	224,826	224,826
Balance at December 31, 2024	1,052,224	2,621,777	705,096	210,626	3,869,501	8,459,224
Accumulated depreciation and impairment Losses						
Balance at January 1, 2024	246,672	1,925,242	507,799	-	2,193,516	4,873,229
Depreciation charge for the year	15,363	185,443	58,801	-	508,659	768,266
Disposal and retirement	-	(95,109)	(28,616)	-	(64,316)	(188,041)
Effect of the change in fair value	49,485	-	-	-	-	49,485
Balance at December 31, 2024	311,520	2,015,576	537,984	-	2,637,859	5,502,939
Net book value at December 31, 2024	**740,704**	**606,201**	**167,112**	**210,626**	**1,231,642**	**2,956,285**
Net book value at January 1, 2024	**610,605**	**570,435**	**134,362**	**238,259**	**1,482,855**	**3,036,516**

As of December 31, 2024, Group has hired a certified appraisers OAC Property Services DOO Belgrade and CBS International d.o.o. Belgrade to assess the fair value of the properties used for performance of Group's own business activity in accordance with IFRS 13. The appraisers determined the fair, liquidation and construction value of each individual property using the income approach for 10 properties and comparative approach for 2 property, weighting of the values obtained by the Market Transaction Comparison Method and the Yield Capitalization Method with 50% each for 1 real estate, as well as valuation techniques for which there were sufficient available data. Given that in the real estate market of the Republic of Serbia there are no quoted prices or prices achieved for properties identical to those owned by the Group, the appraiser used Level 2 and Level 3 inputs in the fair value assessment. Level 2 inputs are observable from the market data such as publicly available information on the transactions reflecting the assumptions that the other market participants would use. Level 3 inputs are assumed (unobserved) inputs developed by the appraiser using the best information available in the current circumstances.

If the Group had continued to apply the cost model (from 31.12.2019 the Group uses the revaluation method), the net present value as of December 31,2024 would have been RSD 503,248 thousand for property used for performance of the Group's business activity. The Group does not have pledged property, plant and equipment.

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27. PROPERTY, PLANT AND EQUIPMENT (Continued)

27.3 Movements in property and equipment in 2023 are presented below:

	Buildings	Equipment and other assets	Leasehold improvements	Investments in progress	Right-of-use assets	Total
Cost/Revalued value						
Balance at January 1, 2023	844,211	2,345,824	587,905	115,079	3,424,507	7,317,526
Additions	-	5,348	-	346,876	71,975	424,199
Transfer from investments in progress	-	156,121	64,649	(220,770)	-	-
Disposal and retirement	-	(11,616)	(10,393)	-	(118,134)	(140,143)
Effect of the change in fair value	13,066	-	-	-	-	13,066
Other	-	-	-	(2,926)	-	(2,926)
Modifications	-	-	-	-	298,023	298,023
Balance at December 31, 2023	857,277	2,495,677	642,161	238,259	3,676,371	7,909,745
Accumulated depreciation and impairment Losses						
Balance at January 1, 2023	229,227	1,748,088	469,506	-	1,766,794	4,213,615
Depreciation charge for the year	13,603	187,219	48,686	-	498,570	748,078
Disposal and retirement	-	(10,065)	(10,393)		(71,848)	(92,306)
Effect of the change in fair value	3,842	-	-	-	-	3,842
Balance at December 31, 2023	246,672	1,925,242	507,799	-	2,193,516	4,873,229
Net book value at December 31, 2023	**610,605**	**570,435**	**134,362**	**238,259**	**1,482,855**	**3,036,516**
Net book value at January 1, 2023	**614,984**	**597,736**	**118,399**	**115,079**	**1,657,713**	**3,103,911**

27.4 The right-of-use assets include:

	2024	2023
Business premises	1,198,731	1,428,100
Storage and warehouse area	1,081	1,836
Parking spots	23,803	40,293
Automobiles	6,558	12,349
Other equipment	1,469	277
Balance at December 31	**1,231,642**	**1,482,855**

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27. PROPERTY, PLANT AND EQUIPMENT (Continued)

27.5 Movements in the right-of-use assets during 2024 are presented below:

	Business premises	Storage and warehouse	Parking spots	Automobiles	Other equipment	Total
Gross carrying value						
Balance at January 1, 2024	3,506,354	5,271	117,026	38,107	9,613	3,676,371
Additions	40,830	-	-	-	1,631	42,461
Disposal and retirement	(73,473)	-	-	-	(684)	(74,157)
Modifications	-	-	-	-	-	-
- positive effects	222,587	55	1,201	-	983	224,826
- negative effects	-	-	-	-	-	-
	222,587	55 -	1,201	-	983	224,826
Balance at December 31, 2024	3,696,298	5,326	118,227	38,107	11,543	3,869,501
Accumulated depreciation	2,078,254	3,435	76,733	25,758	9,336	2,193,516
Balance at January 1, 2024	482,945	810	17,691	5,791	1,422	508,659
Depreciation charge	(63,632)				(684)	(64,316)
Balance at December 31, 2024	2,497,567	4,245	94,424	31,549	10,074	2,637,859
Net book value at December 31, 2024	**1,198,731**	**1,081**	**23,803**	**6,558**	**1,469**	**1,231,642**

27.6 Movements in the right-of-use assets during 2023 are presented below:

	Business premises	Storage and warehouse	Parking spots	Automobiles	Other equipment	Total
Gross carrying value						
Balance at January 1, 2023	3,263,595	5,053	112,387	35,617	7,855	3,424,507
Additions	67,824	-	-	2,490	1,661	71,975
Disposal and retirement	(118,134)	-	-	-	-	(118,134)
Modifications						
- positive effects	298,862	218	4,639	-	97	303,816
- negative effects	(5,793)	-	-	-	-	(5,793)
	293,069	218	4,639	-	97	298,023
Balance at December 31, 2023	3,506,354	5,271	117,026	38,107	9,613	3,676,371
Accumulated depreciation						
Balance at January 1, 2023	1,676,755	2,648	59,557	20,094	7,740	1,766,794
Depreciation charge	473,347	787	17,176	5,664	1,596	498,570
Disposal and retirement	(71,848)	-	-	-	-	(71,848)
Balance at December 31, 2023	2,078,254	3,435	76,733	25,758	9,336	2,193,516
Net book value at December 31, 2023	**1,428,100**	**1,836**	**40,293**	**12,349**	**277**	**1,482,855**

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28. INVESTMENT PROPERTY

Movements in investment property in 2024 are presented below:

	Investment property	Investments in progress	Total
Fair value			
Balance at January 1, 2024	7,734	-	7,734
Effect of the change in fair value	3,967	-	3,967
Balance at December 31, 2024	**11,701**	**-**	**11,701**

Certified Appraiser NAI WMG doo, Belgrade performed assessment of the fair value of investment property for the purpose of financial reporting as of December 31,2024 in accordance with IFRS 13. The appraiser determined the fair, liquidation and construction value of each individual property using the income approach as well as appraisal techniques for which sufficient data were available.

If the Group had continued to apply the cost model (from 31.12.2019 the Group uses the fair value), the net present value as of December 31,2024 would have been RSD 1,134 thousand for investment property.

29. OTHER ASSETS

29.1. Other assets relate to:

	2024	2023
Other assets in RSD:		
Fee and commission receivables calculated per other assets	155,708	160,956
Advances paid, deposits and retainers	68,456	45,379
Receivables per actual costs incurred	103,310	103,415
Receivables from the RS Health Insurance Fund	79,204	74,383
Other receivables from operations	1,422,094	971,259
Assets acquired in lieu of debt collection	14,059	6,843
Receivables for prepaid taxes and contributions	-	16,327
Accrued other income receivables	53,139	35,166
Deferred other expenses	367,007	135,082
	2,262,977	1,548,810
- from which: Other assets in RSD from related parties	*72.149*	*70.803*
Other assets in foreign currencies:		
Fee and commission receivables calculated per other assets		
Other receivables from operations	663,751	249,876
Accrued other income receivables	393,593	199,536
	1,057,344	449,412
-from which: Other assets in foreign currencies from related parties	*704.219*	-
Total	3,320,321	1,998,222
Impairment allowance	(59,054)	(79,721)
Balance at December 31	**3,261,267**	**1,918,501**

29.2. Movements on the impairment allowance accounts of other assets during the year are provided in the table below:

	Individual		Collective	
	2024	2023	2024	2023
Balance at January 1	(1,543)	(4,110)	(78,178)	(60,070)
Impairment losses:				
Change for the year	(9,169)	(11,983)	(138,915)	(158,891)
Foreign exchange effects	-	-	(49)	88
Write-off with debt acquittal	-	-	205	388
Write-off without debt acquittal	7,844	14,550	160,751	140,307
Total for the year	(1,325)	2,567	21,992	(18,108)
Balance at December 31	**(2,868)**	**(1,543)**	**(56,186)**	**(78,178)**

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30. LIABILITIES UNDER DERIVATIVE FINANCIAL INSTRUMENTS

Liabilities under derivative financial instruments include:

	2024	2023
Types of instruments:		
- currency swaps and forwards	13,293	20,775
- interest rate swaps	1,693,591	2,098,367
Balance at December 31	**1,706,884**	**2,119,142**

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

31.1. Deposits and other liabilities due to banks, other financial institutions and the central bank include:

	2024	2023
Demand deposits:		
- in RSD	15,424,967	6,510,562
- in foreign currencies	1,995,169	3,092,351
Total demand deposits	17,420,136	9,602,913
Overnight deposits:		
- in RSD	4,396,456	1,444,582
- in foreign currencies	2,350,876	519,934
Total overnight deposits	6,747,332	1,964,516
Short-term deposits:		
- in RSD	9,613,079	6,182,571
- in foreign currencies	15,825,751	21,953,561
Total short-term deposits	25,438,830	28,136,132
Long-term deposits:		
- in RSD	573,393	241,307
- in foreign currencies	47,134,380	44,474,935
Total long-term deposits	47,707,773	44,716,242
Long-term borrowings:		
- in RSD	2,599,389	6,459,576
- in foreign currencies	67,374,544	54,853,922
Total long-term borrowings	69,973,933	61,313,498
Other financial liabilities:		
- in RSD	-	137
- in foreign currencies	1,392,580	433,339
Total other financial liabilities	1,392,580	433,476
Balance at December 31	**168,680,584**	**146,166,777**

Short-term RSD deposits were placed by other banks for periods of up to a year at annual interest rates up to 5.55%, while short-term foreign currency deposits of other banks maturing within a year accrued interest at the rates ranging from 2.70% to 5.15% annually, depending on the currency. The Group received long-term foreign currency deposits placed by banks for periods up to 15 years at interest rates ranging from 3.29% to 6.67% per annum.

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

31.2. Breakdown of long-term borrowings from banks is provided below:

	2024	2023
European Bank for Reconstruction and Development (EBRD)	21,751,395	19,484,080
Kreditanstalt fur Wiederaufbau Frankfurt am Main (KfW)	5,495,454	4,762,981
European Investment Bank, Luxembourg	8,015,450	7,150,384
Casa depositi e prestiti Spa, Roma	4,696,208	4,687,766
European Fund for Southeast Europe SA, Luxembourg	5,051,175	6,696,411
Green for Growth Fund, Southeast Europe, Luxembourg	10,993,263	7,838,190
UniCredit S.P.A. Milano	13,970,988	10,693,686
Balance at December 31	**69,973,933**	**61,313,498**

The above listed long-term borrowings were approved to the Group for periods from 3 to 15 years at nominal interest rates up to 6.79% per annum.

32. DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS

32.1. Deposits and other liabilities due to customers comprise:

	2024	2023
Demand deposits:		
- in RSD	180,818,104	157,757,344
- in foreign currencies	146,061,624	129,942,863
Total demand deposits	326,879,728	287,700,207
Overnight deposits:		
- in RSD	1,567,398	1,758,511
- in foreign currencies	4,271,197	1,985,323
Total overnight deposits	5,838,595	3,743,834
Short-term deposits:		
- in RSD	48,639,129	29,717,947
- in foreign currencies	51,400,948	41,749,537
Total short-term deposits	100,040,077	71,467,484
Long-term deposits:		
- in RSD	8,133,255	3,904,049
- in foreign currencies	20,792,370	21,831,079
Total long-term deposits	28,925,625	25,735,128
Long-term borrowings:		
- in foreign currencies	81,443	167,621
Total long-term borrowings	81,443	167,621
Other financial liabilities:		
- in RSD	1,465	57,172
- in foreign currencies	2,015,862	863,958
Total other financial liabilities	2,017,327	921,130
Balance at December 31	**463,782,795**	**389,735,404**

32.2. Breakdown of deposits and other liabilities due to customers:

	2024	2023
Public sector	397,839	406,266
Corporate customers	313,663,814	256,753,402
Retail customers	149,639,699	132,408,115
Long-term borrowings (Note 32.3)	81,443	167,621
Balance at December 31	**463,782,795**	**389,735,404**

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32. DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS (Continued)

RSD demand deposits of corporate customers accrued interest at the annual rate of 0.62% on the average, while EUR-denominated demand deposits accrued interest at the annual rate of 0.36%. Corporate RSD term deposits accrued interest at the rates up to 4.73% annually on the average, while EUR-denominated corporate deposits were placed at an interest rate of 3.35% per annum.

The Group did not calculate Interest rate for newly opened demand deposits in RSD and foreign currency, as well as for current accounts in foreign currency for retail customers during 2024.

Short-term foreign currency deposits of retail customers were placed at interest rates ranging up to 5.8% annually, depending on the currency and maturity. Short-term dinar deposits on the other hand were placed at interest rates up to 5.7% annually, depending on the maturity.

RSD deposits placed by small business clients and entrepreneurs were deposited at annual interest rates up to 5% depending on the period of placement, while foreign currency deposits for these customers were placed at the rates up to 3.7% annually, depending on the period and currency.

32.3. Breakdown of long-term foreign currency borrowings from customers is provided below:

	2024	2023
NBS - European Investment Bank, Luxembourg	81,443	167,621
Balance at December 31	**81,443**	**167,621**

Long-term borrowings obtained from customers were approved to the Group for periods from 8 to 13 years at nominal interest rates to 2.98% per annum.

33. FINANCIAL LIABILITIES MOVEMENT (FROM FINANCING ACTIVITIES)

Table below presents changes in liabilities from financing activities, including cash based as well as not cash based changes. Liabilities from financing activities are those which cash flows are classified as cash flows from financing activities in cash flow statement.

	Long-term borrowings from banks		Long-term borrowing from customers	
	2024	2023	2024	2023
Balance at January 1	61,313,498	61,131,544	167,621	223,977
Cash inflow (new borrowing)	25,932,315	16,256,532	-	-
Cash outflow (repayment)	(17,180,088)	(16,115,431)	(85,563)	(56,231)
Total change in cash flows from financing activities	**8,752,227**	**141,101**	**(85,563)**	**(56,231)**
Foreign exchange effects	(61,023)	(42,087)	(213)	(255)
Accrued and deferred interest	(30,769)	82,940	(402)	130
Balance at December 31	**69,973,933**	**61,313,498**	**81,443**	**167,621**

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34. PROVISIONS

34.1 Provisions relate to:

	2024	2023
Individual provisions for off-balance sheet items	174,780	307,865
Collective provisions for off-balance sheet items	1,064,176	1,230,059
Provisions for other long-term employee benefits	114,442	145,591
Provisions for potential litigation losses	3,322,665	3,765,892
Balance at December 31	**4,676,063**	**5,449,407**

34.2 Movements on the accounts of provisions during the year are provided below:

	Individual Provisions for Off - Balance Sheet Items (Notes 4(b) and 5(i)	Collective Provisions for Off - Balance Sheet Items (Notes 4(b) and 5(i)	Provisions for Long-Term Employee Benefits (Notes 3(y) and 5(viii)	Provisions for Potential Litigation Losses (Notes 3(w), 5(vii) and 40.1)	Total
Balance at January 1	307,865	1,230,059	145,591	3,765,892	5,449,407
Charge for the year:					
- in the income statement	767,937	132,254	9,660	937,661	1,847,512
- in the statement of other comprehensive income	-	-	(35,615)	-	(35,615)
	767,937	132,254	(25,955)	937,661	1,811,897
Release of provisions	-	-	(5,194)	(468,427)	(473,621)
Reversal of provisions (Notes 12 and 17)	(901,022)	(298,137)	-	(912,461)	(2,111,620)
Balance at December 31	**174,780**	**1,064,176**	**114,442**	**3,322,665**	**4,676,063**

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35. DEFERRED TAX ASSETS AND LIABILITIES

35.1 Deferred tax assets and liabilities relate to:

	2024			2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Difference in net carrying amount of tangible assets for tax and financial reporting purposes	34,639	-	34,639	52,492	-	52,492
Deferred tax assets in respect of unrecognized current year expenses	593,943	-	593,943	609,799	-	609,799
Deferred tax assets on gains/losses in respect of cash flow hedging instruments	63,015	-	63,015	80,338	-	80,338
Deferred tax liabilities as per change in the value of fixed assets	-	(34,648)	(34,648)	-	(18,294)	(18,294)
Deferred tax (liabilities)/assets arising from revaluation of securities	-	(81,042)	(81,042)	178,469	-	178,469
Deferred tax (liabilities)/ assets in respect of actuarial losses on defined benefit plans	-	(3,890)	(3,890)	1,452	-	1,452
Total	**691,597**	**(119,580)**	**572,017**	**922,550**	**(18,294)**	**904,256**

35.2 Movements on temporary differences during 2024 are presented as follows:

	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Difference in net carrying amount of tangible assets for tax and financial reporting purposes	52,492	(17,853)	-	34,639
Deferred tax assets in respect of unrecognized current year expenses	609,799	(15,856)	-	593,943
Deferred tax assets on gains/losses in respect of cash flow hedging instruments	80,338	-	(17,323)	63,015
Deferred tax liabilities as per change in the value of fixed assets	(18,294)	-	(16,354)	(34,648)
Deferred tax (liabilities)/assets arising from revaluation of securities	178,469	-	(259,511)	(81,042)
Deferred tax (liabilities)/assets in respect of actuarial losses on defined benefit plans	1,452	-	(5,342)	(3,890)
Total	**904,256**	**(33,709)**	**(298,530)**	**572,017**

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36. OTHER LIABILITIES

36.1 Other liabilities include:

	2024	2023
Advances received. deposits and retainers:		
- in RSD	179,904	199,993
- in foreign currencies	1,345	2,106
Trade payables:		
- in RSD	370,791	462,267
- in foreign currencies	196,343	468,979
Lease liabilities (Note 36.2):		
- in RSD	472,181	434,266
- in foreign currencies	792,585	1,109,021
Other liabilities:		
- in RSD	1,757,338	1,755,517
- in foreign currencies	3,068,199	4,251,596
Fees and commissions payable per other liabilities:		
- in RSD	137	861
- in foreign currencies	204	38
Deferred other income:		
- in RSD	762,079	655,896
- in foreign currencies	141,684	193,735
Accrued other expenses:		
- in RSD	704,274	679,119
- in foreign currencies	55,887	35,781
Liabilities per managed funds	-	-
Taxes and contributions payable	72,857	66,362
Balance at December 31	**8,575,808**	**10,315,537**

36.2 Breakdown of maturities of the lease liabilities is provided below:

	2024		2023	
	Present value	**Undiscounted cash flows**	**Present value**	**Undiscounted cash flows**
Maturity:				
- within a year	496,846	537,765	503,286	547,385
- within 2 years	303,953	330,702	452,344	482,736
- within 3 years	176,108	192,633	248,949	267,529
- within 4 years	134,658	143,617	136,931	148,141
- within 5 years	72,539	77,159	83,066	88,742
- after 5 years	80,662	89,232	118,711	129,421
Balance at December 31	**1,264,766**	**1,371,108**	**1,543,287**	**1,663,954**

36.3 Breakdown of the total payments, i.e., outflows per lease arrangements is provided below:

	2024	2023
Fixed payments	271,273	320.246
Variable payments	311,034	233.480
Total outflows:	**582,307**	**553.726**

Variable payments that are included in the measurement of the lease liabilities are payments dependent on an index. Out of the total outflows of RSD 582,307 thousand, RSD 532,146 thousand pertains to the repayment of principal, which is presents within cash flows from financing activities, while RSD 50,161 thousand refers to the payment of interest, which is presented within cash flows from operating activities in the Group's statement of cash flows.

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36. OTHER LIABILITIES (Continued)

36.4. Breakdown of income and expenses per lease arrangements is provided in the following table:

	2024	2023
Depreciation charge of the right-of-use assets (Note 27.5, 27.6)	(508,659)	(498,570)
Interest expenses per lease liabilities (Note 7)	(50,161)	(50,329)
Rental costs (Note 18.2)	(441,596)	(422,012)
Sublease income	423	-
Balance at December 31	**(999,993)**	**(970,911)**

37. RECONCILIATION OF OUTSTANDING BALANCES OF RECEIVABLES AND LIABILITIES WITH CREDITORS AND DEBTORS

In accordance with the Law on Accounting, the Group reconciled its balances of payables and receivables with its debtors and creditors.

Unreconciled receivables totaled to RSD 6,373,461 thousand (723 open items) which represents 1.30% of total amount of receivables for balance reconciliation (RSD 489,761,320 thousand), i.e. 2.40% of total number of receivable items (30,106 open items).

Unreconciled liabilities totaled to RSD 20,502,683 thousand (2,180 open items) which represents 4.42% of total amount of liabilities for balance reconciliation (RSD 464,278,620 thousand), i.e. 3.99% of total number of items of liabilities (54,622 open items).

Unreconciled receivables and liabilities comprise mostly of receivables and liabilities for which Group has not received confirmations from debtors and creditors.

38. EQUITY

38.1. Equity is comprised of:

	2023	2022
Issued capital – share capital	23,607,620	23,607,620
Share premium	562,156	562,156
Retained earnings	25,356,317	19,760,286
Reserves	63,534,549	53,534,881
Balance at December 31	**113,060,642**	**97,464,943**

As of December 31, 2024, the Group's share capital totaled RSD 23,607,620 thousand and comprised 2,360,762 common stock (ordinary) shares with the individual par value of RSD 10,000. All shares issued by the Group are ordinary shares. The number of shares as of December 31, 2024, is the same as on December 31, 2023.

Ordinary shareholders are entitled to dividend payment pursuant to the relevant decision on profit distribution enacted by the Bank's Supervisory Board and to one vote per share in the Bank's Shareholder General Meeting.

Reserves from fair value adjustments relate to the net cumulative changes in the fair values of securities measured at fair value through other comprehensive income, changes in fair value of property, plant and equipment and changes in fair value of derivatives used as cash flow hedge instruments.

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38. EQUITY (Continued)

38.2. Breakdown of other comprehensive income after taxes is provided in the table below:

	2024	2023
Actuarial losses per defined employee benefits	30,273	17,104
Net fair value adjustments of debt financial instruments measured at FVtOCI	1,476,079	1,730,582
Net fair value adjustments of debt financial instruments measured at FVtOCI due to impairment	(5,518)	56,470
Net fair value adjustments of fixed assets	92,671	6,030
Net change related to cash flow hedging instruments	98,165	298,313
Other comprehensive income after taxes	**1,691,670**	**2,108,499**

39. CASH AND CASH EQUIVALENTS

Breakdown of cash and cash equivalents as reported within the statement of cash flows and reconciliation with statement of financial position is provided below:

	2024	2023
In RSD:		
Gyro account (Note 20)	97,673,774	87,629,697
Cash on hand (Note 20)	6,501,775	4,360,266
	104,175,549	91,989,963
In foreign currencies:		
Foreign currency accounts (Note 23)	3,323,409	5,949,600
Cash on hand (Note 20)	1,824,488	2,900,900
Other cash funds (Note 20)	35,205	35,152
	5,183,102	8,885,652
Cash and cash equivalents in Statement of Cash Flow	**109,358,651**	**100,875,615**
Obligatory foreign currency reserve held with NBS (Note 20)	38,287,906	35,585,709
Liquid surplus funds deposited with NBS (Note 20)	47,005,875	-
Foreign currency accounts (Note 23)	(3,323,409)	(5,949,600)
Impairment allowance (Note 20)	(8)	(8)
Cash and cash equivalents in Statement of Financial Position	**191,329,015**	**130,511,716**

40. CONTINGENT LIABILITIES AND COMMITMENTS

40.1. Litigation

As of December 31, 2024, there were 18,064 legal suits filed against the Group (including 14 labor lawsuits) with claims totaling RSD 1,824,683 thousand. In 124 of these proceedings plaintiffs are legal entities and in 17,940 proceedings private individuals appear as plaintiffs/claimants.

The Group made provisions of RSD 3,322,665 thousand in respect of the legal suits filed against it (Note 34). The aforesaid amount of provisions includes those for the labor lawsuits filed, lawyers' fees and administrative taxes from appeals and revisions. In the majority of lawsuits filed against the Group, both individuals and legal entities in the capacity of plaintiffs, they mostly refer to lawsuits for loan processing fees (cash and housing), loan monitoring fees and fees to NKOSK, and to a lesser extent to lawsuits for exchange rate differences, interest rates, currency clauses and changed circumstances, as the basis of the dispute. The subject of the lawsuits is also the determination of the nullity of the mentioned provisions of the loan agreement and the acquisition without grounds.

The Group uses the following parameters for defining provisions: value of the case, evidence of the plaintiffs, the trend of lawsuits both in terms of the frequency of court proceedings, as well as in terms of the type and outcome of court proceedings, based on existing court practice, real the jurisdiction of the court conducting the proceedings, the status of the court case (court taxes and costs of attorneys of plaintiffs in first-instance, second-instance proceedings under extraordinary legal remedies) and all other relevant facts that they may have a direct or indirect influence on the outcome of the court case.

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40. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

40.1. Litigation (Continued)

Based on defined parameters, the Group defines the level of risk for each court case:
- Group A: risk of outflow is less than 50%;
- Group B: risk of outflow is between 50% and 90%;
- Group C: risk of outflow is 90% and above.

Provisions are made for cases from group B and C in the amount of the lawsuit increased by the estimated amount of interest and costs of procedure. Provisions are made for cases group C in the amount of the law suit increased by the 100% of the amount of interest in mass disputes or the estimated amount of interest in certain disputes plus the assumed costs of the procedure, which are calculated in accordance with the Guidelines for provisioning, depending on which group it belongs to the amount of the claim, the status of the case and in accordance with the assessment of the certainty of the dispute, with the fact that there is a possibility to determine a different amount of the provision if it is assessed differently for a specific case.

For certain lawsuits, provisions were not made in the exact amount of the claim, primarily based on the estimate of the outcome of such suits as favorable for the Group, i.e., the estimate that the Group will incur no outflows in respect of those legal suits or that there are minor contingent liabilities at issue, which require no provisioning. The Group estimates adequacy of provisions every 6 months and more often if necessary.

40.2. Off-balance sheet exposed to credit risk are presented in table below:

	2024	
	Off-Balance Sheet Items exposed to credit risk	**Provisions for Off - Balance Sheet Items**
Guarantees and other irrevocable commitments	178,721,537	(923,326)
Other Off-Balance Sheet Items	140,307,099	(315,630)
Balance at December 31	**319,028,636**	**(1,238,956)**

	2023	
	Off-Balance Sheet Items exposed to credit risk	**Provisions for Off - Balance Sheet Items**
Guarantees and other irrevocable commitments	126,564,335	(682,569)
Other Off-Balance Sheet Items	157,271,153	(855,355)
Balance at December 31	**283,835,488**	**(1,537,924)**

40.3. The Group's contingent liabilities are provided in the table below:

	2024	2023
Contingent liabilities		
Payment guarantees		
- in RSD	15,595,996	15.104.644
- in foreign currencies	20,197,533	20.559.330
Performance guarantees		
- in RSD	101,690,977	86.917.444
- in foreign currencies	7,726,918	4.224.059
Letters of credit		
- in foreign currencies	3,070,175	2.129.938
Foreign currency sureties received	12,585,603	10.610.730
Irrevocable commitments for undrawn loans	40,164,115	30,538,785
Other irrevocable commitments	39,083,434	36,074,399
Balance at December 31	**240,114,751**	**206,159,329**

In the ordinary course of business, the Group enters into agreements for contingent liabilities held in off-balance sheet record, which include guarantees, letters of credit, unused credit lines and credit card limits. These financial liabilities are recognized in the balance sheet if and when they become payable.

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40. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

40.4. Breakdown of the Group's irrevocable commitments is provided below:

	2024	2023
Commitments		
Current account overdrafts approved	3,319,721	5,678,614
Unused portion of approved credit card loan facilities	2,216,838	1,845,229
Unused framework loans	33,797,323	22,930,427
Letters of intent	830,233	84,515
Other irrevocable commitments	39,083,434	36,074,399
Balance at December 31	**79,247,549**	**66,613,184**

40.5 The Group's undrawn foreign line of credit funds amounted to RSD 11,568,911 thousand as of December 31, 2024 (2023: RSD 11,568,911 thousand).

41. RELATED PARTY DISCLOSURES

The Group is under control of UniCredit S.p.A., Milan, domiciled and registered in Italy, which is the sole owner of the Group's common stock shares (100%). Related parties of the Group are: parent bank, subsidiaries of the Group, entities that are members of the same group or are under joint control, members of the Board of Directors and the Audit Committee, the Management Board and managers who as members of the Group's board (ALCO and credit committees) have the authority and responsibility to plan, direct and control the activities of the Group ("key management"), close family members of key management as well as legal entities that are under the control or influence of key management and close members of their families, in accordance with IAS 24.

In the normal course of business, a number of banking transactions are performed with related parties. These include loans, deposits, investments in equity securities and derivative instruments.

41.1 Related party transactions

Exposures and liabilities as of December 31, 2024, arising from related party transactions are presented below:

	2024		
	Parent Bank	**Key management**	**Other related parties***
Financial assets			
- Loans, receivables and other assets	30,115,994	118,171	4,348,948
Financial liabilities			
- Deposits and other liabilities	60,820,167	179,136	2,301,081
Off balance sheet items			
- Contingent liabilities for given guarantees and sureties	4,696,056	-	8,117,528
- Commitments for undrawn loans	-	411	1,489,009
- Received guarantees and sureties	5,358,829	-	7,231,182
- Liabilities for guarantees issued in favor of creditors of the bank	12,585,603	-	-
- Nominal value of the derivatives	74,593,227	-	-

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41. RELATED PARTY DISCLOSURES (Continued)

41.1 Related party transactions (Continued)

Exposures and liabilities as of December 31, 2023, arising from related party transactions are presented below:

	2023		
	Parent Bank	Key management	Other related parties*
Financial assets			
- Loans, receivables and other assets	24,244,664	88,307	2,132,549
Financial liabilities			
- Deposits and other liabilities	60,893,333	120,457	2,456,247
Off balance sheet items			
- Contingent liabilities for given guarantees and sureties	4,081,645	-	9,006,543
- Commitments for undrawn loans	-	417	1,820,683
- Received guarantees and sureties	4,960,565	-	10,575,131
- Liabilities for guarantees issued in favor of creditors of the bank	10,610,730	-	-
- Nominal value of the derivatives	-	-	66,486,113

	2024			2023		
	Parent Bank	Key management	Other related parties*	Parent Bank	Key management	Other related parties*
Impairment allowance for balance and off balance exposures	2,387	42	30,475	1,662	205	23,928

Revenues and expenses generated in 2024 arising from transactions with related parties are presented in the following table:

	2024		
	Parent Bank	Key management	Other related parties *
Interest incomes	2,513,574	7,726	747,873
Interest expenses	(3,495,381)	(4,809)	(60,741)
Fee and commission incomes	197,528	368	332,056
Fee and commission expenses	(23,306)	-	(574,529)
Other incomes	10,449	-	57,568
Other expenses	(221,223)	-	(837,501)
Total	**(1,018,359)**	**3,285**	**(335,274)**

Revenues and expenses generated in 2023 arising from transactions with related parties are presented in the following table:

	2023		
	Parent Bank	Key management	Other related parties *
Interest incomes	1,197,811	5,841	1,535,593
Interest expenses	(2,376,170)	(2,268)	(319,824)
Fee and commission incomes	184,659	338	327,436
Fee and commission expenses	(22,072)	-	(488,570)
Other incomes	18,215	-	2,460
Other expenses	(66,160)	-	(895,447)
Total	**(1,063,717)**	**3,911**	**161,648**

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41. RELATED PARTY DISCLOSURES (Continued)

41.1 Related party transactions (Continued)

Loan loss provison (ECL) for balance and off-balance exposures of relatied parties recognized in income statement are presented below:

	2024			2023		
	Parent Bank	**Key management**	**Other related parties***	**Parent Bank**	**Key management**	**Other related parties***
Net increase/(decrease) in impairment allowance	725	(163)	6,547	(646)	(24)	930

*Other related parties include entities that are member of the same UniCredit Group or under joint control, close family member of key management as well as legal entities that are under the control or influence of key management and close member of their families.

41.2 Key management payments

Key management payments during 2024 and 2023 are presented below:

	2024	2023
Short-term employee benefits	254,058	217,873
Other long-term benefits	3,322	2,710
Share-based payments	43,883	25,288
Balance at December 31	**301,263**	**245,871**

Other long-term benefits include payments based on long-term reward schemes. Employees - members of key management involved in these remuneration schemes, were selected based on the criteria of contributing to the long-term and growing profitability of the Group.

Share-based payments include payments during the year based on shares granted under appropriate reward schemes.

Compensations for members of the Management Board and the Audit Committee paid in 2024 amounts to RSD 5,850 thousand (in 2023: RSD 5,859 thousand).

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42. EVENTS AFTER THE REPORTING PERIOD

As of these financial statements' issuance date, the impact of the Russian-Ukrainian and Middle East conflicts continues. The duration of the conflicts and the extent of the impact on the economy are uncertain. With a strong capital and liquidity position, the Group actively monitors developments and assesses the impact on its operations, financial results, financial position and cash flows. At the date of issue of these financial statements, there were no significant events that would require adjustments to or disclosures in the accompanying unconsolidated financial statements of the Group (adjusting events).

Belgrade, February 14, 2025

Signed on behalf of the management of UniCredit Bank Srbija A.D., Beograd by:

Nikola Vuletić
Management Board Chairperson

"UniCredit Bank Srbija a.d." Beograd
"UniCredit Bank Serbia JSC" Belgrade
07

Rastko Nicić
Member of the Management Board
Head of Retail

Mirjana Kovačević
Head of Accounting and Regulatory Reporting

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UNICREDIT BANK SERBIA

2024 CONSOLIDATED ANNUAL REPORT

Belgrade, February 2025

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MESSAGE BY CEO

Respected,

UniCredit Bank recorded record results, successfully following all the changes and challenges we encountered both at the global and local level. The past year was marked by a trend of decreasing interest rates, stimulated by the slowdown of inflation in most countries. However, the future monetary moves of the leading central banks, the Fed and the ECB, remained uncertain. Although the easing of monetary policy has led to an increase in demand, the full effects are not yet visible. When it comes to Serbia, in 2024 we had a reduction in the reference interest rate of 75 basis points, which resulted in a slightly faster growth of credit activity of 6.6 percent, with loans to households growing by 7.8 percent, and to the economy by 5 percent, year-on-year according to the latest available data. Undoubtedly, the loosening of monetary policy has a positive effect on the increase in the demand for loans from both the economy and citizens. At the beginning of October, Standard and Poors increased the credit rating of Serbia, and for the first time our country was among the countries with an investment credit rating. Among other things, this confirms that the banking sector is highly liquid and capitalized, with a low level of problematic placements, according to the latest report of the National Bank of Serbia, at a level below 3 percent.

UniCredit Bank in Serbia has successfully completed the business year, with results that represent the positive continuity of our multi-year plan and many important achievements. We had the highest growth in fee and commission income compared to 2023, one of the highest returns on equity (RoE) compared to competitors, as well as traditionally excellent cost management relative to total revenue. The trend of good results continued, both in the population sector and in the business sector. In addition, the overall growth of the loan portfolio was achieved and a high market share in deposits of natural persons was achieved. All this confirms that we are recognized by our clients as a safe support, which provides us with stable foundations for sustainable growth in the future.

In the segment of corporate banking, we remained a reliable partner to companies, placing special emphasis on the quality of the loan portfolio and green financing, while continuing to grow the client base. The market share of our bank in financing green investments exceeds our total market share. In September 2024, the Čibuk 2 Financing Agreement was signed, where UniCredit Bank was one of the lenders for this project of renewable energy sources in Serbia, the value of which is estimated at a total of 212 million euros, of which 144 million euros are secured from loan funds, and after acting as a financial advisor and creditor, she participated in the refinancing of the operating wind farm Chibuk 1. This project is not only a significant investment in the energy infrastructure of our country, but also a strong a message about our shared responsibility towards future generations.

Thanks to our strong local presence and broad base of global investors, we have positioned ourselves as a leader in the primary and secondary bond markets. As the largest custodian bank in Serbia, we enable a large number of renowned global investors to access the Serbian capital market. We also confirmed our leadership position on the secondary securities market with a market share of over 43% in total transactions. We kept the cost-to-income ratio at a very low level, which once again demonstrated that we are efficient as a bank, and that these parameters are one of the lowest in the Serbian banking sector. We continued to increase the credit portfolio for our clients, and thanks to active risk management, we further reduced the share of problematic exposure compared to the same period of the previous year.

Our bank played a leading role in issuing the first Serbian issue of corporate bonds on the foreign market for the client Telekom Srbija. Once again, we have shown that we are a reliable partner to our

clients and that thanks to an international network of experts, we can be a support even for the most complex transactions. Although it is the first issue of corporate bonds, it has shown great interest from professional investors on a global level.

In 2024, UniCredit Group improved its support for the development of small and medium-sized enterprises and raised it to a new level, by launching the comprehensive initiative "UniCredit for CEE", which also includes the "UniCredit for

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Serbia" initiative to support small and medium-sized businesses, in order to faced all market challenges in the right way and were more competitive. It includes a set of products and services covered through three segments: financing, account maintenance and advisory services, with the aim of their further strengthening and growth. Clients have the option of using various credit lines, in the total amount of 227 million euros, which can help them in the further development of their business. The bank has simplified and shortened the period for clients to get the necessary sources of financing, and when it comes to opening an account, clients with a simple ownership structure can open an account in just one day. By introducing automatic evaluation of clients, additional documentation is no longer necessary, thus all processes are significantly shortened, simplified and maximally automated. It is important for small and medium-sized enterprises in the transition towards the improvement of sustainable business models to be properly guided and informed about all possibilities and methods of financing. Therefore, one of the important segments of the "UniCredit for Serbia" initiative is the advisory service, through which small and medium-sized enterprises have the bank's expertise at their disposal, in order to facilitate their business operations. The bank will continue to bring financial support programs closer to clients through various business conferences, as well as to reward cooperation.

Through various specialized credit lines that we implement in cooperation with international financial institutions, we continued to empower our clients, thus providing them with support for further business development. At the beginning of the year, during the official opening of the CDP (Cassa Depositie Prestiti) office in Belgrade, UniCredit Bank signed with this renowned institution an Agreement on financing local small and medium-sized enterprises, as part of the Investment Framework for the Western Balkans promoted by the European Union. Funds allocated through this Program will provide financing at favorable interest rates to local companies that operate in sectors with a high ESG impact, i.e. have a positive effect on the wider environment, society and business. In this way, the initiative will enable the creation of new jobs in Serbia and contribute to the achievement of the five sustainable development goals of the United Nations. Also, the Green for Growth fund (GGF), a development investment fund, whose advisor is the company Finance in Motion, and UniCredit Bank signed an agreement on a strategic credit line in the amount of 50 million euros. This cooperation deepens the connection between the two institutions, which is intended for projects in the field of renewable energy sources throughout Serbia.

The transformation of our business model was also in focus throughout 2024. We continued to work on strengthening the potential of our people, simplifying all processes related to the internal organization of business activities, and procedures that directly affect relations with clients who are the center of everything we do. We worked intensively on digitization and implementation of new solutions for clients. At UniCredit Bank, we continuously work on improving banking processes, with a focus on clients, with the aim of increasing their satisfaction and facilitating the interaction they have with the bank. Clients are enabled to submit the necessary data to the bank through the eAdministration portal "My data for the bank" to conclude a loan product contract. Also, various new options brought by the implementation of digitization include the possibility of concluding a fixed-term deposit contract or changing account packages remotely through a digital signature through a

mobile application, greater accessibility to clients through the improvement of the mobile application, as well as the digitization of payment cards, including a strong focus on simplification and increase in efficiency in processes. It is possible to approve a loan on a current account, as well as to open an account in our bank without coming to a branch.

Our goal is to speed up the digital transformation by using the opportunities within the bank, as well as through cooperation with external partners. Digitization of payment cards, without the physical production of plastic, enables their prompt use, without the obligation to physically pick them up in branches. The fact is that smartphones have become an indispensable part of financial life, so we try to update the application regularly and supplement it with numerous possibilities. Debit card users can now see their security details, card number and CVV code, directly in the app. It is also possible to change the PIN number of the card, directly through the application. Customers can now quickly and securely add their Mastercard to Apple Pay or Google Pay digital wallets, directly from our app.

During 2024, digitization in our bank was extended to the segment of legal entities, with the launch of a platform for digital signing and document exchange. UniCredit Bank is the first bank in Serbia that introduced this kind of platform for legal entities, which introduced a certain level of revolution in banking on the domestic market. The new platform enables fast, simple and secure access to all necessary documents, 24 hours a day, seven days a week, which saves a lot of time. In addition to saving time and thereby reducing costs, this innovative service enables easier insight into the complete documentation signed by both sides, greater work efficiency and improved data security.

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Socially responsability is one of the basic pillars of our business. We consider education at UniCredit to be an essential lever for the entire society, because it ensures that those who will come to positions where decisions are made tomorrow, can make them considering the circumstances from all aspects. UniCredit Bank, together with the UniCredit Foundation, strive to further empower local communities to reinvent education systems in under-resourced areas, and help build a more inclusive school environment that offers quality education for all children. UniCredit Bank's support to the education system starts with empowering teachers first and foremost, arming them with all the tools they need to be the best possible educators, so that they always provide added value to their work with students. The bank's aspiration is to significantly strengthen the efforts and results of the projects it implements in partnership with Youth Achievements Serbia, the Nordeus Foundation, Teach for All, as well as the Faculty of Philosophy of the University of Belgrade, in order to further strengthen the local community and help build a more inclusive school environment that offers quality teaching for all children.

As in previous years, the stability of our bank in Serbia was confirmed by numerous awards. We started the year as Top Employer 2024, which is the second time in a row that we have received this important certificate. Euromoney declared our Bank the market leader in the trade finance survey, while Global Finance singled us out 11 times in a row as the best custodial bank for 2024. Additionally, UniCredit Bank was awarded the prestigious award for "Deal of the Year" awarded at a ceremony in to the organization GlobalCapital Equity Capital Markets & M&A Awards for the key role it played in 2023, in the transaction of the year in the CEEMEA M&A category - separation and sale of a portfolio of antenna towers in the Western Balkans, by Telekom Srbija Group, a company led by the Actis consortium.

Also, at the very end of the year, we won two prestigious local awards: "World in 2025" for contribution to the development of the economy and the financial sector, awarded by the regional magazine Diplomacy & Commerce, and "Giuseppe M. Leonardi" for contribution to the development of economic

relations between Italy and Serbia. and which was awarded to us by the Italian-Serbian Chamber of Commerce.

In 2025, we expect a changing economic environment in the world, global instability, but also further growth of the Serbian economy. We believe that in the coming year we will successfully adapt to the new circumstances and achieve positive good results. We remain among the leading banks and will not rule out the possibility of inorganic growth, while our plans include the continuation of digital transformation, the strengthening of customer relations, as well as the expansion of our product and service offering. We will place special emphasis on sustainability, social responsibility and empowerment of small and medium-sized enterprises, as we believe that these are key factors for long-term success.

Nikola Vuletić, CEO of UniCredit Bank Serbia

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ABOUT UNICREDIT GROUP

UniCredit is a pan-European Commercial Bank with a unique service offering in Italy, Germany, Central and Eastern Europe. Our purpose is to empower communities to progress, delivering the best-in-class for all stakeholders, unlocking the potential of our clients and our people across Europe.
We serve over 15 million customers worldwide. They are at the heart of what we do in all our markets. UniCredit is organized in four core regions and two product factories, Corporate and Individual Solutions. This allows us to be close to our clients and use the scale of the entire Group for developing and offering the best products across all our markets. Digitalisation and our commitment to ESG principles are key enablers for our service. They help us deliver excellence to our stakeholders and creating a sustainable future for our clients, our communities and our people.

MACROECONOMIC OVERVIEW

2024 was marked mainly by monetary easing cycle as disinflation process was in place, however geological tensions remained main concern and obstacle along with growth slowdown in Europe. Even in that environment Republic of Serbia's economy measured by the real movement of gross domestic product (GDP) posted an estimated growth of 3.8% y-o-y amounting to estimated at RSD 9,605 billion. Trade in EUR has an upwards trend with exports growing a 1.7% estimated annual growth rate, while imports grew 5.7%. According to the latest data agricultural production made the physical volume decline of 8.8%, with industrial production growing 3.0.The value of construction works carried out in 2024 expressed the real growth of 8.6% comparing to last year.

According to November 2024 results, exports of goods in EUR have increased by 1.7% y-o-y, while imports grew by 5.7%. The coverage of imports by exports is 75.7% (3.0 pp lower than last year). Drag in exports in the first eleven months were mainly driven by the electricity production with a 50.6% decrease and agricultural exports decline of 17.4%. When it comes to product structure, top five exports are: electrical machines and apparatus, motor vehicles, rubber and plastic products, food products and metalliferous ores and metal scraps. Imports in first eleven months were mostly influenced by the manufacturing sector, with a 8% increase. Product wise, top five imports were: chemicals and chemical products, machinery and equipment, oil and oil derivatives, electrical equipment and basic metals. Serbia's most important trade partner in 2024 was Germany, followed by China and Italy. The current account deficit amounted to EUR 3.7 billion in first ten months which is EUR 2,7 billion more than last year. The y-o-y result is caused by increased trade deficit. Trade deficit amounted to EUR 4.2 billion, which is 61% higher y-o-y. In the first 10 months of 2024, primary income deficit was 25% higher (EUR 768 million increase), while the secondary income surplus decreased for 8% (amounted to EUR 4.4 billion). Net FDI inflow was EUR 3.5 billion, which is unchanged year-on-year.

Throughout 2024, unemployment declined slightly from 9.1 % in Q4 2023 to 8.1% in Q3 2024 according to Labour Force Survey, unchanged from previous quarter. In the same time, the employment rate in Q3 was 51.9%. Average monthly net salary amounted to RSD 98,538, which represents a 14.0% (nominal) and 9.3% (real) y-o-y growth rate. The largest growth of wages since the beginning of 2024 was recorded in the water transport.

According to the Statistical Office, y-o-y inflation was 4.3% at the end of November 2024, while m-o-m inflation in November was 0.3%. Core inflation remains higher than overall inflation (5.4%).. YoY growth of food prices was 4.0% and was predominantly driven by prices of vegetables. NBS stated that inflation will continue downward trend in 2025 and is expected to approach central target level in H2 2025. RSD remained stable throughout the year, whereas NBS intervened on the market by continuing to buy/sell foreign currency at times of elevated appreciation/depreciation pressures. At the end of November, gross FX reserves amounted to EUR 28.7 billion, ensuring a coverage for M1 money mass of 180% and 7.3-months-worth of imports of goods and services.

Since the start of the cutting cycle, NBS cut its key policy rate by 75 bps in total, bringing the KPR from 6.5% to 5.75% at the end of 2024. The liquidity in the banking sector remains high at more than RSD 600 billion surplus. The surplus is mostly the result of NBS interventions on the FX market.

According to budget revision, consolidated fiscal deficit is estimated at 2.8% of GDP (previously 2.3%). The increase was mainly driven by higher subsidies for agriculture and higher infrastructure spending. According to October 2024 data, fiscal revenues rose by 14.1% y-o-y, while expenditures rose by 16.3%. At the end of October, the consolidated deficit amounted to RSD 33 billion, while the Central Government budget deficit was RSD 40 billion.

At the end of October 2024, public debt rose to EUR 38.1 billion (46.5% of the GDP), which is an 5% y-o-y decline mainly due to revision of GDP over last years. In order to fulfil financing needs Republic of Serbia issued Eurobonds worth USD 1.5bn along with bonds issued on the local capital market and other IFI's.

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In October 2024, Standard & Poor's upgraded Serbia's credit rating at BBB-, with stable outlook. The agency stated that its decision is supported by the fact that Serbia's policy is credible and that the impact of conflict in Ukraine appears to be contained for now. Fitch Ratings confirmed Serbia's credit rating at BB+, supported by a credible macroeconomic policy framework, relatively low inflation, somewhat higher FX reserves and stronger governance, human development and GDP per capita compared with 'BB' medians.

SERBIAN FINANCIAL SECTOR

Banking sector

The banking sector ended Q3 2024 with RSD 6,308 billion in total net assets, posting a nominal growth rate of 10.4% y-o-y. There were no new bank acquisitions in 2024, and the merger of AIK Banka and Eurobank Direktna (the last remaining) is expected to be completed in the first half of 2025.

The preliminary aggregated profit before tax of all twenty banks amounted to RSD 133.5 billion in Q3, representing an increase of 31.6% year-on-year. Interest income made the greatest contribution to profit growth despite falling interest rates – net interest income increased by RSD 26.2 billion year-on-year (15.8%). On the other hand, the growth of fees and commissions income has been much smaller in absolute terms but roughly equal in relative terms (with an increase of RSD 8.4 billion or 14.7% year-on-year); while operative expenses grew slower than in 2023, with an increase of 8.8% year-on-year (11.1% last year), but this is still significantly above the yearly inflation level at the end of September 2024 (4.2%). The banking sector return on assets (RoA) was 3.1% at the end of the third quarter of 2024 (2.6% in Q3 2023), while the return on equity (RoE) indicator was 22.3% (19.3% in Q3 2023).

Having first kept its policy rate at its YE 2023 level (6.50%) throughout the first half of 2024, NBS then proceeded to gradually cut it by 75 bp between July and September as the inflationary pressures weakened and inflation returned to its target range, down to 5.75% which remains the policy rate value at the end of 2024. NBS has also continued mopping up liquidity from the banking sector through reverse repo auctions – the total amount of repo sold securities stood at RSD 24,048 billion at the end of December, while the average weighted interest rate for repo sold securities was 4.51%, which is a decrease of 104 bps compared to December 2023.

The gradual monetary policy loosening by both NBS and other central banks has pushed interest rates on new loans downwards in 2024. The interest rates on new dinar loans for businesses and citizens were at a lower level compared to the end of last year and at the end of November reached 10.4% for households and 7.8% for businesses (compared to 12.5% and 8.3% at the end of 2023, respectively); interest rates for households declined continuously over the course of 2024 while rates for business showed fluctuation. The interest rates for new EUR loans also saw an increase in both segments – at the end of November they reached 5.8% for businesses and 6.0% for households (compared to 7.1% and 6.3% respectively for year-end 2023). The new Law on protection of consumers of financial services, which was expected to be passed at the end of 2024, still hasn't found its way to the parliament agenda, so NBS brought a Decision on temporary capping of interest rates in order to introduce additional caps after the 2023 measures expire in a way that will ensure a gradual transition to market conditions, and which will be in force until the Law is adopted.

The growth of total gross loans was significantly faster throughout 2024, and their total volume at the end of 3Q was 6.6% higher y-o-y. This recovery of credit activity was mainly the result of softer credit standards and lower funding costs. As of September, corporate loans were 5.0% higher year on year, while household loans were 7.8% higher. In the first nine months of 2024, the corporate loan growth was predominantly driven by demand for working capital loans, followed in second place by investment loans. Interest rates on new RSD corporate loans have fallen over the first nine months of 2024, resulting from stabilization of interest rates in the money markets and monetary policy easing by the NBS during the third quarter. Average weighted interest rate on new RSD corporate loans fell by 0.6 pp over the first nine months of 2024, with half of this decrease occurring in the third quarter; the two types of loans that saw the greatest decrease have been working capital loans (1.0 pp) and investment loans (0.5 pp). Interest rates on EUR loans have also decreased in 2024 – average rates on new EUR corporate loans also fell by 0.6 pp over the first nine months of 2024; the entirety of this decrease took place in the second and third quarter. Share of liquidity and working capital loans in total corporate loans stood at 47.8% at the end of September (higher compared to same period last year), while the share of investment loans was 40.6% (lower compared to last year).

Household demand for loans also accelerated in 2024, thanks to more favourable terms and softened credit standards; the NBS decision from 2023 to cap interest rates served to add a boost to the demand for housing loans. The growth was almost driven predominantly by cash loans which saw record volumes of new business in 2024, especially starting from the second quarter, and their total volume at the end of September was 11.6%

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higher year-on-year; housing loans were 4.4% higher y-o-y at the end of September (the demand getting particularly strong starting from the second quarter). The share of cash loans in total housing loans stood at 45.9% at the end of September and it was higher than same period last year, unlike the share of housing loans (38.5%) which was lower than last year.

The 'dinarization' of loans kept growing throughout 2024, so that the share of RSD loans in total loans stood at 36.8% at the end of September (which is 2.3 pp up from YE 2023 level). The dinarization of household loans rose throughout 2024, reaching 55.3% at the end of June (1.3 pp up from YE 2023 level). This change comes from growing cash loans (which are mostly RSD denominated). The share of RSD corporate loans was also on the rise throughout 2024 and stood at 20.0% at the end of June, which is a 2.7 pp increase from YE 2023 level. This increase in the share of corporate RSD largely comes as a result of provisions of Decision on bank capital adequacy which determine the banks' obligation to reduce their capital starting from 2025 if the share of FX and FX denominated loans in total loans disbursed after 1 July 2023 exceeds a prescribed threshold.

The share of RSD deposits of households and corporates in total deposits at the end of Q3 2024 reached 44.2%, which was 0.2 percentage points lower than the record level at the end of 2023. The share of RSD deposits compared to the end of 2023 rose in household but fell in corporate segment over the first half of 2024. The degree of deposit dinarization of corporate sector reached 61.7% at the end of June and it is 1.0 pp higher compared to the end of last year. This fall in corporate deposit dinarization was the result of the decrease in RSD deposits over the first quarter which wasn't fully offset by the rise in foreign currency deposits in the first and the subsequent increase in RSD deposits in the second quarter. The share of RSD household deposits stood at 32.1% at the end of June, which is 0.7 pp higher compared to the end of last year. RSD household savings continued to grow over the course of second half of 2023 and first half of 2024, reaching the level of RSD 161.0 billion at the end of June 2024, the highest so far. The share of RSD savings in total household savings also increased in 2024, reaching 8.4% at the end of June (0.9 pp up from YE 2023 level). Foreign currency deposits at the end of Q2 2023 totalled EUR 15.0 billion. Ratio of loans to deposits, which was 75.8% at the end of September 2024 speaks to the stable structure of banking sector funding.

At the end of the third quarter of 2024, the banking sector employed 22,253 people, which represents an increase of 380 employees compared to the same period last year. The branch network consisted of 1,340 different organizational units, a reduction of 9 units in a period of twelve months.

At the end of the third quarter of 2024, the average capital adequacy ratio (CET1) of the banking sector amounted to 20.1%, which is significantly higher than the required minimum of 8% and also 0,5 percentage points higher than at the end of 2023.

The NPL ratio was on a declining trend throughout 2024 and stood at 2.75% at the end of third quarter of 2024, which represents the historical minimum. Banks continued to keep sufficient provisioning levels in order to provide protection against credit losses, covering the NPLs with 61.8% of IFRS provisions as of September 2023 (which is a bit higher than same time last year, when NPL coverage ratio stood at 58.7%).

Leasing sector

At the end of third quarter 2024, according to the statistics of the National Bank of Serbia, 15 financial leasing companies were operating on the Serbian market with total assets reaching RSD 194 billion. Total receivables, in absolute terms, amounted to RSD 177 billion and were 20% higher compared to the third quarter 2023 (RSD 143.3 billion).

The major part of receivables were receivables indexed in foreign currency (98%), the same as last year. Looking at economic sectors distribution, the biggest portion of financing was related to legal entities including privately owned companies, small businesses and entrepreneurs – 87.9% (or RSD 159.4 billion in total), public sector 0.1% (or RSD 207 million in total) and private individuals 11.2% (or RSD 20.3 billion in total).

According to Association of Leasing Companies data, financial leasing institutions in 2024 were still financing mainly vehicles out of which 52% were passenger vehicles and 32% were trucks, trailers and buses. In terms of business activity, 30.5% of leasing financing was in transport, storage and IT communication sector, 12.3% in trade and automotive repair, 13% in construction and real estate, 9.5% in processing industry, water supply and waste management, and 1.4% in agriculture, forestry and fisheries.

By the end of third quarter of 2024 in Serbia the number of new vehicles financed through leasing in Serbia was 9.627 (passenger cars and light commercial vehicles) which was 29.6% higher than in the same period previous year. Share of new vehicles purchased via leasing in total number of new vehicles sold is slightly higher compared to the previous year and amounted to 36.6% (previous year 32.4%)

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CONSOLIDATED FINANCIAL PERFORMANCE OF UNICREDIT BANK SERBIA IN 2024

UniCredit Bank Serbia, consolidated financial statements (UniCredit Bank Serbia JSC Belgrade, UniCredit Leasing Serbia LLC Belgrade)			
in thousands RSD	2024	2023	Change
Income statement			
Net interest income	27.742.632	24.916.351	11,3%
Net fee and commission income	9.604.698	8.211.278	17,0%
Other non-interest income	1.916.940	1.124.610	70,5%
Operating expenses	-12.593.253	-11.550.000	9,0%
Net impairment loss on financial assets	749.586	-1.746.337	-142,9%
Profit after tax	24.054.673	18.406.762	30,2%
Balance sheet			
Loans and receivables to banks	72.007.912	63.006.391	14,3%
Loans and receivables to customers	384.756.722	344.469.707	11,7%
Deposits and other liabilities to banks	168.680.584	146.166.777	15,4%
Deposits and other liabilities to customers	463.782.795	389.735.404	19,0%
Equity	113.060.642	97.464.943	16,0%
Total balance sheet assets	762.261.853	653.515.628	16,6%
Capital adequacy			
Total risk weighted assets	417.416.147	388.313.470	7,5%
Regulatory capital	86.116.618	76.582.486	12,4%
Capital adequacy ratio	20,63%	19,7%	93 bp
Key performance indicators			
Cost/Income ratio	32,1%	33,7%	-165 bp
ROA (Return on assets after tax)	3,4%	2,9%	45 bp
ROE (Return on equity after tax)	22,9%	20,3%	250 bp
Loans to Deposits ratio	83,0%	88,4%	-542 bp
Asset(avg)/Number of employees(avg)	512.221	451.934	13,3%
Cost of risk	-0,2%	0,5%	-72 bp
Resources			
Number of employees	1391	1.374	17
Number of branches	71	72	-1

In 2024, the Bank confirmed its strong commitment to continuous growth and preservation of high standards in terms of profitability, productivity and efficiency. According to Q3 2024 data, the Bank was ranked as fourth on the market in terms of total assets, with a market share of 11.1%, maintaining the same position compared to the end of the previous year, with an increase in market share of 0.4 percent. Total assets at the end of December 2024 stood at RSD 742.5 billion and achieved a growth rate of 16.3% compared to year-end 2023.

The Bank achieved annual growth of net loans of 11.3%, better result compared to previous year (2023 4.9%), which helped the Bank maintained a high market share in net loans to customers (10.5% based on Q3 2024 data). The growth was driven by the corporate sector lending activity followed by retail sector lending in smaller amount. Thanks to the good result, the Bank took one place more in terms of loan portfolio size (4th place in 3Q 2024) compared to the end of 2023 (5th place in 4Q 2023).

Besides the expansion of the largest asset category – the customer loan portfolio, the bank continued to invest into debt instruments with high degree of security, mostly consist of sovereign bonds of the Republic of Serbia, with a slight decrease in the size of the portfolio compared to the end of the previous year in the amount of 1.5 percent Over 60% of the portfolio consists of instruments with longer maturities that the Bank intends to hold until maturity.

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The aforementioned growth of assets was financed with an extraordinary growth of customer deposits of 19% compared to the previous year, where both the corporate and retail sector achieved strong growth rates compared to the year before of 22,2% and 13%, respectively. A strong growth of the customer deposit base compared to the growth of credit portfolio resulted in the reduction of the customer loan to deposit ratio, which ended the year at a level of 78.5%, which represents a decline compared to year-end 2023 when it amounted to 83.9%. A continuous improvement of the deposit base, on both corporate and retail side can be seen as a confirmation of UniCredit Bank's image as one of the most sound and reliable banks on the local market.

During 2024, the Bank achieved a strong growth in net interest income of 11.5% compared to the previous year. Despite the gradual reduction of reference interest rates of central banks during 2024, the movement of net income based on interest compared to the same period of the previous year is the result of a diversified growth of the loan portfolio with a continuous aspiration towards segments and products with higher risk-adjusted profitability. Also, the significant growth of the deposit base enabled the placement of surplus liquidity in money markets and reverse repo transactions with the National Bank of Serbia.

Increase of net interest income was followed by the growth of net income from fees and commissions, which increased 16.8% compared to end of previous year. This increase in net income from fees and commissions was a result mostly the result of several strategic deals with clients from the business sector, the growth of the client base and the growth in the volume of transactions and the use of digital channels..

The movement of net expenses based on the impairment of financial assets was determined for the most part by the reduction of impairment in the part of the portfolio related to corporate clients due to the significant collection of receivables from problematic clients, as well as by the optimization of the methodology regarding transfers between stages (reduction of the high share of stage 2). In the part of the loan portfolio that refers to clients from the population segment, the reduction in impairment occurred due to additional adjustments for the trend of macroeconomic parameters (expectations regarding macroeconomic parameters were relaxed) and optimization of the methodology regarding transfers between stages (reduction of the high share of stage 2), which was partially offset on the other hand by the recognized modification effects due to the legal limitation of interest rates on housing loans.

The bank continued with the successful management of non-performing loans, which was confirmed by a significant reduction in the ratio of gross non-performing loans, which at the end of December 2024 was at a record low level of 2.3%.

At the end of 2024, the Bank achieved a net profit after taxes of RSD 23.5 billion, which represents an increase of 27.2% compared to result of previous year. The return on equity indicator (ROE) also grew at the end of 2024 and stood at 22.7%, which is 203 basis points more compared to previous year. Herewith, the Bank confirmed its earning capability in conditions of economic uncertainty thanks to a stable and sustainable business practice focused on creating value for its clients. Apart from traditional commercial banking, the Bank also continued with successful trading with financial instruments as one of the leaders on both local and international market.

The achieved cost-to-income ratio of 31.8% is below the industry average, with which the Bank confirmed once again its ability to maintain high standards in terms of operational efficiency. The indicator is somewhat lower compared to the year before (33.3% at the end of 2023), despite the fact that inflation in a majority of 2024 was above the target of the National Bank of Serbia. On the cost side, the bank continued to invest in its employees and ICT infrastructure. Parallel with the increase in salaries and wages, the growth of operating expenses and depreciation was to a large extent attributable to the growth of ICT expenses and investments since the Bank continued to invest in the digital transformation of its business model in order to create additional value for all its stakeholders.

In accordance with its strategic commitment to the digital transformation of its business model, the bank continued to increase the participation of clients using the Bank's digital business channels in 2024. In addition to corporate clients who have already seen the benefits of digital business channels to a good extent, in 2024 significant results were achieved within digital business and in the retail business segment too. The number of active users of the mBanking application increased by 6.9% compared to the end of 2023, making more than 70% of the total client base in Retail segment active on mBanking in a period of 30 days.

UniCredit Leasing d.o.o. during 2024, achieved a growth rate of its loan portfolio in the amount of 17%, which is a much higher growth rate compared to the rate from 2023, which was 2%. The higher growth rate is primarily caused by the increase in new business, which in 2024 were 43% higher than in the previous year. Consequently, the market share in new business financing increased to 12% at the end of the third quarter of 2024. And during 2024, the focus of UniCredit Leasing was on strengthening cooperation with suppliers, supporting the segment of small and medium enterprises, construction, agriculture and the IT industry, as well as on innovation and development of tools for faster and easier processing of client requests.

Overall, on a consolidated basis, UniCredit Bank Serbia completed the business year of 2024 with record high results taking into consideration the economic uncertainty which marked the 2024 as well, and continued to build long-term partnerships with its customers and to fully support the local economy.

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With a total consolidated capital adequacy ratio of 20,63% at the end of 2024, UniCredit Bank Serbia maintains a solid capital base, fully comprised of high-quality common equity tier one instruments and significantly exceeds the regulatory requirements for total combined capital buffers.

The Bank is under the control of UniCredit S.p.A. Milan, domiciled and registered in Italy, which is the sole owner of the Banks's common stock shares (100%). Related parties of the Group are: parent bank, entities that are members of the same group or are under joint control, members of the Board of Directors and the Audit Committee, the Management Board and managers who as members of the Group's board (ALCO and credit committees) have the authority and responsibility to plan, direct and control the activities of the Group ("key executives"), close family members of key executives, as well as legal entities that are under the control or influence of key executives and close members of their families, in accordance with IAS 24. In the normal course of business, a number of banking transactions are performed with related parties. These include loans, deposits, investments in equity securities and derivative instruments. Related party transactions are performed at arm's length principle.

STRATEGY FOR THE UPCOMING PERIOD

Three-year plan 2025-2027 of UniCredit Bank Serbia is a part of new Group Strategic plan **UniCredit Unlocked**, which optimizes the Group's operations and builds a clear long-term program for tomorrow, while moving into an era of purpose, growth and value creation for all our stakeholders**.** UniCredit Unlocked delivers the following strategic imperatives and financial ambitions:

Grow in our **regions** and develop our **client** base: sustainable growth both from our existing and new clients, together with developing best-in-class product and services, either in house or with external partners;

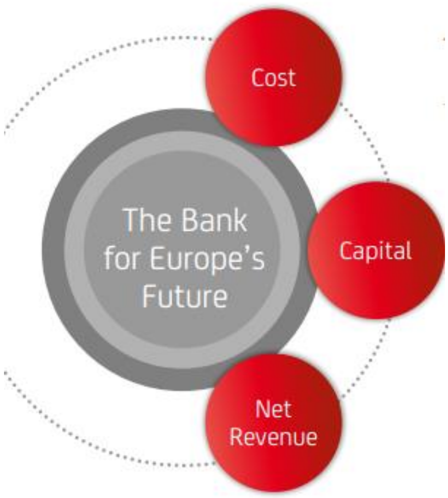
Change our **business model** and how our **people** operate: grow capital-light business, focusing on value-added products and services for clients, together with targeted cost efficiency to fund investment and deliver operating leverage;

Deliver **economies of scale** from our footprint of banks that provides us with diversification, client access, multicultural mindset and cross-border operations;

Transform our **technology** leveraging **Digital and Data** to create more personalized service and a more efficient bank for all of our clients;

Embed **sustainability** in all what we do – strong internal ESG ambitions while supporting clients in their green and social transition.

UniCredit Unlocked will deliver sustainable performance and profitable growth over in the next three years, via a combination of three interacting levers, optimally balancing growth, strength and profitability:



Cost efficiency, deliver a lower absolute cost base while funding Digital & Data transformation and investing in the Business;

Optimal capital allocation, generating organic capital from increased profitability and capital-light model, optimal capital allocation and active portfolio management;

Net revenue growth that delivers profitability above the cost of equity and recovery of market share.

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The Bank's Multi-Year plan assumes full enforcement and alignment with all regulatory requests and set limits while achieving balanced growth. The plan also assumes keeping a strong track record of out-performing the market in terms of business growth, operating profitability and efficiency, with a focus on further process and system improvements, along with the aim to improve the portfolio quality and enlarge the active client base, in order to enable sustainable growth.

ORGANIZATIONAL STRUCTURE OF UNICREDIT BANK SERBIA

UniCredit Bank Serbia JSC BELGRADE

SUPERVISORY BOARD
Martin Klauzer, Chairman
Nevena Nikše, Member
Daniel Svoboda, Member
Lidija Barjaktarović, Member
Jelena Mihić Munjić, Member

MANAGEMENT BOARD
Nikola Vuletić, Chairman
Ivana Ivić, Member
Rastko Nicić, Member
Sanja Radojčić Sobo, Member
Dimitar Lichev, Member

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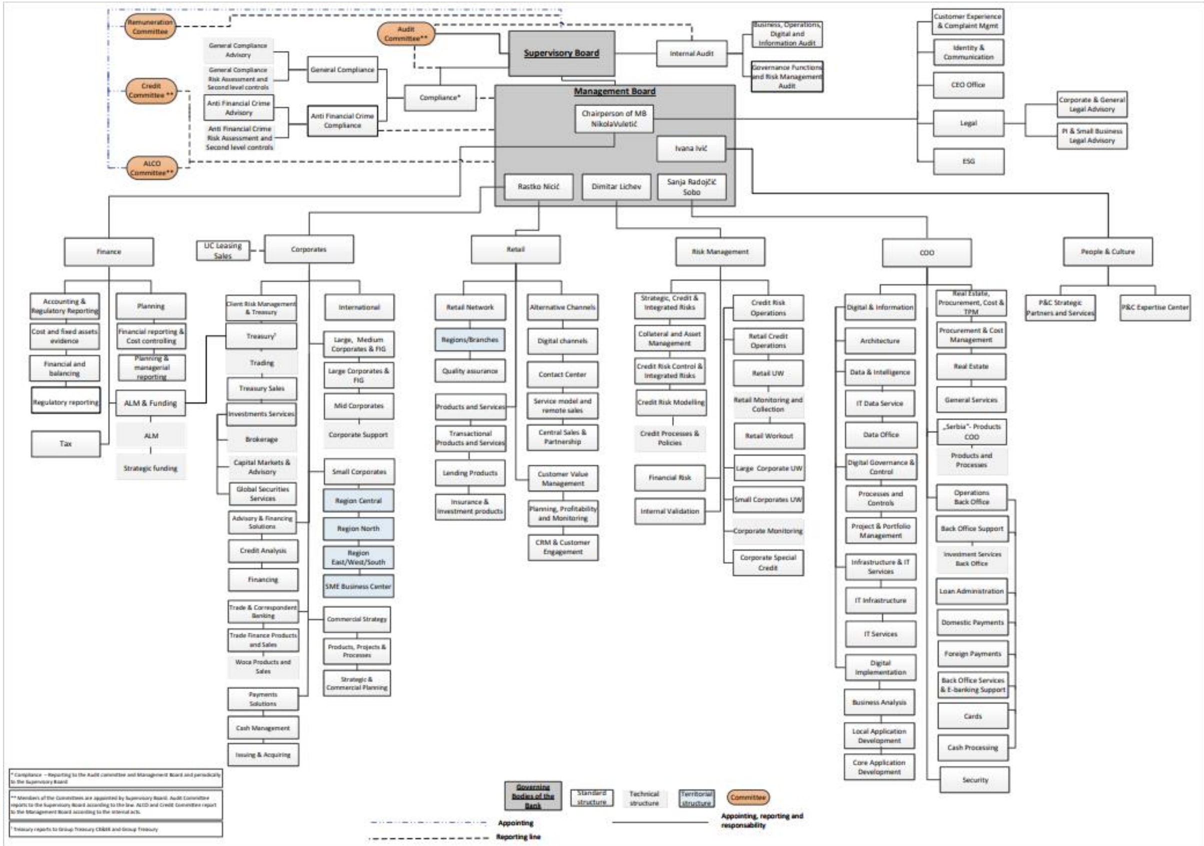
ORGANIZATIONAL STRUCTURE OF THE BANK



As of 2016, members of UniCredit Group Serbia, besides UniCredit Bank Serbia JSC, are UniCredit Leasing Serbia LLC Belgrade and UniCredit Partner LLC for representation in insurance Belgrade until the date of December 14th, 2023, when the liquidation procedure of LLC was completed. The following UniCredit Group entities were also operating in Serbia in 2024: ALPHA RENT LLC BELGRADE (formerly UniCredit Rent) and UCTAM LLC Belgrade - bankrupt, which are representing parties related to the Bank.

UniCredit Leasing LLC

BOARD OF DIRECTORS
Dimitar Lichev, Chairman
Aleksandra Rašić, Member
Gligorije Brajković, Member

EXECUTIVE BOARD
Ivan Jauković, Chairman
Veličko Marsenić, Member

CORPORATES

In 2024, Corporates was oriented towards additional strengthening of its position on the market through growth across all business segments while supporting both the public and the private sector and providing the best service for all clients, deploying innovative solutions to improve its business, processes and products.. The Division continuously brings the Group's worldwide expertise to support local innovation, product development and economic growth.

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The loan portfolio of Corporates amounted to RSD 239.1 billion at the end of 2024 with an annual growth rate of 14%, whilst deposits amounted to RSD 327,8 billion, a 27% increase. The total number of clients at the end of Y2024 was 6326.

Client risk management and Treasury maintained the Bank's leading position on the domestic market. According to NBS data for the year 2024, UniCredit Bank was ranked second in foreign exchange transactions with residents, with a market share of 18.15%, and in first place in foreign exchange trade with non-residents, with a market share of 29.45%. UniCredit Bank maintained the first position in the interbank market in euros with a market share of 23.34%. During 2024, the Bank continued to promote hedging products, emphasizing protection against fluctuations in interest rates, exchange rates and price variations in the commodity market. The bank started offering its clients an online platform for foreign exchange trading and thus enabled its clients to conclude foreign exchange purchase and sale transactions more quickly and easily. The bank strove to be competitive with its innovative approach and thus confirmed its leadership position in designing and marketing these products. The bank maintained its leading position in the trading of financial instruments on the secondary market, with a share of 23.6%, as well as a significant presence on the primary market with a share of 21%. According to the NBS report on the interbank REPO market, UniCredit Bank participated in 98% of client transactions announced by the NBS for 2024.

The Bank continued to support enterprises with long-term investment plans and ventures, as well as those that require working capital financing. With the aim to strengthen competitiveness and entrepreneurship, UniCredit secured an easier access to financing through the guaranteed scheme program that enable relaxed collateral requirements, longer maturity for Working capital loans and favourable interest rates compared to standard rates through the WB EDIF Guarantee4SME Resilience guarantee program. The WB EDIF Guarantee 4SME Resilience guarantee program covers loans of up to EUR 500,000. Under the Social Impact Banking and Impact Financing programs, the Bank aims to support projects that generate a clear and measurable positive impact on the social community, with a particular focus on hiring of endangered categories and social inclusion, as well as providing support for projects in devastated and underdeveloped regions in Serbia.

Corporates continued to focus on providing support for export-oriented industries, with a strong belief in their importance for Serbia's economic growth and the implementation of the economic and industry strategy of the Republic of Serbia. The Division focused on expanding the cooperation with the existing clients and the acquisition of new clients in a range of industries that have been recording positive growth rates or possess a significant recovery potential, as well as on the expansion of the SME client base. It also continued financing the public sector (central and local self-governments), while it continued working on improving public services for citizens. In addition to the above, the division strived to deepen and further increase long-term partnerships with new and existing customers based on reciprocity and trust. Related improvement and optimization of risk-adjusted pricing policy was a part of the year-round agenda in order to better capture the risk profile of a client and provide an adequate reward for the risk assumed. Corporates customer satisfaction represents a crucial indicator of a successful partnership with all our customers.

In 2025, Corporates will aim to maintain its leading position on the local FX, money and capital markets. Business processes efficiency and effectiveness represent a key factor for achieving business goals and the entire Division structure will be proactively involved in the improvement, digitalization and automation of processes in 2025. In pursuit of this vision, the focus will be on: the reduction of concentration along business segments and increasing the share in the clients' portfolio by strengthening relationships, further innovation of the product portfolio by implementing new products, increasing the penetration in the segment of small and medium-sized enterprises, providing support for public projects, diversification of the customer portfolio and revenue base as well as increasing the loan portfolio balance in terms of the currency structure.

UniCredit Leasing (UCL) recorded an annual growth rate of 17% with a portfolio totalling RSD 21 billion at the end of 2024.

In 2024, UCL posted new financing in the amount of EUR 111 million, which was 43% more than last year. According to Association of Leasing Companies data, at the end of the third quarter, UCL market share in new business financing amounted to 12%.

At the end of Q3 2024, UCL was 3rd on the market in the segment of Equipment financing, with EUR 17,3 million of new financing and a market share of 19%, while in the segment of Vehicles, UCL was 5th on the market with EUR 41,4 million of new financing and a market share of 11%.

During 2024, UniCredit Leasing focused on strengthening its cooperation with vendors, supporting the SME segment, construction, agriculture and the IT industry sectors as well as on innovation and developing tools for faster and easier processing of client requests. UniCredit Leasing successfully continued to provide subsidy programs and easier financing access through EBRD funds and state-supported programs. Special attention was dedicated to green economy and sustainable energy programs, where UCL will continue to contribute in coming years.

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RETAIL BANKING

Despite the complex business environment caused by global political tensions and their consequences, during 2024. there was change in inflation and referent rates trends turning from increase to falling trend, which had positive impact on Retail Banking growth during 2024. Total Retail loan portfolio increased by 5.0% y-o-y, while deposits volume achieved annual growth of 10.9%.

Clients continued to show the trust in the Bank's products, as well as the quality and reliability of services. In the segment of Private Individuals (PI), key credit products in 2024 were cash loans with the insurance coverage in case of unemployment. Despite very competitive banking industry and its strong consolidation, solid growth of PI lending portfolio by 3.9% was achieved, of which major contribution came from cash loans which volume increased for 7.3% compared to 2023. Despite challenging macroeconomic environment Bank managed to significantly increase loan portfolio level in Micro segment by 8.6% yoy.

UniCredit is recognized as one of the most reliable banks on the local market even during a crisis, considering that PI deposits volume achieved outstanding growth of 12.9% compared to 2023 .

UniCredit bank is recognized as long-term partner which is supported by the fact clients who transfer their salaries and have different transactions with UniCredit bank increased in number for 3.5% compared to 2023.

2024 was the year of further growth of digital business. The number of active users of the mBanking application increased by 7% compared to the end of 2023, making more than 69% of the total client base active on mBanking in a period of 30 days. In accordance with modern trends and increased client expectations, digitization, as a business transformation, is still one of the main priorities. Some of the most significant digital improvements done during 2024 in the consumer segment of are Debit Card Virtualization, increase in hybrid sales, AML evaluation, Processing of complaint requests for cards remotely and improvement of the first call resolution of requests . 25% of the ATM network was replaced with the latest generation devices. Payment and withdrawal functions in EUR have been introduced at 10% of ATMs. Also, we achieved significant results through partnerships with a renowned group of companies, such as retailers and shopping centers

During 2024, we strived to keep the offer of our products and services attractive for all segments of clients, individuals and legal entities. When it comes to private individuals, special accent was on the affluent segment, high-value clients who expect quality and timely service, not neglecting the mass segment, employees of our partnership companies, the public sector and budgetary institutions. Regarding clients from the segment of legal entities, in addition to small businesses and entrepreneurs with business income of up to 1 million euros, we continued to foster cooperation with clients from the segment of agriculture.

When it comes to legal entities, UniCredit Bank strived to make the loan approval process even faster and more accessible, actively working on the development of tools that should contribute to increasing the efficiency and effectiveness of the entire process. For the agro segment, we plan to position ourselves as one of the main banks of choice also during 2025, appearing at relevant fairs, seminars, and primarily participating in subsidized and support programs of the Ministry of Agriculture and other relevant institutions. In addition to standard credit products and savings options, we offered these categories of clients relevant service improvements in the area of account packages, as well focusing on newly founded companies. As far as the existing portfolio of legal entities in Retail is concerned, we were guided by group clustering of these clients, with an equally important focus on credit clients, transactors, depositories.

For private individuals, during 2024 we continued to work on improving services that affect their satisfaction with daily activities in Branch network, all with the aim of further improving our basic performances -work at the cash desk, ATMs, etc. It is precisely for this reason that we will during next year work on the implementation of our new service model. When it comes to products and services, the focus was on regulatory compliance, timely responses to client requests and always attractive price options that should make us position among top peer banks and ensure sustainable growth of market share. For our savings customers, it is important to point out that throughout the year the bank provided stimulative offers for long term deposits so that we can continue to be the bank of choice for savings.

The recognition as a socially responsible institution is of great importance for the Bank, considering its commitment to environmental financing in order to protect the environment and raise awareness of all market participants.

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RISK MANAGEMENT

Risk Management[1] is organized to cover risk management, through the work of the following structures:

- Strategic, Credit & Integrated Risks (which includes the structures: Collateral Management, Credit Risk Control & Integrated Risks, Credit Risk Modelling and Credit Process & Policies);
- Credit Risk Operations (which includes the structures: Retail Credit Operations, Large Corporate Underwriting, Small Corporate Underwriting, Corporate Monitoring and Corporate Special Credit);
- Financial Risks;
- Internal Validation.

They all report to the Management Board Member in charge of Risk Management, which ensures there is no conflict of interest and separation of risk management activities from other regular business activities.

In order to define a consistent policy for the lending activity and a general framework for risk management, each year, the Bank defines a Credit Risk Management Strategy for retail and corporate segment. The Strategy includes general guidelines for the basic parameters of risk management, principles of analysis of the creditworthiness of each customer segment, and the determination of the direction of development of individual products, as well as a detailed review of portfolio development strategies by individual industries. In this way, the Bank provides that adopted business policies are carried out within the framework that will result in an acceptable level of credit risk at the level of individual sales and adequate diversification and general quality of the loan portfolio. The Bank also takes into account the analysis of money laundering and terrorist financing risk when deciding on the assumption of credit risk.

The focus in 2024 was on assessing and controlling the potential negative effects induced by overall crisis related to world conflicts but also negative market trends in several industries, and its impact on portfolio.

Identification, measurement, control and management of credit risk on the portfolio level is based on the reporting system, which provides information about the condition, quality and evolution of the loan portfolio. During 2024, there was a continuity of credit risk measurement process improvement through implementation of methodological changes relating to IFRS 9 and optimization of CRWA[2], as well as the calculation of economic capital for certain risks within pillar 2. The main focus was placed on the implementation of the new transfer logic model to identify significant increase in credit risk (stage 2), inclusion ESG components (transitional and physical risk) in expected credit loss calculation, as well as the maintenance of previously quantified negative effects resulting from geo-political situation, and calculation of the impact of new modification effects on financial result of the Bank due to NBS Decision[3] based cap of interest rates .

When it comes to Basel Standard implementation, the focus of activities was on development of new exposure at default model as well as development of new loss given default model and testing and implementation of new internal rating model for legal entities (annual income above 3MEUR). In the field of IFRS 9 standards, IFRS9 methodology simplification project has been initiated by the Group, in which a new transfer logic model was developed, which is used for quantifying significant increase in credit risk, extended the data time series and recalculated the loss given default model.

During 2024, several projects/initiatives were implemented and launched that provided continuous monitoring of key risk indicators from various fields:

- Mainly regulatory changes regarding calculation and reporting of RWA have been implemented in accordance with Basel 4 regulation (CRR III Regulation) which comes into force from Q1 2025;
- Regulatory framework for second level credit risk control (2LC) was adopted and activities on implementation of specific controls were started;
- Monthly monitoring was introduced for key KPI's in line with Risk Appetite Framework (RAF);
- Activities on implementation of comprehensive loan data template according to the ECB requirement (CRLDT) as well as activities at the local level related to the AnaCredit project were started;
- New concept in calculation ECL for Leasing which takes into account the value of financed asset (so called EAD secured model) was implemented;
- Intensive activities on adjustment of the credit process for the corporate clients have been performed, along with implementation of accompanying tools, in terms of the impact of the climate risks (transition and physical risk) and Net zero strategy, in such a way that the exposure to climate risks and Net zero perimeter becomes part of the credit strategy towards these clients.

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[1] Within Risk Management there is also a structure in charge of non-financial risks

[2] Credit Risk Weighted Assets

[3] Decision on Temporary Measures for Banks to Facilitate Access to Financing for Natural Persons, reached by NBS on 20.12.2024

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Regarding Corporate monitoring, bearing in mind current crisis hotspots (Russia-Ukraine, Middle East), the increased monitoring of warning signals, clients and portfolios, and the implementation of various measures aimed at reducing risks in cooperation with clients who are on high-risk client watch lists, is continued. Beside this, additional measures in further automation and optimization of warning signals, in line with overall worsening of liquidity and decreased transparency of client's financials, as well as with optimizing process for SME segment were taken.

The bank continued with the comprehensive analysis of the existing monitoring process, both on its own initiative and in accordance with audit measures and process changes dictated by the Group, all with the aim of improving its efficiency and effectiveness, in order to recognize risks earlier and to ensure a timely reaction of the Bank. During 2024, number of clients on watch lists remained stable but with increased number of clients transferred from to worse categories i.e. in Special credit responsibility.

Regarding the Corporate Special Credit, in September 2024, organizational structures Corporate Restructuring and Corporate Workout were cancelled, while FTEs from the stated structures were united to the Corporate Special Credit structure, due to process simplification and unification of similar jobs. Activities of stated former organization structures are performed in the scope of unique structure Corporate Special Credit. Besides regular activities, focus is on timely recognition of problematic exposures (NPE) also by utilization of more intensive communication and coordination with Corporate Underwriting structures and Corporate Monitoring. General business environment and possibilities of clients' recovery are regularly monitored. Just like in previous year, during 2024 significant reduction in problematic loans in restructuring was recorded, through regular collection, collection from collateral and non-core assets (voluntary sale), as well as the return of a number of clients to performing status. The fluctuation of clients in restructuring portfolio was on a regular basis. At the end of 2024, the number of restructuring clients has not changed significantly compared to the end of the previous year, which is the result of a balanced influx of new clients and the return of existing clients to the standard portfolio or referral to collection. Some of the restructuring clients with large exposures were transferred to Standard portfolio or fully closed (repaid). Some restructurings included larger number of banks and were based on INSOL principles for managing problematic exposures and clients.

Corporate Workout continued with collection for Client from CWO portfolio, through court processes. In 2024 in several occasions CWO realized selling of receivables, for clients on off balance and balance accounts, which had positive results on NPL reduction on Bank level.

In the Retail segment, for private individuals, small businesses, entrepreneurs, registered agricultural holdings, as well as companies, the focus in 2024 was on increasing the efficiency of all processes, through the audit of the process steps and activities on the development of new automated technical tools for loan approval, as well as the improvement of existing ones, then on the improvement of the process of loans monitoring and collection, as well NPL reduction.

During 2024, Collateral Statistical Monitoring was completed as well as further improvement of cooperation with external associates: valuation companies, licensed appraisers, insurance companies, monitoring companies and lender supervisors. Aside from that, general improvements of collateral management process and practice were also implemented through more agile acquisition of valuations, insurance policies, more detailed tracking of mortgage inscriptions, increased involvement of lawyers in the registration of mortgages etc. The Bank was adequately delivering regular monthly reports regarding real estate valuations to NBS, which are used for loan processing purposes.

In the area of financial risks management, the focus of activity was on the improvement of standards in the control and management of market, counterparty, interest rate and liquidity risk.

In the area of market and counterparty risk management, a significant part of the activities was dedicated to monitoring volatility and developments in local and global markets, as well as the development of the main macroeconomic indicators to maximally protect the Bank's capital and profit

In the area of interest rate risk management, the scenarios used in monitoring interest rate risk exposures in the banking book have been updated in accordance with the latest EBA standards. A special focus was on the amendment of the Law on Consumer Protection and the consideration of the application of a new regulation in interest metrics.

In the area of liquidity risk, the Bank's strong liquidity position was maintained, structural liquidity reports were improved, a new NBS methodology and the need for NSFR reporting were introduced, activities were carried out to update the scenarios and assumptions used in stress tests, the processes for identifying risks that may lead to increased exposure to liquidity risk were improved, as well as the processes of independent assessment of the adequacy of the bank's financing plan in regular and unforeseen events were improved. The phase of development and validation of modelling of term deposits has been completed, the implementation of which is expected to optimize structural metrics (SLR indicator).

One of the very important goals of the Bank in the field of risk management is to achieve and maintain all standards in the control and management of non-financial risks, in accordance with the established system of identification,

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assessment and control of these risks. The Bank manages operational risk through: collection and validation of data on internal losses, analysis of scenarios in order to estimate maximum losses, monitoring of key risk indicators (KRI), self-assessment of operational risks (RCSA), analysis of key risks for the Bank, analysis of operational and reputational risk of entrusting the relevant activities of the Bank to a third party, analysis of operational and reputational risk when introducing a new product or significant product changes, analysis of operational risk of information systems and cyber risk. Evaluation of the reputational risk of clients/initiatives/transactions/projects/ and other topics for which there is identification of potential high reputational risk is carried out within the Committee for Non-Financial Risks (NFRC) - Subcommittee for Reputational Risk.

Internal validation of implemented model performance represents an integral part of risk management system. A particular focus was on the validation activities of the new local rating model for corporate segment. In the context of structural liquidity management, initial validation report for Term Deposits model was issued. Also, initial validation was issued for the new version of the non-maturing deposits model that is used for interest rate and liquidity risk management. In addition, validation activities were focused on additional adequacy assessment of the IFRS 9 model components for the impairment of financial instruments, intended to enhance the effectiveness of the currently implemented Expected Credit Loss (ECL) framework.

Based on the foregoing, it can be concluded that during 2024 the Bank enhanced risk management system, which, along with its capital adequacy and profitability levels, guarantying an adequate management and coverage of the risks to which the Bank is exposed.

Integrated risk management function within which, in accordance with the Law on financial leasing, UniCredit Leasing entrusted the tasks of identifying, measuring, assessing and managing risks to the risk management function of the Bank, was dedicated to improvement of economies of scale in credit business, support in commercial actions and credit process optimization.

Risk Management will continue with the efforts and actions aimed at improving the system of management of all risks to which the Bank is exposed in its operations. Special focus is planned towards further enhancement of the credit process in order to improve efficiency, as well as on creating a comparative advantage in the market through process optimization, and through improvement of the tools for identifying and mitigation of credit risk. In that way, adequate support to all organizational structures will be secured. In 2025 one of the main goals is to maintain and improve portfolio quality and enable base for sustainable growth with focus on further portfolio diversification, but always using proactive approach toward risk management enabling new client acquisition.

BANKING SUPPORT

During 2024, additional focus of employees was placed on process optimization and digitization, modernization and energy efficiency, all with the aim of improved client experience, more efficient work of employees, and the adoption of the principle of reasonable energy use.

In 2024 Digital & Information started with introduction of Federative Data Architecture which will enable decentralized and structured data management based on data products and data ownership. Also, the focus was on the development and improvement of the platform for credit processes and further digitization in both segments, as well as on the presence and promotion of digital channels through digital services and platforms for document exchange.

Agile methodology was applied in the implementation of several projects with the aim to increase efficiency and faster achievement of project goals.

Additionally, Digital & Information continued with further industrialization of the Bank’s microservice architecture aligning with the strategic plan to use the DevOps methodology. In this sense, several applications based on the "modern stack" (for example, modern JavaScript frameworks like React, as well as modern backend technologies and databases) were developed relying exclusively on the internal resources. The applications were automated using the DevOps methodology and the microservice framework, all in line with the modern industrial standards.

In cooperation with the Digital & Information structure and external partners, Security has initiated and implemented a series of improvements in the field of Cyber and Corporate security, focusing on the protection of information and the constant action against numerous cyber threats that are on the rise, by implementing new as well as upgrading existing tools and processes, not neglecting education and spreading awareness among employees, as well as investing in the professional knowledge of employees, and improvements in Corporate security area. Particular challenges are represented by the increasing activities of ransomware groups as well as phishing campaigns. In the aforementioned process, and in accordance with the local and Group strategy, the implementation of initiatives as well as their planning is carried out in close cooperation with colleagues from the Group, firmly adhering to the principles of standardization and optimization of processes and solutions.

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To meet the demands and growing needs of clients, in parallel with the development of digital channels, during 2024, three (3) branches were completely renovated or moved to new locations, while another three (3) were adapted in accordance with the modern concept and design. In addition, the premises used by employees in Corporate and Cards, in Novi Sad and Belgrade, and small business in Niš, were adapted.

In cooperation with colleagues from the organizational units responsible for retail and small business operations, the process of qualitative and quantitative control of archived active client documentation is continuously improved. Control measurement of the completeness of documentation as well as qualitative verification of documentation is monitored monthly and adequate actions are taken to correct any errors observed.

In 2024, it was ensured that 100% of the electricity that is directly invoiced and that the Bank uses for regular operations is from renewable sources. Additional energy saving initiatives were implemented – the latest generation of cooling and ventilation equipment was purchased with features that contribute to reducing electricity consumption.

During 2024, 8 new economical vehicles that meet EURO6 standards in terms of environmental protection were purchased, replacing the oldest cars in the bank's fleet. Regular monitoring of the occupancy of vehicles in the fleet was introduced with the aim of more optimal management.

Asset Management implemented a project to develop the “Branch ID” – the branch identity card, which included an overview of all important construction elements of the branch facilities, and the equipment in it, with the aim of identifying deficiencies and forming a specific plan for eliminating deficiencies.

Procurement and Cost Management supplemented and defined roles and responsibilities in procurement processes, both centralized and decentralized. Manual quality control of data entered into procurement processing tools has been established, namely by linking due invoices with procurement numbers, ensuring risk reduction during procurement implementation.

Further optimization and transformation of Operations Back Office continued during 2024 with the aim to reduce operational risks, increase customer satisfaction and productivity. Several processes were enhanced through the implementation of new applications, enhancement of existing one and implementation of RPAs.

New application solution was implemented in Foreign payment area, ensuring automatic bookings for 80% of incoming payments. Not only that this improvement increased efficiency of the team but in the same ensured better customer experience.

Increase of the efficiency was also achieved in Domestic Payment area by entrusting the processing of citizens' checks to a third party, which ensured improvement in servicing the Bank's clients.

In 2024 we managed to implement QR code for cash processing, enabling 26% increase of productivity for these activities in Main Vault and Retail Network.

As an additional tool for the improvement of the support in service providing to Bank`s clients and increased productivity, the implementation of Robotic Process Automation continued, which ensured the improvement of 11 processes in Operations Back Office.

In order to further boost optimization in Operations Back Office area project Opera was initiated guaranteeing transformation of Back Office by maximizing efficiency, quality and sustainability.

Thanks to efficiency, flexibility and expertise, Operations Back Office structure significantly contributed to the bank's business success in 2024.

The focus of COO (Chief Operations Office) in 2025 will be on continuous digitization, constant improvements and further raising of employees' awareness of the "green way of thinking" with the aim of preserving the environment, increasing client and employee satisfaction.

PEOPLE & CULTURE- P&C

The operations of the People & Culture in 2024 were focused on providing strategic support to the realization of the Bank's planned business activities through:

- Strengthening the organization in the direction of better understanding of corporate culture
- Empowering leaders through leadership development programs

  Further strengthening of sales skills in corporate banking and in retail and small business operations
- Data academy

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- ESG trainings
- Empowering women leaders in the organization
- Wellbeing internal trainings
- Strong focus on promoting organizational values

Having in mind the strategic development plans of the bank, in 2024, P&C strived to support operations in the most adequate way, primarily with overcoming challenges, achieving goals, which was carried out via the improvement of organizational culture and competencies in the field of sales skills and expertise, a culture of teamwork, communication and presentation skills, digital transformation and innovation.

This year, as well, the Bank also paid special attention to the development of leadership skills on all managerial level and talents of the Bank and motivating and retaining employees who achieve high achievements and have potential for further development. Leveraging on internal capacities and in cooperation with external consulting companies' numerous workshops and trainings were organized during 2024 with having more than 32.713 hours of learning. For the Bank's Management, the development programs were focused on leadership skills improvement with main focus on ESG topics, while for the organizational parts of the Bank which cooperate with clients the focus was on improvement of presentation and sales skills.

This year, workshops were organized as part of the Data Academy program, which focuses on training and improvement in the areas of data management, data analysis and federal data architecture. In parallel, in order to strengthen the leadership skills and provide adequate support to UniCredit leaders, the P&C in cooperation with a global provider, focused on a young talents of the Bank program, selecting the new generation of future leaders, aiming to strengthen and increase their digital and leadership skills as future leaders in an era of constant market change.

We also launched 2nd cycle of program: 'Wisdom' for reskilling and upskilling of our most senior employees.

In 2024, the P&C has continued the initiative started in the previous years and finished 4th edition of the program which aim is to support and empower women leaders in our organization by providing support on the path of personal growth and further career progress. This pragmatic program supports building women's leadership in our organization.

During previous years P&C developed Retail Management Academy "Effective Management Practices" – development program for Branch Manager, that we continued to implement during 2024 extending the scope also to Retail head office management. The program has been customized to address our organization's particular needs, topics such as: giving feedback, delegating, leading teams, personal organization, motivating teams.

P&C supported employees through a changed communicational approach constantly informing them about new career opportunities and promotions, as well as in enabling them to change positions within various organizational parts of the Bank.

Striving to adequately empower and support employees in achieving their business goals and improve their performance, the P&C has supported employees in improving their expert and social skills by organizing and providing budget for various trainings, domestic and foreign certificates, and international seminars and conferences that employees attended online during 2024.

In 2024 strong focus was also on promoting organizational values, recognition of the ones that are true value promoters, and of course promotion of Diversity, Equity and Inclusion as our core value.

As in previous years, in 2024 UniCredit Bank provided private health insurance for all employees. In 2024 the Bank continued to provide free online psychological counselling for its employees.

Moreover, UniCredit Bank has continued to implement previously adopted benefits and initiatives such as Birthday Holiday, Free Day for employees whose children are in the first grade of primary school, and Parental Support, for the father of a new born child to providing 20 days of paid leave

Also, we continued to support all our employees who are facing the challenges on their path to parenthood (covering the cost of one IVF procedure).

Bank continued providing benefit that was introduced in 2023, after long term leave moms can work one month part-time, with a full salary. In addition Bank introduced new benefit to all employees – Day for the loved ones, one day of paid leave employees can use any day during the calendar year.

In order to encourage employees to take more care of their well-being, health and good life habits, People and Culture has enabled employees to access the Rezilent platform in 2024, through which employees are encouraged to take more care of their mental health through the psychological support program. In addition, employees can access numerous content and seminars on various topics related to health, parenting and good lifestyle habits.

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Cooperation with universities has continued through internship programs, study visits and scholarships for the best students.

In 2024, the Bank also earned two very important certificates. First one is the Top Employer certificate for the best employer, a recognition awarded to organizations providing exceptional working conditions, developing talent and implementing best practices in human resource management. UniCredit Bank is one of the few financial institutions in the country that holds this certificate. Second one is EDGE certificate, recognizing our company as gender equality company. UniCredit Bank is only financial institution with such certificate in Serbia.

In 2024, the P&C will continue to work on strengthening the organization and strengthening the organizational culture and employees of the Bank in the field of transformation towards digital business, development of talents and aiming to build a stable network of successors for leadership positions. It will also continue to promote a flexible working culture, create a balance between business and private life, support in the form of more comprehensive medical services and the promotion of healthy life habits.

IDENTITY AND COMMUNICATION

During 2024, geopolitical tensions had a significant impact on the global economy and, consequently, on the banking sector. Large-scale conflicts continued to unfold in many places around the world, creating uncertainty in markets and fueling inflation. Central banks responded by raising interest rates to curb inflation, leading to increased volatility in financial markets. Despite all these challenges on the banking market, our bank responded to everything in a timely, careful and thorough manner. Identity and Communications continuously aligned priorities, communication and activities, as well as key messages in a coordinated manner so that all interested parties were respected.

As in previous years, and during 2024, UniCredit Bank remained committed to continuous and proactive information and support of its employees, clients, community and regulatory authorities. Through all available channels of communication, the Bank provided timely and transparent notification of all relevant information, including new products and services, business results, current campaigns, as well as changes in the Bank's operations both locally and throughout the Group. Continuous work was done on the promotion of all products and services, with the aim of increasing the number of users, while existing clients sought to be regularly informed and referred to all the advantages provided by our products and services. Special emphasis was placed on digitalization of services, promotion of mBanking, eBanking and multifunctional ATM services.

With all the decisions and goals of the Bank, clients and bank employees were familiar throughout the year, receiving information in a clear way. Additionally, the results of the Group and the Bank are communicated locally on a quarterly basis.

In order to enable sustainable growth, in 2024, we focused on strengthening our core product and services from the Retail Cooperation Sector, such as Cash Loans, Credit Cards, Student Packages and digital sales channels, as well as promotion of key benefits for clients. One of the milestones was Virtual Card launching, which represent innovation not only for the bank, but also for the market.

In February, we started the promotion of Cash Loans with special offer for new clients - 5% bonus on the first salary to all those who transfer their salary to our bank and campaign while the spring period was reserved for launching new "Happy Cash Loan,". This time we rewarded our clients with a family trip of their choice, and positioned UniCredit Bank's cash loans as a cash loan that always gives more. Autumn we used a bit different approach and promote cash loan special offer for Public sector (education, health care and the Ministry of Interior) as part of campaign UniCredit for Serbia, which aimed to strengthen the image of UniCredit Bank as a bank that works for all people.

In order to spread idea of the UniCredit for Serbia campaign among the local community, we supported a number of local cultural events and launched a number of special offers that applied only to these local towns and their populations.

The last quarter of the year was very intensive. Firstly, we launch new Virtual Card under the slogan REST IS HISTORY, which represented an innovation not only for our bank, but also for the entire market. In addition to traditional channels, the campaign also had a strong presence through digital channels and influencers, thus positioning UniCredit Bank among the younger population and in a new light.

Through the UEFA campaign, we revived history and after 20 years re- launched an iconic challenge “ Leteći Start” that made our customers to quickly go to the branch and open an account to get tickets for the football match. With cooperation with Mastercard and UEFA, we also pleased the children from Orphans Home “Zvecanksa”, to whom we provided support and accompaniment to the players of Red Star and Barcelona at the Champions League match.

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In order to strengthen loyalty in the segment of customers, small businesses and entrepreneurs, we have once again organized a loyalty campaign called "We reward when we work successfully," which has been in place since September. As part of the loyalty campaign, our customers had the opportunity to compete in the achievement of certain criteria. After the end of the campaign, we will reward three clients with three attractive prizes for the first, second and third place.

The promotion of the Flexia credit card was consolidated during the whole year, with communication peak at the end of the year and in the spirit of the New Year holidays. This campaign was supported by well-known influencers, as well as a gift for additional shopping for the first 200 customers who open a Flexia credit card.

We also give a great focus on direct communication with the student base, where through various campaigns and special offers, we have provided our users with the opportunity to achieve additional benefits as clients of the bank.

The month of December traditionally ended with the New Year's offer of cash loans, which stimulated our clients to fulfill their wishes and start the New Year's magic. In 2024, UniCredit Bank strengthened its cooperation with the media, emphasized its presence through various media channels and genres in order to contribute to maintaining a good reputational status, as well as positioning the Bank as an expert in the field of banking, economics and finance, as well as the ESG field. In communication with the media and, indirectly, the wider public, the focus was on highlighting products and services, while at the same time great attention continued to be given to the promotion of socially responsible projects of the Bank, responsible and sustainable green business, both of our Bank and of the clients to whom we provided advisory services. support.

In various media formats, by participating in conferences and panels, lectures and workshops across the country, relevant interlocutors and representatives of the Bank conveyed their knowledge, experience and expertise in all areas of the Bank's operations. They emphasized the importance of digital services and the Bank's contribution to investing in the community in which it operates. The goals of communication were successfully achieved thanks to the cultivation of good relations with the media, with mutual respect, appreciation and the establishment of trust and support.

In accordance with the goals of empowering the community, and especially female entrepreneurship, this year the celebration of International Women's Day at UniCredit Bank was extended to the whole of March. Women employed in the bank received gifts with motivational messages, and the bank also organized a two-day Women's Entrepreneurship Fair in front of the bank's headquarters in New Belgrade. A total of 12 female entrepreneurs received a free stand in front of the Bank's headquarters, where they could sell and display their products, regardless of the type of production. The action of empowering women continued in cooperation with the Chamber of Commerce and Industry of Serbia (CCIS), through participation in the project "Women entrepreneurs - the strength of the economy". Through that project, ladies from UCB gave lectures in various fields to numerous female entrepreneurs.

In order to go one step further than the favorable offer of cash loans, the award competition "Lucly cash loan drives your wishes" was also successfully organized, through which existing and new clients were awarded three vouchers each for a prize trip, purchase of equipment, purchase of furniture and six vouchers each. for the purchase of mixed goods.

During the year, the comprehensive initiative "UniCredit for CEE" was promoted, which also includes "UniCredit for Serbia", which refers to the support of small and medium-sized businesses, so that they can properly face all market challenges and be more competitive.

In the last quarter, a campaign was launched to promote investment in education, highlighting projects through which the Bank has supported so far and through which it will continue to strengthen educational institutions and educators.

Also, in the same quarter, for the most important stakeholders and clients of the bank in Belgrade, Kragujevac, Čačak, Niš and Novi Sad, a play "The Book of Milutin" was organized.

Among the employees, Internal Communication had a very important and recognized role in 2024 as well. In order to respect the transparency of work and business continuity, communication with employees was regular and timely. In addition to the existing channels - e-mails and the internal portal of the Bank and UniCredit Group, this year a newsletter called "Uni Momento" was launched, in which every two weeks an overview of events and notifications from the bank, summarized in one place, is sent to employees. Also, regular notifications on computers continued. In order for all employees to be informed about current achievements and goals, management meetings are also organized regularly.

Numerous internal campaigns promoted our values of Integrity, Ownership and Caring, as well as collegiality, team spirit and education and personal development. During 2024, we continued to communicate individual stories and successes of employees.

The campaign "Each branch is a story" was also launched, through which the teams from the branches are presented, as well as the places where they are located. In May, a volunteer action was organized in which members of the

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Volunteer Club, together with members of their families, arranged and beautified parts of the reserve in the Obedska Bara special nature reserve.

The UniCredit Family Day gathered employees and their family members, as well as their pets, in the bank's premises, as well as on the plateau in front of the entrance to the head office in New Belgrade. Performances by various animators, workshops for children and adults, arcade games and adoption of pets were organized. As part of the UniCredit Group's "Kids4Kids" initiative, a performance was organized for the employees' children in anticipation of the holidays, and they, together with their families, prepared gifts for the little ones at the Drinka Pavlović Home, which is owned by the Center for the Protection of Infants, Children and Youth in Zvečanska, and Elementary school "Ljubomir Aćimović" for children with disabilities in Obrenovac.

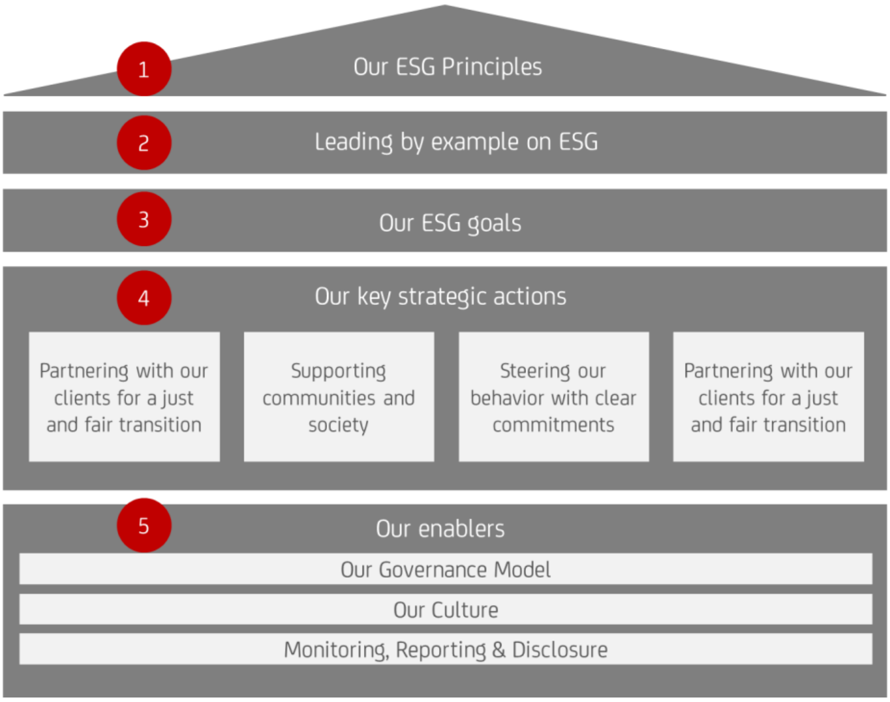
Through all channels of internal communication, employees are regularly informed about all strategic goals and decisions of the local Bank and UniCredit Group.

In 2025, Identity and Communications will remain focused on providing support to the bank's operations through informing clients through all available communication channels. Additionally, maintaining and improving the bank's reputation will be in focus, through the continued implementation of various initiatives aimed at empowering the local community. Also, internal communication will continue to be a channel of communication between sectors, as well as support for all employees to realize their full potential and to feel integrated in the Bank's activities and projects.

CONSOLIDATED NON-FINANCIAL REPORT FOR 2023

Foreword

In a dynamic and unpredictable business environment, UniCredit continuously enhances its ESG strategy to address contemporary challenges and market demands. Sustainability represents a core value embedded across all aspects of operations, aiming to generate long-term value for clients, employees, and society as a whole. UniCredit Bank's ESG strategy is founded on clear principles that emphasize integrity, accountability, and transparency, establishing a solid foundation for sustainable growth and business resilience in the future. These principles are not merely a commitment but also a strategic framework that shapes the bank's operations, decision-making processes, and communication with all stakeholders.



Our ESG strategy encompasses clearly defined objectives focused on the economic, environmental, and social dimensions of business operations, with particular emphasis on reducing greenhouse gas emissions, achieving climate neutrality, and supporting clients in their transition to sustainable business models. Through these objectives,

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UniCredit actively contributes to shaping a greener and more equitable future. At the same time, the bank fosters partnerships with clients to support a fair and just transition, provides strong support to communities and society at large, and aligns its operations with clearly defined commitments. All these activities are built on a sustainable approach to risk management and responsible lending practices, ensuring long-term business stability and resilience.

A key component of the ESG strategy is the focus on assessing climate risks, ensuring better alignment with market needs and client expectations. Through a proactive approach to identifying and mitigating these risks, UniCredit ensures enhanced transparency, financial stability, and trust among all stakeholders. Simultaneously, the bank continuously invests in developing internal capacities, tools, and employee skills to ensure the effective implementation of ESG standards across day-to-day operations. Improving monitoring and reporting systems on ESG objectives allows for better strategic decision-making and continuous performance improvement in this field.

UniCredit firmly believes that economic growth, environmental protection, and social responsibility must not be viewed as separate objectives but as interconnected pillars of sustainable business practices. Our vision for the future is built on a harmonious synergy between business success and societal well-being, where sustainability is not merely a goal but a way of conducting business, and a fundamental value reflected in every activity of the bank. By integrating sustainability principles into every segment of its operations, UniCredit remains steadfast in its mission to be a key driver of positive change and long-term development.

In doing so, UniCredit not only contributes to reducing adverse environmental impacts but also actively builds the foundations for a stable, inclusive, and resilient society where business and communities thrive together. This commitment is not merely a strategic objective but a long-term responsibility toward future generations, with a clear vision of creating a world where sustainability, transparency, and accountability shape every decision and every step toward a better future.

Environmental protection

Climate risk and portfolio steering

At the group level, UniCredit strategically manages climate change risks by integrating transition risk, physical risk, and reputational risk into credit processes while simultaneously implementing long-term strategies aligned with Net Zero goals. The Group's focus is on adapting financial and operational activities to sustainability challenges and supporting clients in their transition processes. These strategies are detailed in the publicly available document—the Integrated Sustainability Report.[4]
Transition risk has become an integral part of the local credit process, which has been enhanced in line with the group strategy to enable more precise evaluation and monitoring of financing. Clients are classified into different groups based on specific criteria, and their transition risk assessment forms the basis for offering appropriate products and services. The assessment process includes questionnaires and analyses based on internally derived evaluations as well as external databases, providing insights into clients' risks, vulnerabilities, exposures, and potential financial impacts.

Special attention is given to clients from Net Zero relevant sectors with significant greenhouse gas (GHG) emissions—Oil & Gas, Power Generation, and Automotive. In line with Net Zero objectives, clients are assessed and classified according to their alignment with transition requirements. Based on this classification, financing strategies are developed to support their energy transition, emission reduction targets, and decarbonization projects.

Enhancements to the local credit process have been strengthened through the implementation of new IT tools that enable a more detailed analysis of climate risks, GHG emissions assessment, and support in financing decisions. At the same time, special attention is paid to employee training to ensure their readiness to apply new standards and procedures in line with ESG strategies and objectives.

Key policies related to climate risk

UniCredit Bank Serbia deals with environmental protection matter indirectly, as well as other ESG principles, in relation to clients and third parties, through defining policies in field of reputational risk. Key policies regulating Bank's behaviour in this subject are as follows:

[4] https://www.unicreditgroup.eu/en/esg-and-sustainability/sustainability-reporting.html

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1. Reputational risk management policy in UniCredit Bank Serbia
2. Policy on Management of Sensitive Industries in UniCredit Bank Serbia
3. ESG Product guidelines
4. ESG Working instruction
5. Working instruction for Climate and Environmental questionnaire
6. Defence/Weapons Industry Reputational Risk working instruction
7. Nuclear energy Environmental, Social and Reputational Risk working instruction
8. Water infrastructure (Dam) Environmental, Social and Reputational Risk working instruction
9. Mining industry Environmental, Social and Reputational Risk working instruction
10. Coal sector Environmental, Social and Reputational Risk working instruction
11. Oil & gas industry Sector Reputational Risk working instruction
12. General Principles for Credit Activity
13. Corporate credit process procedure
14. Instruction on integration of climate risk factors into corporate underwriting process

Sustainability as a part of banking product offer

For many years now, the green economy has been an important part of the corporate business of UniCredit Bank, who is already market leader in financing wind energy projects, and increasingly strong market competitor when it comes to solar energy.

Based on that, during the year 2024, in partnership with the Green for Growth Fund, two credit facility lines were available to the domestic economy in the amounts of EUR 50 million and 10 milion, to support the recovery of green projects in Serbia.

Guided by the values of sustainable development and, above all, social responsibility, Corporate, in addition to individual infrastructure projects, participated in the initiatives of international investment and development banks. These programs are intended mostly for the segment of small and medium enterprises that have a very important role and impact on both economic and social development. Corporates continued to identify needs and support the development of this economic segment by providing them an easier access to funding sources.

Transitional impact is achieved via loan facilities and guarantee instruments based on funding from the EU, governments of EU members, Government of Serbia and various donor funds which have social and environmental goals, as well as the general growth of the economy.

Aforementioned environmental goals serve to support the path to green transition. Thanks to the support from EU, German government and other donors, the impact is achieved through dedicated EBRD, KfW and GGF facilities. The function of the facilities is to finance projects which reduce the energy usage and the emission of CO2, by stimulating green energy sources. Client range stretches from private individuals to large scale renewable energy project financing. Also by adopting EU standards the companies will be more competitive on the EU market which will lead to more export of the final products on the high quality demand markets.

UniCredit Leasing also participated in the EBRD program, financing investments in line with EU standards in the field of ecology, energy efficiency, health and safety hence contributing to a better quality of products relevant for society preservation.

In 2022. UniCredit Leasing has signed with EBRD The Sustainable Reboot SME Programme. Aim of this Programme is to encourage SMEs which are weathering the current crisis to ‘reboot’ their activities, improve their resilience and productivity by investing in sustainable and competitive technologies thus increasing the implementation of EU and other international standards, through the provision of financing, investment incentives and technical assistance at SME level in the field of environmental protection, occupational health and safety and product quality and safety.

The Bank is also a beneficiary of the funds of the German KfW bank, and during 2024 the focus was on credit lines that contribute to the reduction of carbon dioxide emissions, with a purpose of financing in energy efficiency and renewable energy. Namely, with the financing of machines and machinery that reduce CO2 emissions by more than 20% compared to the old machine that is being alienated, the client receives a grant in the amount of 10% of the amount of financing, as well as for renewable energy projects.

Finally, in 2022. Bank has signed with EBRD The SME Programme for financing SMEs business, with three tranches disbursed in 2023 and 2024, with commitment, on best efforts base, to utilize minimum 10% for the Green Loans. Unicredit Leasing signed with EBRD in 2023 similar Program, but with usage of minimum 30% for the Green Loans on best effort base.

Sustainability of Banking Operations

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Optimization of daily operations and efficient use of energy is a prerequisite for achieving goals in the field of environmental protection. In this regard, decisions made regarding business trips, heating and cooling of business premises, use of official vehicles, as well as paper consumption should contribute to achieving a positive impact in terms of environmental protection and reduced use of non-renewable energy sources.

- The bank gives priority to the procurement of air conditioners that do not harm ozone whenever feasible, and of a high level of energy efficiency.
- In numerous cases, during the renovation of branches, heat pumps with high energy efficiency were installed, in order to contribute to the saving of electricity
- Initiatives were implemented to save energy in order to reduce energy consumption in the coming years (replacement of old equipment with new, more energy efficient equipment, reduction of the working time of illuminated advertisements, implementation of motion sensors in order to increase the control of light operation);
- Electricity consumption was reduced in 2024 by 5% compared to 2023.
- When purchasing products, care is taken to choose those that have ecological certificates such as: FSC, PEFC, Green Range, Eco Label.
- Companies for professional rehabilitation and employment of persons with special needs are included in the procurement of paper and toilet packaging

Consumption of water and energy, paper saving and waste management

Electricity Consumption

Description	Unit	Quantity
Direct energy consumption (for premises) by primary energy source		
Total direct energy consumption	kWh	*77,651*
01 - Natural gas	kWh (Natural Gas)	*73,029*
02 - Diesel	kWh (Diesel)	4,622
03 - Other crude oil and petroleum products (e.g. Fuel Oil, Gasoline, etc). Please exclude all fuels used for travel transportation	kWh (Crude oil and petroleum products)	*0.00*
Total indirect energy consumption		
01 - Electricity energy consumed from purchased sources	kWh	*4,081,892*
02 - District heating, and if applicable cooling, consumed from purchased sources	kWh	*705,500*
Percentage of indirect renewable electricity from special agreements		
01 - Total amount of renewable electricity purchased from special agreements	kWh	*2,243,892*
02 - Total amount of indirect electricity consumption	kWh	*1,015,000*
03 - Percentage of indirect renewable electricity from special agreements on total indirect electricity consumption	%	*45%*
Percentage of indirect renewable heating from special agreement		
01 - Total amount of renewable heating purchased from special agreements	kWh	N/A
02 - Total amount of indirect heating consumption (INCLUDING DATA PROCESSING CENTERS)	kWh	*0*
03 - Percentage of indirect heating from special agreements on total indirect heating consumption	%	N/A
Total energy consumption from all sources (consumed purchased energy sources and self-	kWh	**4,787,392**

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generated self-consumed electricity from renewable sources)		

Waste Management

Total weight of waste creation by type	**Unit**	**Quantity**
Paper and cardboard - EWC codes: 200101, 150101	Kg	627
Other waste (steel)	Kg	699
Total waste	Kg	**1,326**

Water Consumption

Description	Unit	Quantity
Total water withdrawal		
01 – Total water consumption	m3	11,659

Total water consumption including tap water and water from water gallons.

Copy Paper Consumption

Type of paper used	**Unit**	**Quantity**
Total amount of paper used	Kg	73,775
Quantity of used paper that is labelled as FSC or PEFC (out of total amount of paper used)	Kg	73,775
Quantity of the remaining total paper consumption, that is labelled with other environmental certifications/labels.	Kg	0
Details of these other environmental certifications/labels..		ISO 9706, ISO 9001, ISO 14001, OHSAS 18001
How much of the total paper is not included in any of the above categories	Kg	0

Responsibility in registration and qualification of suppliers

The sustainability segment is also integrated into the selection of suppliers with which the Bank cooperates. A qualification questionnaire is used for this purpose, and each supplier is obliged to fill in the mentioned document in order to qualify to become a supplier of UniCredit Bank. One part of this questionnaire is the section "Sustainability Requirements", which consists of the minimum requirements in the field of sustainability that a potential supplier must meet. The questionnaire requires the submission of the following information: the existence of an environmental policy; compliance with the basic principles of the United Nations Global Compact; compliance with ILO requirements; compliance with local regulations in the field of environmental protection; disclosure of aspects relevant to the environmental protection of products and services sold or offered by the supplier; whether the company is subject to audit in accordance with ISO 19011; confirmation that no proceedings have been instituted against the company in connection with the violation of labour rights and environmental laws. **During 2024, a total of 263 suppliers successfully met the criteria from the questionnaire.**

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Social responsibility

KEY SOCIAL PROJECTS, INITIATIVES AND RESULTS IN 2022

"Lucky Cash Loan Drives Your Desires"

In order for UniCredit Bank Srbija to go a step further than the favorable offer of cash loans, the prize contest "Lucky Cash Loan Drives Your Desires" was successfully organized, through which existing and new clients were awarded three vouchers for a prize trip worth RSD 300,000.00. purchase of equipment in the value of RSD 150,000.00, purchase of furniture in the value of RSD 120,000.00 and six vouchers each for the purchase of miscellaneous goods in the value of RSD 100,000.00.

Empowering women

This year, the celebration of International Women's Day at UniCredit Bank was extended to the whole of March. Women employed in the bank traditionally received gifts, this time with motivational messages, while the bank also organized the Women's Entrepreneurship Fair in front of the Central Bank building, which lasted for two days. A total of 12 female entrepreneurs - six on the first day and six on the second day of the fair - were given a free stand in front of the Bank's headquarters, at Jurija Gagarina Street 12, where regardless of the type of production, they had the opportunity to sell and display their products.

In this way, in addition to exposure and sales, the Bank enabled female entrepreneurs to exchange experiences and connect with other entrepreneurs and gave them the opportunity to promote their brand.

The action of empowering women continued through cooperation with the Chamber of Commerce and Industry of Serbia (PKS), through participation in the project "Women entrepreneurs - the strength of the economy" through which women employed at UCB held a series of lectures from various fields to numerous entrepreneurs, members of the CCIS.

Volunteer Club

The voluntary commitment of employees at UniCredit Bank Serbia is recognized and visible in a systematized and organized way, through the functioning of the Volunteer Club, through which employees can decide on the area of their contribution depending on their desires and affinity, such as education, environmental protection or humanitarian actions. Of course, all three areas are available to those who wish. And during the year, a certain number of employees joined the Club so that it now has more than 250 members. During the spring, perhaps the biggest volunteer action was organized so far, where employees arranged locations in the Obedska Bara Special Nature Reserve. a new model of the reserve was created showing the parts of "Potkovica" and "Kupinske greda", part of the running boards on the pier for catamaran and boats were replaced, and four information boards were installed. For the youngest members of the Volunteer Club, an outdoor educational lesson was organized, where they could hear about the rich history of the swamp-forest complex, which is a meeting place for numerous rare plant and animal species. In order to carry out the works as efficiently as possible, the bank directed a monetary donation to the Public Enterprise of Vojvodina Forests.

Volunteer work throughout the year was maintained continuously through several workshops and lectures for high school and university students. Also, employees were happy to respond to invitations to participate in the numerous projects of the "Junior Achievement" organization, which the bank and UniCredit Foundation support, and also through engagement in delivering gifts and getting to know children with disabilities and developmental disabilities.

Our ambassador of culture, Nikola Vuletić, and champion of culture, Jovana Zeljić, had the opportunity to, together with the employees of "Zvuci srca", which employs people with disabilities, make items that they sell and thus empower a part of the local community.

On the occasion of World Food Day, our team gathered and prepared delicious meals for residents of the Association for Helping People with Developmental Disabilities - We Live Together. In this way, October 16 was an opportunity to raise awareness together about global problems such as hunger, malnutrition and lack of food that affect millions of people around the world.

In anticipation of the holidays, the employees of the bank, together with their families, prepared and packed gifts for the little ones in the Drinka Pavlović Home, which is run by the Center for the Protection of Infants, Children and Youth in Zvečanska, and the Elementary School "Ljubomir Aćimović" for children with disabilities in Obrenovac.

By making greeting cards and preparing gifts, the Group initiative that we gladly supported "Kids4Kids & Donation Day" fulfilled its main goal, which is for employees to spend time with their loved ones in an interesting way and to encourage their children to think of others. After that, employees of the bank, members of the Volunteer Club personally distributed many gifts and congratulations to the children and enjoyed the time spent with them.

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Children from Zvečanska at a football match

UniCredit Bank, in cooperation with the company Mastercard, provided children from the Center for the Protection of Infants, Children and Youth "Zvečanska" an opportunity that will be remembered for a lifetime. Thanks to the official sponsor of the UEFA Champions League, the Mastercard company, the little ones had the opportunity to watch the match between FC Red Star and FC Barcelona, which was held in Belgrade as part of the UEFA Champions League. They also participated in the unique Player Mascot experience, which allowed them to go out on the field together with the players before the start of the game, which brought visible joy to all participants. The children had the opportunity to experience the excitement of warming up for the match, a test run on the field through the tunnel and receiving the official uniforms that were left for them as a gift, and to go out on the field before the start of the game, hand in hand with the football stars from the two football teams.

In addition, our Bank donated sneakers to the children, so they went out on the field fully equipped.

UCB employees as mentors, judges and lecturers for high school students

Through the Program "Strengthen yourself for the future" of the UniCredit Foundation and the Youth Achievement Organization at the European level, our bank participated in all the projects of this organization in Serbia. UniCredit Bank employees helped high school students to better understand the world of business and finance through mentoring and volunteering activities. Thus, the employees of our Bank were members of the jury and mentors through the Business Challenge programs, the Student Company program, the Challenge Special competition, and the Business Ethics program. T

hrough a partnership with the "Education Group" consisting of the Nordeus Foundation, the Center for the Promotion of Science, the Digital Serbia Initiative and Youth Achievements in Serbia, UniCredit employees are engaged as mentors in the Financial Literacy program, which includes a large number of secondary schools throughout Serbia.

MOGIS program

In cooperation with the AFA Association (Association for the Affirmation of the Potential of Women), the MOGIS Program was implemented to empower girls to engage in science, technology, engineering, art and mathematics. One of the goals of the project is to gather and connect a greater number of girls and women, as well as to reduce the gender gap in technological occupations and promote positive role models through a network of mentors from institutions and companies.

Belgrade Marathon with BELHospice

And this year, UCB employees ran the Belgrade Marathon in the team of the BELhospice association. By participating in the 37th Belgrade Marathon in the team of the BELhospice Association, our employees traditionally supported and additionally sponsored the Association, which helps oncology patients in the advanced stages of the disease, as well as their families.

Cooperation with UniCredit Foundation

Cooperation and implementation of UniCredit Foundation projects was not absent this year either. First, through the internal Gift Matching project, through which our employees donate funds to certain proposed organizations, and the Foundation doubles those donations. Then, through the EDU Fund competition, which is carried out in all UniCredit Group countries with a total fund of up to 14 million euros in support of projects aimed at programs to combat educational poverty. The programs of this competition refer to the support of programs that fight against educational problems in all countries in which the Group operates. That program will continue into the next year, and we will find out the winners in the following period.

Key policies in the field of social issues

- "Group principles and guidelines for managing sponsorships and donations" and the Business Rule "Sponsorship and Donation Policy"

Social responsibility as a part of banking product offer

As a financial institution – UniCredit Bank has an opportunity to provide solutions to social challenges directly through offering inclusive banking products to vulnerable society groups and economy subjects that have restricted access to finance under commercial terms.

Banking products with social impact aim to support youth and women employment with special focus on the micro enterprises and start-ups. The support for latter is channeled through EIF guarantee instruments – EaSI (Program for Employment and Social Innovation), intended for microenterprises which has been present in the bank's offer since

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2021 and Resilience program intended for small and medium enterprises according to the EU definition, which has been present in the bank's offer since 2024. In comparison to regular lending conditions, there is a reduction in interest rates, fees and the requirement for collateral for loan users. These instruments provide first loss guarantee protection facilitating more clients being reached by loans.

The product development under European Investment Bank (EIB) leadership "The Social Impact Banking", using funds from Economic Resilience initiative (ERI Fund) was launched on the market in second half of 2022 as well as second second trance in the end of 2023. The loan from the EU bank is being complemented by a grant provided by ERI and the grant will reward companies that meet specific targets to foster women's employment and entrepreneurship, youth employment and professional development as well as the social inclusion of underserved or vulnerable demographic groups (e.g. minorities, people with disabilities, refugees, etc.) who often face additional barriers to entry job market. Companies that apply for funds from this facility at UniCredit Bank will define a list of goals for increasing their positive impact on the community, and only those who accomplish them will receive additional financial incentive from EIB. "The Social Impact Banking" program is another way to build a fair-minded and more inclusive society with main goal of this innovative financial instrument is to stimulate the employment of persons from vulnerable groups, ensure their training and long-term retention.

In order to achieve the goals of the green transition, the support of the EU, the German government and other donors is used through the dedicated facilities of the EBRD, KFW and GGF. The function of the facilities is to finance projects which reduce the energy usage and the emission of CO2, by stimulating green energy sources. Client range stretches from private individuals to large scale renewable energy project financing. Also, by adopting EU standards the companies will be more competitive on the EU market which will lead to more export of the final products on the high-quality demand markets.

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"The Social Impact Banking" program is another way to build a fair-minded and more inclusive society. The goal of the program is to recognize, finance and promote people and companies that have a positive impact on society. The model is based on three main pillars: Microfinancing, Impact Financing and Financial Education, supported by the volunteer work of UniCredit Bank employees.

The corporate investment sector focuses on raising positive impact in society (Impact financing pillar) through the financing of projects and activities that, in addition to economic benefits, intend to generate positive and measurable social impact.

For that reason, UniCredit Bank has established cooperation with the European Investment Bank (EIB) alongside the support of Frankfurt School of Finance and Management with aim to implement above mentioned project, in which the main focus will be on supporting the Bank and clients in raising social impact including:

- Gender equality;
- Inclusion of as many young people as possible, (Youth inclusion) and
- Inclusion of people with disabilities as well as those who are traditionally excluded from society (Social inclusion).

Through micro crediting, the Bank aims to support development of small businesses not only through offering its financial services, but as well through consulting and nurturing good client relationship, that is believed to be in the core of further business development. By doing this, the company wants to be involved in making positive surroundings for creating positive impact and supporting its clients through special products tailor made to their needs and opportunities.

Labour Matters

The four important directions of people management, through the implementation of our strategy, essentially target the four key domains of human resources and are structured as follows:

A. Managing and planning of workforce, support the basic principles of mutual respect and fair dealing, transparent working methods and open communication; determining compensation in accordance with the criteria of the labour market, all in terms of new environmental requirements, digitalization and especially by changing the approach and understanding the way of doing business.

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B. Improving labour skills, by encouraging the requirements for personal development of employees, both through training, qualification and training, as well as the implementation of retaining and the acquisition of new skills. Also, refreshing youth teams, by joining the youth programs, approved by Government of Republic of Serbia in cooperation with relevant Ministry of Labour, Employment, Veterans and Social Affairs and National Employment Agency, by implementing multi-annual employment planning strategies;
C. Better functioning of the operational model, with a special focus on reducing staff turnover and better organization of the work model and the organization as a whole, and further improving mobility within the Group and
D. Fairness, gender equality and promotion of internally equal opportunities for all employees.

Key projects, initiatives and results in 2024

Behaviour based on UniCredit values and personal responsibility of management and employees are among our core principles and are embedded deep in the values of our company. By promoting the basic postulates of our company: cooperation and energy, focus on what is important, discipline and focus on achieving results, builds a fair and functional relationship of employees with each other and towards work.

The success of UniCredit is mainly due to the highly qualified and motivated employees of the company, because the innovation comes from the employees themselves who are dedicated to work and the company. This is the reason why training and professional development, as well as the promotion and development of talents, managers and experts, are carried out continuously.

Encouraging the young generation by promoting talent, advancement, training and working in the UniCredit Group, in other member countries, gives employees great opportunities for their professional advancement and career, as well as personal achievement.

Employee development is implemented, except through opportunities for advancement and career development, through the provision of personal development plans, giving benefits, and training, rewarding in accordance with the work and cultivating a culture of equality and respect for others as well.

Flexible working environment

Following trends, the Bank has organized its work as remote working model respecting all proposed safety in regards to all jobs and positions that are applicable for that model without negative impact on productivity and having in mind nature and features of work activity itself. This working model requires two days working from home per week and three days of working from employee premises with previously assuring that all suggested measures for healthy and safety work are met.

Regular review and assessment

At UCB, all employees have the opportunity to participate in the creation of personal development plans, while the formal evaluation of work performance and individual development is conducted, also for all employees, once a year. At the end of each year, goals for the next year are defined for each employee. The final assessment of the realization of goals, successes and challenges achieved in the previous year is assessed at the meeting of the employee and the superior in the first quarter of the next year. Performance assessment also includes assessment of values, and from the overall performance assessment, opportunities for career development and total contracted earnings are assessed.

Salaries of employees in the Bank are calculated in accordance with the Labour Law and the Labour Rulebook. Net salary is the same for full-time employees that performed same tasks and job description regardless of the gender structure of employees. The level of earnings in accordance with market conditions and the employee's contribution to the company's results is an imperative for UniCredit in managing compensations and rewarding in accordance to performance.

Health and safety

People & Culture and FM Department are in charge for occupational health and safety of Employees in UniCredit.

The bank has hired an external company that is specialized in occupational health and safety and from which the Person for health and safety at work has been appointed in compliance with the law.

In accordance with the law and according to the necessary dynamics, the organization of training on safe and healthy at work, basic training of employees in the field of fire protection, training for first aid (for which all managers and a certain number of other employees are trained), measurement of microclimate, testing of electrical installations, simulation of fire protection procedure, are conducted.

Safety and health at work is carried out in accordance with the Rulebook on safety and health at work, adopted by the Employee.

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Health protection

In accordance with the needs imposed by the environment, employees are provided with a package of health services that includes physical exams and selection of other expert examinations by doctor's specialist, according to the needs of employees, at the expense of the Bank. Investing in safety and health and disease prevention leads to employee satisfaction, greater commitment to work and overall well-being of employees. Health care does not include only one physical exam per year, as is usually the case on the market, but also includes the possibility for employees to use the specialist services of various doctors throughout the year. Ophthalmologist examination are included in the package. In addition, the Bank has enabled the family members of the employee to acquire the same types of medical services in a certain medical institution under more favourable conditions. In 2024, the bank continued to provide free online psychological counselling for its employees.

Regarding occupational diseases that employees could be exposed to due to prolonged sitting and working in front of a computer, as well as due to the most common diseases of modern society, online lectures were organized by advisory experts in the field of medicine referring various topics (cancer prevention, workplace ergonomics, challenges in parenting, etc.). Topics like above mentioned are also available on Rezilient platform, platform that provides employees tom access different type of topics and webinars related to wellbeing, healthy life, parenthood etc.

Other benefits

Also, the bank continued to implement previously adopted benefits and initiatives such as paid day off for birthday, days off for employees whose children are enrolling the first grade of elementary school, and parental support, such as the possibility for father of new-borne child to use up to 20 days of paid leave right after child birth. In 2022 the bank launched whole new way of parental support for employees by allowing refinancing costs for the first attempt of in-vitro fertilization up to EUR 5.000 net, that continued in 2024. Additionally Bank provides its employees additional day of paid leave "Day for the loved ones, that they can use any time throughout the year.

Employee training and education

At UniCredit Bank, we believe that knowledge is a rare thing that is multiplied by sharing. We nurture a culture of learning and development and we are committed to the implementation of trainings that are in the development plans of all employees, we further nurture talents through specially created programs and try to always keep up with trends through our optional initiatives.

In 2024, the Bank paid special attention to the development of leadership skills and talents of the bank and motivation and retention of employees who perform high achievements and have the potential for further development.

Numerous workshops and trainings were organized in 2024 in cooperation with external consulting companies. When it comes to the Bank's Management Team, the development programs were focused on improving leadership skills and change management, while for the organizational parts of the bank which cooperate with clients the focus was on improving presentation and sales skills. In this year workshops were organized for all organizational levels of on the topic of effectiveness and meetings with the aim to improve mutual communication, overcome challenges and better understand the needs of team members when working remotely. At the same time, in order to strengthen leadership skills and provide adequate support to UniCredit leaders, P&C in cooperation with a global provider, focused on the bank's young talent program, future leaders, striving to strengthen and increase their digital and leadership skills as future leaders.

In 2024, the P&C has continued the initiative started in the previous year and finished the program which aim is to support and empower women leaders in our organization by providing support on the path of personal growth and further career progress. This pragmatic program supports building women's leadership in our organization.

Striving to adequately empower and support employees in achieving their business goals and improve their work performance, P&C has supported employees in improving their expert and social skills by organizing and providing budget for various trainings, domestic and foreign certificates and international seminars and conferences that employees attended online during 2024.

The topics we dealt with were, among other things:

- Effectively management practise (feedback, delegation, personal organization and prioritization, motivation and development of employees)
- External training for the population of employees within CIB Division (focusing on Social Impact Banking…)
- External sales and presentational skills trainings for colleagues working with Corporate and Retal customers
- Data Academy: trainings and improvements in the areas of data management, data analysis and federal data architecture
- Onboarding for new employees,

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- Training dedicated to new employees,
- Regulatory required trainings such as: Mandatory training for cash management (recognizing false money in RSD and EUR currency), continuous trainings for insurance representatives in branches, for license maintaining, as well as education of employees who obtain insurance licence; sales of saving insurance for employees in all the Branches, as well as trainings related to Payment service law & Law on Protection of Users of Financial Services that were provided to the employees working directly with the clients
- Local talent program
- Wisdom, program for strengthening and development of leadership and digital skills for senior employees
- Emberin – program for strengthening leadership of women
- Mentoring – cross country mentoring
- Group trainings on various topics actual in Banking industry
- ESG trainings

This resulted in 32.713 employee training hours in 2024.

Supporting youth

Starting a professional career by gaining the first practical knowledge and experience in professional internships is extremely important for young people, primarily because it helps them to better position themselves in the competitive labour market.

UniCredit Bank strives to help young people to take their first professional steps and to get used to working in a business environment by cooperating with educational institutions.

In 2024, UniCredit Bank continued cooperation with the Faculty of Computer Science, University of Belgrade, for the second year in a row, aiming to provide scholarships to the best students, where, after completing the scholarship study program, the selected student will be offered a job in the Bank on the basis of this scholarship. Unicredit also continued with summer internships programs and participated in “Moja prva plata” - National employment service program.

Global mobility

At UniCredit, we believe that every voice, culture and experience enriches the diversity of our ideas that inspire us to grow and change.

Our international presence enables us global cooperation and teamwork both through different sectors and between different countries.

What makes our Group unique is that we are united in diversity.

Our differences encourage us to be more opened, flexible and tolerant, for new knowledge, new perspectives and new tastes. How successful the team of different profiles is best confirmed by our successful results and satisfied clients, and so on from year to year.

Increasing the functionality of the operating model and lowering fluctuations

The fact is that we are transforming as a Bank, but also as a Group, and our business models and patterns are changing as well. In order to make this really happen, UniCredit is following these transformations in the organizational terms as well.

The goal of the changes we are implementing, which include simplification of the structure, is to strengthen our Bank, achieve greater flexibility, build a culture of personal responsibility of each employee individually, simplify processes and provide greater connectivity and interaction between colleagues, so that we get speed, quality, and thus the satisfaction of our clients and employees.

UCB's business is structured and dynamically managed, capable of quick reaction and faster response to opportunities and challenges.

To achieve this, the Bank seeks to establish fewer hierarchies in relationships and responsibilities, and more concrete and effective communication, engagement and visibility of everyone's work, less bureaucracy and unnecessary work procedures, and more space for a qualitative approach that gives real value, faster decision making, and less workload and greater job satisfaction, and a shift towards a culture of work based on the qualifications of our staff, strengthening of their expertise and space for further professional development.

Fairness, gender equality and promotion of internally equal opportunities for all employees

Taking into account legal norms, expertise and qualifications in employment, the Bank actively worked on preserving and improving the established gender equality and balance in 2024. The Bank has paid special attention to equality in the workplace and provides equal opportunities for women and men in terms of career and personal development,

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as evidenced by the fact that **women occupy 2 out of 5 positions in the Management Board of the Bank** at the end of 2024 .

The awareness of the need for gender equality of employees is at a satisfactory level and numerous activities are dedicated to this topic.

There is no need to make gender differences for the purpose of employment in the Bank, as well as in terms of promotion or changing job position. All employees have the right to maternity leave, and we especially support the return of the colleagues to work after the end of maternity leave. The Bank appointed local Diversity Manager for the purpose of implementing all of the above. This policy is a way to continue to have a fair approach and to ensure a fair and respectful work environment, in which women and men have equal opportunities and rights, and whose work is valued on the basis of personal merit and potential, regardless of gender and other personal characteristics. Respect of diversity is an important part of our Strategic Plan to foster growth, a sense of belonging to the UniCredit Group and create a competitive advantage.

Our personal commitment and strong responsibility are extremely important for creating a positive work environment and for changing the way of thinking to real cultural change.

Accordingly, we have created a special training for all employees called "Diversity, Equity and Inclusion". Greater awareness and understanding of this phenomenon makes our work environment more inclusive, because during this training we learn how not to succumb our own and others' prejudices. When we are aware that we may be unconsciously biased, it can actually become our strength.

Thanks to our strategic approach, in our bank **women make up almost 68% of the total number of employees, and more importantly, the percentage of women in management positions is around 50%**. We strive to become one of the best employers in Serbia, and in order to achieve that goal, it is clear to us that it is necessary to constantly invest in diversity and gender equality through numerous initiatives.

The full gender structure of employees in UniCredit Bank on 31st December 2023 is as follows

Description	Total number	Woman	Man
Number of employees	1354	915	439
Managerial positions	210	101	109
Officer positions	1144	814	330
Women on maternity leave	74	73	1
Women returning from maternity leave	22	21	1

During 2024, a total of 74 colleagues used the right to go on a maternity leave. In the same year, 22 colleagues returned to their jobs after the end of maternity leave, which began in 2023.

In 2019, we launched a program called “Women empowered” which aims to empower women in their career development. The fourth generation finished its program in 2024. Every moment in career can be a step towards something new, and the changes we are already experiencing today can become part of a comprehensive plan towards fulfilling personal potentials. It is important that we always move forward towards development. Talent, strength, empathy, self-confidence, are just some of the motives that adorn our community of Brave Women.

We are proud that after maternity leave, mothers can work 4 hours a day to make the period of separation from the child as painless as possible, and this benefit, with a similar goal of supporting the private and family lives of employees was also made available to fathers in 2022, who can use up to 20 working days of paid leave after child birth, which also continued in 2024. Work-life balance is important, so for that reason, parents will get a day off for the day their children start school, as well as work from home and flexible hours.

Key labor policies

Compliance with regulatory requirements is an important aspect of our corporate philosophy, and management is directly responsible for this aspect.

In order to implement the strategy described above, the People & Culture has carried out appropriate activities in accordance with the Bank's strategic documents relating to various areas of responsibility towards employees:

1. Framework for P&C policies

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2. UCB Employment Rulebook
3. Compensation policy
4. Global mobility
5. Employee training
6. Law on Safety and Health at Work and Occupational Health and Safety Rulebook adopted by Employee.

Human Rights Protection

Integrity, Accountability, Caring

These values unite and define the culture of UniCredit Group: the way in which decisions are made and how those decisions are implemented. Together, they represented an evolution of the Integrity Charter. One simple guiding principle is to live in accordance with these values every day, in all parts of our operations: Win. The right way. Together. Basic principles and values become Integrity, accountability, caring.

Applying these values and guiding principles in everything the company is doing, at every moment, supports our path to becoming the Bank we have always wanted to be:

- guide the interactions of all colleagues across the Group
- highlight the promotion of diversity and a work-life balance as crucial for our Group
- strengthen our culture of free expression (speak up culture) and protect against reprisal
- are applied to all business policies of the Group about sustainability and client interactions
- represent fairness to all stakeholders, at any moment, in order to achieve sustainable results.

UniCredit Bank's P&C policy framework is a fundamental document, which principles, implemented through procedures, are strictly adhered to in our day-to-day business. The mentioned document is based on the international principles of human rights, which are included in the Universal Declaration of Human Rights and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization.

UniCredit Bank provides a work environment free of discrimination, harassment and sexual harassment, which protects the dignity of employees and promotes a safe and professional working environment that develops teamwork, diversity and trust.

Prohibition of discrimination refers to direct and indirect discrimination based on sex, birth, language, race, colour, age, pregnancy, health, disability, nationality, religion, marital status, family obligations, sexual orientation, political or other beliefs, social origin, property status, membership in political or trade union organizations or some other personal characteristics.

In that sense, already on the induction day, during the onboarding of new employees, we dedicate some time to acquainting colleagues with the basic postulates on which our company operates and the principles of respect of human rights that all employees are obliged to adhere to.

Key human right protection policies

- Prohibition of abuse of sexual harassment and abuse
- Anti-retaliation Policy

Anti-corruption and Anti-bribery

UniCredit Bank Serbia and its subsidiary UniCredit Leasing as members of UniCredit Group have declared zero tolerance for acts of bribery and corruption. The Local banking Group has rules and mechanisms in place to prohibit facilitation payments and does not permit any transfer of value to public officials without prior approval.

The approach to anti-corruption and anti-bribery is set out in the Business Rule on Anti-Corruption and associated working instruction. The Business Rule sets out the minimum anti-corruption standards throughout the local group, by implementation of UniCredit Group wide standards and local regulation. Based on these rules, the entities have implemented an effective Anti-Corruption Programme.

In line with internal rules, an act of corruption is defined as the giving, offering, promising, receiving, accepting, demanding or soliciting directly or indirectly of monetary or non-monetary and tangible or intangible benefits in order to obtain or retain an undue advantage in the course of business activities, irrespective of:

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- whether the recipient of the act of corruption is a domestic or a foreign individual, a public official or a private individual;
- where the act is committed;
- whether the result of such an act entails an actual undue advantage or the improper performance of a function or activity.

All employees are responsible for complying with the internal rules and all applicable anti-corruption laws in the performance of their duties. There are also in place mechanisms to assess bribery and corruption risk deriving from cooperation with various third parties. All contracts with third parties have in place adequate clauses to ensure adherence to zero tolerance standards for acts of corruption.

All employees shall report to the Anti-Corruption Officer or the Head of Compliance any instances of actual or attempted acts of bribery or corruption they become aware of, whether they be offered, given or received. Although any reports must be made according to the established internal procedure, they must first be made to the Anti-Corruption Officer and, where actual or suspected money laundering is involved, also to the local AML Officer. Failure to make such a report may give rise, in certain jurisdictions, to individual criminal liability of the employee concerned, as well as exposing the bank or the Group to potential legal or regulatory action. Potential acts of bribery and corruption may be reported also under the Business Rule on Whistleblowing.

The following mechanisms have been put in place to monitor the effectiveness of methods to preventing corruption and bribery:

- escalation procedures for significant and strategic issues;
- regular training cascaded to all employees;
- quarterly report to the management on risk level and results of second level controls;
- compliance risk assessment performed;
- internal audit reviews.

The last two mechanisms result in risk mitigation actions that must be completed on time to ensure the management of identified risks.

As of end of 2024, the areas of anti-bribery and anti-corruption area in the bank showed low level of risk as a result of the risk assessment and second level controls.

Key projects, initiatives and results in 2024

For the reporting period, the Bank and its subsidiaries have completed improvements of the processes related to records of cooperation with third Parties and records of gifts and business representations. The improvement refers to the implementation of the DET tool, which serves to register gifts and business hospitalities that exceed certain thresholds. This tool represents a unique registry in this area, which enables accurate monitoring and transparency regarding gifts and business hospitalities, reducing the risk of bribery and corruption. By using the DET tool, all relevant information is tracked and analyzed in one place, thus ensuring compliance with relevant internal rules and regulations. Also, the implementation of the GVR tool, a global registry of third parties, which is used for background checks related to corruption and as a registry of third parties, was done. As a regular activity, online trainings were conducted for all new employees, which are mandatory. At the same time, a new version of the training that deals with this topic has been placed on the online learning platform and is available to all employees.

Key Anti-Corruption and Anti-bribery policies

1. Anti-Corruption business rule
2. Business rule on whistleblowing
3. Rulebook on internal whistleblowing
4. Anti-Corruption working instructions
5. Working instruction on whistleblowing

Belgrade, February 14th, 2025

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Signed on behalf of the management of UniCredit Bank Serbia JSC Belgrade by:

Nikola Vuletić
Management Board Chairperson

Rastko Nicić
Member of the Management Board
Head of Retail

Bojan Dačić
Head of Planning

„UniCredit Bank Srbija" a.d. Beograd
UniCredit Bank Serbia JSC Belgrade
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