BANCA INTESA
Beograd

2024 Annual Report

Bank of INTESA SANPAOLO

2024 Annual Report

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Key Financial Indicators

Banca Intesa Beograd	2024	2023
Income Statement		
Net interest income	**43.019.918**	37.914.906
Net fee and commission income	**16.864.111**	14.222.433
Profit before tax	**30.434.563**	23.853.985
Income tax	**(3.682.663)**	(2.832.246)
Net profit from deferred tax assets and liabilities	**47.630**	17.140
Profit after tax	**26.799.530**	**21.038.879**
Balance Sheet		
Cash and balances with Central Bank	**204.234.014**	145.416.663
Non-current assets held for sale and discontinued operations	**14.267**	14.267
Securities and receivables from derivatives	**93.133.301**	57.803.217
Loans and receivables from banks, other financial organisations and customers	**706.919.421**	691.148.234
Investments in subsidiaries	**1.199.472**	1.199.472
Intangible assets, property, plants and equipment and investment property	**14.116.460**	14.397.425
Other assets, current and deferred tax assets	**9.641.396**	16.048.875
Total assets	**1.029.258.331**	**926.028.153**
Financial liabilities based on derivatives	**8.731**	1.586
Deposits and other liabilities due to banks, other financial organisations, Central Bank and other customers"	**871.328.416**	778.140.758
Subordinated debts	**11.746.001**	-
Provisions	**2.844.251**	2.765.116
Other liabilities and deferred tax liabilities	**18.894.191**	22.533.113
Total liabilities	**904.821.590**	**815.209.952**
Equity	**124.436.741**	**110.818.201**
Total liabilities and equity	**1.029.258.331**	**926.028.153**
Indicators		
Profit before tax/ Total assets	2.96%	2.58%
Profit before tax / Total equity	24.46%	21.53%
Interest income / Total assets	5.46%	5.06%
Interest expenses / Total liabilities	1.28%	0.97%
Capital adequacy ratio	19.90%	19.41%
Total assets per employee	338.127	300.756
Number of employees	3.044	3.079

Letter from the Chairwoman of the Board of Directors

Dear readers,

The past year was marked by a number of challenges that have decisively determined the socio-economic and political environment at the global level - from the intensification of geopolitical conflicts and political changes due to election cycles in more than 60 countries around the world, to the progressive development of technology and artificial intelligence, to economic growth that still lags behind pre-pandemic levels, persistent inflationary pressures and cautious relaxation of monetary conditions of the world's major central banks.

Despite turbulent developments on the global level, Serbia ended the year with an estimated economic growth of 3.9% based on strong domestic demand, far above pre-Covid levels, while maintaining macroeconomic and financial stability. Inflation returned to the target corridor of the National Bank of Serbia (NBS) at an estimated 4.3 percent thanks to monetary policy measures, a slowdown in import inflation and reduced inflation expectations, creating conditions for the gradual easing of monetary policy. Owing to the measures of the central bank, the stability of the dinar exchange rate was preserved, while macroeconomic situation had a positive impact on the inflow of foreign direct investments, which exceeded the historical maximum of EUR 5 billion. Favorable economic indicators and resilience to external shocks brought Serbia investment credit rating by Standard & Poor's, which represents a significant stimulus for further economic growth through new investments and capital, as well as more favorable borrowing conditions in the international market.

The gradual relaxation of monetary policies of the European Central Bank (ECB) and the NBS amid slowing inflation, supported by interest rate capping, created preconditions for the recovery of lending activity in the Serbian banking market. Total loans at the end of the third quarter increased by 7.8 percent year-on-year to RSD 3.4 billion, with loans to individuals growing by 7.8 percent, primarily led by cash and housing loans, and corporate lending going up by 5 percent, primarily due to the growth of liquidity and working capital loans. By the end of the third quarter, deposits rose by 10.8 percent compared to the same period in 2023, reaching 4.63 billion dinars, with increases in both individual and corporate deposits, indicating customers' confidence in the stability and strength of the domestic banking market. Asset quality hit an all-time high, with the share of non-performing loans in total lending at a historic low of 2.7 percent at the end of the third quarter, while high levels of liquidity and capital adequacy speak in favor of the stability of the banking sector. The banking sector's profitability was further boosted as a result of higher interest income and fee and commission income, with the growth of return on assets (ROA) to 3.1% and return on equity (ROE) to 22.3% further testifying to its financial strength.

Guided by the strategy of organic growth, sustainability and technological innovation, with an absolute focus on the needs and satisfaction of customers, Banca Intesa achieved record business results last year, despite further tightening of market competition and continued consolidation. We maintained our leading market position with a share of 15.6 percent in total net assets and 16.3 percent in customer deposits at the end of the third quarter, while increasing our share of total capital and preserving the share of total lending. The portfolio of total loans and deposits increased on the back of offer improvement and its active adaptation to the needs of all customer groups, along with the further digitalization of services. The growth of new loans did not reduce the quality of assets, which remained at a high level thanks to an adequately established credit process, proactive loan portfolio management, an efficient collection system, as well as our dedication to solving the problems of customers facing financial difficulties. A genuine commitment to the diversified needs of all client segments, coupled with the effects of restrictive monetary policy, had a positive impact on our income statement with a 46.5% year-on-year increase in net profit before tax at the end of the third quarter.

In 2024, the bank continued to further develop and integrate ESG principles into business processes. A number of activities have been undertaken to further develop and institutionalize governance, primarily through the establishment of a centralized ESG unit and clear competencies within all organizational parts, as well as through the further development of risk management and reporting practices and initiatives aimed at expanding the range of products that foster sustainable development and improve the position of vulnerable groups. At the same time, we also engaged with the community and customers to raise awareness and knowledge in this area. The strong growth of ESG product disbursement with EUR 260 million in new lending clearly demonstrates an absolute focus on activities aimed at improving the social and environmental aspects of society.

Our leading market position gives us an important role in the life of the economy and households, but also poses a great moral obligation and responsibility for the well-being of the entire society. Relying on years long experience in supporting the community and the practice of our parent group, we launched the Intesa Foundation philanthropic organization in order to respond to current social and environmental challenges in an even more structured and systemic way, providing support to the most vulnerable social groups and projects of the local community, and setting standards of philanthropic activity in the domestic banking sector.

Finally, I would like to take this opportunity to thank all employees for their great effort, hard work and professionalism with which they respond to the needs of our customers, as well as for their strong dedication that has been the cornerstone of our good results year after year. Furthermore, I would like to thank the Executive Board and Board of Directors for their strategic leadership and vision that guides our growth, our shareholders for the support and trust they have placed in us, as well as our customers who always motivate us to go a step further. Our commitment to sustainable growth, digital innovation and customer satisfaction will remain the foundation of our strategy in the year ahead, in which we mark a great jubilee – two decades of operations as part of Intesa Sanpaolo group. We will continue to improve our offer, invest in advanced technologies and strengthen relationships with our customers and partners in order to maintain our key position in the banking sector despite dynamic changes in the market and provide a strong contribution to further economic growth and overall progress of society.

Sincerely,

Draginja Đurić
Chairwoman of the Board of Directors

Foreword by the President of the Executive Board

Dear readers,

It is my great pleasure to inform you that 2024 was another year of leadership and record business results for Banca Intesa. Despite a number of economic and monetary, as well as technological and regulatory changes, we have managed to further strengthen our position at the forefront of the banking sector, generate value for our clients, shareholders and employees, and start providing systemic support for the community by establishing our own foundation. Our success is confirmed by the trust of 1.34 million customers, as well as the most prestigious international recognitions - we are the only bank in the market to win best bank in Serbia awards by The Banker, Euromoney and Global Finance magazines for a second year in a row.

Globally, 2024 was marked by modest economic growth, the start of monetary easing, escalation of geopolitical conflicts, as well as elections in the United States and much of Europe. Despite the dynamic environment, Serbia achieved relatively high economic growth driven by domestic demand and stable macroeconomic indicators as confirmed by its investment credit rating, with inflation returning to the target band and the central bank embarking on cautious monetary policy relaxation. In such conditions, the domestic banking sector maintained high liquidity and capital adequacy indicators, lending activity was stimulated by monetary easing and interest rate capping, while the level of non-performing loans fell to a historic low.

Operating in such a dynamic environment, Banca Intesa further strengthened its leading market position through organic growth, posting a share of 15.6 percent in total net assets and 16.3 percent in deposits at the end of the third quarter, while expanding its loan portfolio by 8.5 percent and deposits by 10.8 percent at the end of the year compared to the same period in 2023.

Owing to the expansion of offering and improvement of its quality, we were able to report a 10.8 percent year-on-year increase in the private individuals loan portfolio in 2024 and strengthen our market share in most loan products intended for this segment. The introduction of fixed-rate housing loans with a maturity of up to 20 years, as well as loan applications via video meeting helped boost housing lending by over 100 percent compared to 2023, while a strong ESG focus led to a growth in the disbursement of ESG products of over 25 percent. At the same time, we have entered new market niches and introduced a payment account tailored to the specific needs of the younger population. On the other hand, despite lower passive rates as a result of monetary relaxation, we increased our deposit base by 10.8 percent through improved offering with new maturities and products that offered citizens the option of simultaneous investment in time deposits and one of the five investment funds managed by Intesa Invest, whose assets under management exceeded EUR 600 million. The leading position was also maintained in the payment card segment, with the number of transactions by bank payment cards growing 17 percent and turnover climbing 18 percent.

The prioritization of continuous digitization of products and services and their active promotion resulted in the rise of the number of users and transactions, as well as growth in product placement via digital channels. With the aim of further improving user experience, we introduced a number of new functionalities, including options to apply for a housing loan without coming to the bank, chat with advisor or buy and sell investment units of Intesa Invest funds, while also launching a platform for trading discounts with a personalized offer. Moreover, the digital issuance of a qualified electronic certificate has paved the way for the further digitalization of processes. This includes increasing the limit for digital cash loans, implementing paperless procedures in branches, and advancing the concept of remote offer. Positive trends continued for legal entities as well, with more clients and transactions on digital channels. New features were added to the BizMobi application which was also integrated with the CRM system for better service personalization. The ambitious digital agenda has not reduce efforts to improve and modernize physical presence through the further transformation of the business network into predominantly advisory and sales-oriented branches with an improved work process and an optimal geographical presence.

Excellent results were also recorded in operations with small businesses and registered farming households, with loan portfolio growing 9 percent year-on-year to an all-time high level at the end of 2024. Achievements in the small business segment were based on expanded offer that includes payment account packages, dynamic cooperation with international financial institutions, as well as a strong emphasis on the digitalization of services and ESG financing, while the implementation of the state subsidized lending program, as well as loan and guarantee arrangements, contributed to the success in the registered farming household segment. Growth was also registered on the deposit side, with an annual increase of 9 percent.

On the corporate front, we maintained strong support for economic growth by facilitating access to sources of financing in cooperation with international financial institutions, working on the development and implementation of innovative applications and digital solutions, as well as financing ESG initiatives that reached EUR 104 million. In addition, Banca Intesa became the first private investor of an EBRD investment fund established to support companies with high development potential in the Western Balkans region. As a result of all activities, our corporate loan portfolio went up 9 percent compared to the previous year, with record growth in new production and the share of non-performing loans at a historic minimum. Deposits also saw an increase, rising by 17 percent.

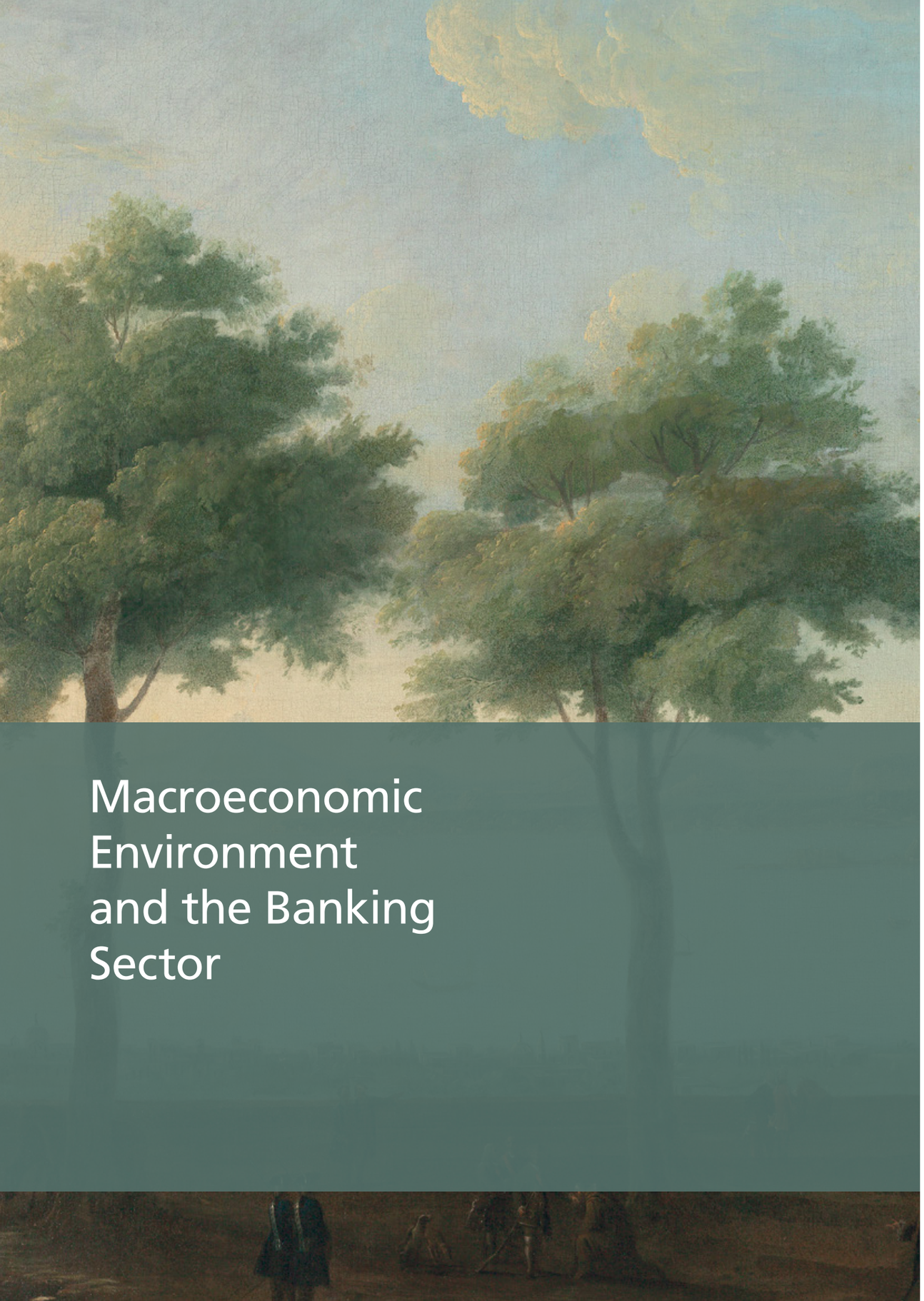
Record business achievements also had a positive impact on our financial results. At the end of the third quarter, we took the leading market position in terms of net interest income and net income from fees and commissions, while net profit before tax increased 46.5 percent year-on-year to RSD 22.6 billion. Our profitability was also confirmed by return on assets (ROA), which increased to 3.2 percent, and return on equity (ROE), which reached 26.1 percent, while the loan-to-deposit ratio of 75 percent and the capital adequacy ratio of 20.7 percent reaffirm our high liquidity and capitalization.

Despite all the business achievements, the year was marked by the launch of the Intesa Foundation philanthropic organization in partnership with our parent group with the aim of providing systemic and long-term support to the community and solving the biggest social and environmental challenges. In just seven months of operation, the foundation has donated almost EUR 800,000 to health and educational institutions across the country and won the recognition of kindness of the Serbian Philanthropic Forum as a formal confirmation of its contribution to the creation of an inclusive society and support for the most vulnerable social categories.

I would like to thank all those who made it possible for us to achieve our strategic goals - our employees, clients, parent group Intesa Sanpaolo, as well as members of the Board of Directors and the Executive Board. In 2025, marking our 20th anniversary, we will be focused on their interests and needs through further innovation of our offer, as well as investment in sustainability and state-of-the-art digital solutions in order to further improve our business, support sustainable economic growth and contribute to the wellbeing of society as a whole.

Sincerely,

Darko Popović
President of the Executive Board



Macroeconomic Environment and the Banking Sector

Macroeconomic Environment and the Banking Sector

- *Driven by stronger domestic demand, economic activity in Serbia grew at a relatively high rate of 4% on average during the first three quarters of 2024, overperforming most European countries;*
- *Inflation significantly decreased compared to the end of the previous year, returning to the NBS target corridor in May. However, persistent core inflation and relatively strong increase of service prices fuelled by wage growth, stopped the disinflationary trend, becoming the dominant inflation driver in the second half of the year;*
- *With inflation returning to the target range, the NBS began to unwind its tight monetary stance, reducing the key interest rate three times until September 2024, after which the key interest rate was prudently held unchanged, at a level of 5.75%, amid growing global uncertainties, pronounced price pressures within the core inflation, as well as increased fiscal expansion;*
- *For the first time ever, Serbia has been ranked among investment grade countries, as the S&P agency assigned it a BBB- rating in October, based on country's favourable macroeconomic indicators, increased resistance to external shocks and stable growth prospects.*

While significant progress efforts has been made in terms of further recovery from the cluster of consecutive crises, the year in which when more than half of the planet experienced election cycles (including the United States and the European Union) global economy ended with a sluggish growth, increasing geopolitical tensions and divides, as well pronounced uncertainty how political changes will shape key world countries' economic policies and future international trade flows.

Overall macroeconomic picture in Serbia in 2024 was mainly characterized by relatively strong economic growth led by domestic demand, inflation's return to the target corridor, which enabled cautious easing of the tight monetary stance, but also by challenges in a form of a sudden country's external position weakening and persistent core inflation.

In the first three quarters of 2024, Serbia achieved an average GDP growth rate of 4% y/y, thus overperforming most of the European countries. The main growth driver was strong domestic demand, fueled by increase in disposable income and ongoing investment cycle that was supported by public and foreign direct investments (FDI). The export sector felt the consequences of the weaker EU demand, especially from Germany, whose economic slowdown (and in particular auto industry crisis) has started to affect our manufacturing sector as well. On the other hand, excessive reliance on domestic demand fueled the imports' growth, which accelerated from quarter to quarter, adversely affecting CA deficit. While preliminary data indicate that the FDI inflow during 2024 marked a record high levels, exceeding EUR 5 bn, growing outflows based on FDI were registered as well, additionally burdening negative external trade balance.

Labor market trends show modest improvements. The activity rate, as well as formal employment, increased slightly, while the unemployment rate dropped to 8.1% in 3Q24. Nominal wages continued to grow at double-digit rate, while real wages recorded high single-digit growth of 9.3% in the first ten months of 2024, generated in both private and the public sectors. Beside an increase of the minimum wage and public wage hikes, strong wage growth is also enforced by negative demographic trends, as well as increasing shortages of the skilled labor force.

Annual inflation rate declined significantly in the first half of the year, affected by restrictive monetary policy, weakening of global price pressures, as well as the high-base-effect (especially in food inflation), moving below upper limit of the NBS target range since June. However, the disinflationary trend was practically stopped, while y/y inflation continued to move at relatively high levels in the second part of the year, ranging from 4.2% to 4.5%, with domestic inflation as a dominant component in its structure. Core inflation has moved above headline inflation, signaling still pronounced price pressures in the economy. Although Serbia has significantly reduced headline inflation rate compared to the end of 2023, it still remains among the highest in Europe, with persistently high growth in service prices, which still shows no signs of cooling down.

After a period of intense monetary policy tightening, Central bank began with cautious easing as soon as inflation returned to the target corridor. The key policy rate was reduced three times by a total of 75 bps until September, being kept at the level of 5.75% thereafter. Meanwhile, lending and deposit facility rates were reduced to 7% and 4.5%, respectively. Due to pronounced price pressures, Central bank kept

key interest rate unchanged during the last quarter of the year, justifiably maintaining a cautious stance considering both the uncertainties in the international environment and stronger than previously expected resilience of core inflation.

Stable dinar policy remained an important pillar of the monetary policy during 2024. Responding to the prevailing appreciation pressures on dinar, underpinned by the high foreign capital inflow, the NBS continued to sterilize the excess FX supply using regular interventions on the interbank FX market. Gross FX reserves reached a new record level, well above the standards that determine their adequacy. The dinar nominally strengthened by 0.2% against the euro, and the year 2024 was the seventh out of the last eight years which NBS ended as a net buyer of foreign currency.

The NBS' monetary policy easing induced the reduction of interest rates in the dinar segment of the money market and bank loans that began in late 2023 (due to banks' expectations that NBS will soon start with key rate cuts), which further had a positive effect on the volume of newly approved loans. Along with the credit standard easing, the positive dynamic of credit activity was also affected by the ECB's reduced monetary restrictiveness, as well as by the NBS' decision to temporarily limit interest rates on housing loans. In an annual comparison, total domestic loans were higher by 7.4% in November, whereby the credit activity recovery was largely contributed by household loans, which grew by 10%, while the increase of total loans to the corporate sector was 5%.

During the first three quarters of 2024, fiscal results were somewhat better than planned. With the budget revision adopted at the end of September, the Government once again changed the fiscal policy in the direction of greater expansion, therefore acting pro-inflationary. Despite significant increase in public revenues, the deficit targeted in the revised budget widened from the initially planned 2.2% of GDP to 2.9% of GDP, as a consequence of the strong expenditures growth compared to the original budget, referring to both capital and current expenditures. Despite the significant increase in public debt in nominal terms, the relative indebtedness in relation to GDP was even lowered slightly, standing at 46.8% in November, due to the faster increase of nominal GDP compared to public debt growth. However, public debt increase by about EUR 2.2 bn during 2024 and by c. EUR 8 bn in the last three years, led to a surge in interest costs to the level of about 2% of GDP, with its expected further growth.

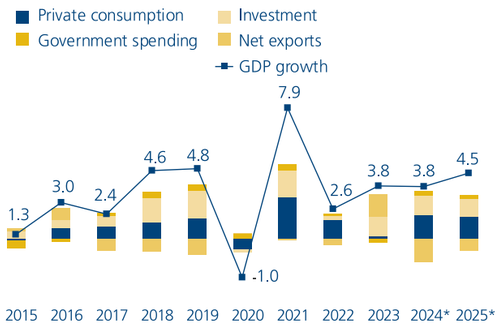
In October 2024, for the first time ever, Serbia was ranked among the countries with an investment credit rating by Standard & Poor's (BBB-), as a result of its favorable macroeconomic indicators, stable growth prospects and increased economy resistance to external shocks. Although Serbia has already been perceived as an investment-grade country lately, judging by the yield drop, rating improvement should bring positive effects in the form of continuously high FDI inflows, better positioning and visibility for investors, with the expectation that the other two large credit agencies (Fitch and Moody's) will improve Serbia's rating during 2025. A new three-year, non-financial arrangement with the IMF, that was approved at the end of 2024, should also have a positive effect on investors' risk perception. The new Policy Coordination Instrument will be focused at preserving macroeconomic stability, maintaining the fiscal discipline in the medium term, as well as at further reforms of state-owned enterprises, primarily in the energy sector.

Macroeconomic environment

Economic activity

In the first three quarters of 2024, Serbian economy achieved an average growth of 4.0% y/y, with an expected slowdown in the second part of the year. After a 4.4% growth in 1H24, economic activity slowed down in the third quarter due to a high base, with recorded real GDP growth at 3.1% y/y - still higher compared to the CEE peers average. Throughout the year, Serbia relied on domestic demand as the main growth driver, with all its components making a positive contribution, but mostly personal consumption and investments. On the other side, net exports had a negative impact on GDP since 4Q23, as imports grew faster than exports. The negative contribution was strongest in 3Q24, when imports grew almost four times faster than exports. Looking at the production side, growth was fueled by the service sector, manufacturing and construction, while due to bad weather conditions, a decline was recorded in the agriculture and energy sectors.

Contribution to the annual GDP growth rate (in %)



Source: NBS

Overall, it is expected that real GDP growth rate for the whole year will be 3.8%, while the first estimate of the Statistical Office, published at the end of 2024, indicates a growth of 3.9% y/y. The NBS points out that, in cumulative terms, this year's GDP will exceed the pre-pandemic level by over 18%.

This year, the NBS expects that economic growth will range between 4.0% and 5.0%, with a positive contribution from all sectors, assuming the recovery of agricultural production from the drought and its return to the multi-year average. The positive trend of economic growth will be influenced by: acceleration of the current investment cycle (having in mind planned realization of investments within the "Leap into the Future - Serbia Expo 2027" program), further inflation slowdown, the gradual recovery of economic activity in the eurozone, as well as the expected further loosening of monetary policies' restrictiveness by the NBS and ECB. The risks regarding projection realization are primarily related to geopolitical uncertainties and protectionism growth, and their impact on global inflation and capital flows, then to the prospects for EU economy growth, especially Germany, as Serbia's most important economic partner, as well as unfavorable climate impacts that can be reflected on agricultural season and energy. In addition, any negative change in the oil derivatives market has the potential to further burden the domestic economy and its future growth, through their higher prices.

Inflation

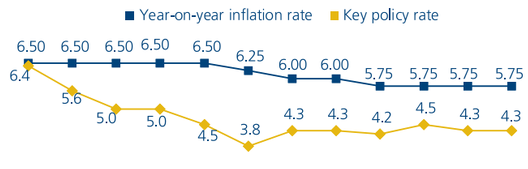
Although domestic inflation rate has been reduced significantly since the beginning of 2024, it remains among the highest in Europe, with persistently high growth in service prices, showing no signs of a slowdown still. Inflation movement in the first part of 2024 was marked by a slowing pace established from the middle of 2024 due to weakening of global price pressures, restrictive monetary policy, as well as a high base for comparison. In line with the expectations, CPI fell to the upper limit of the NBS target corridor (3%±1.5 p.p.) in May 2024, the lowest level in the previous thirty-three months. After falling to this year's low of 3.8% in June, headline inflation accelerated again to 4.3% in July and August as the disinflationary effect of last year's high base in food prices finished, only to continue to rise in the coming months hovering near upper limit of the target, ranging from 4.2% to 4.5%. This was primarily due to strong domestic demand and the re-growth of food prices as a result of a drought, as well as due increased labor costs, which slow down the reduction of core inflation (measured by the CPI excluding food, energy, alcohol and tobacco products prices).

Meanwhile, core inflation has been above headline rate and significantly outside of the target corridor. According to the latest available data for November 2024, it stood at 5.4%, indicating still present inflationary pressures in economy, which are primarily a consequence of the strong growth of disposable income. The growth of wages and pensions generates pressures on demand side, however prices are also affected through increased labor costs, especially in the service sector, which prevent a significant reduction in core inflation not only in Serbia, but also in a large number of European countries.

According to Satatistical Office preliminary data, December inflation remained unchanged compared to November, at the level of 4.3%. Although it fell significantly compared to the end of 2023, when it stood at 7.6%, overall inflation in Serbia remained among the highest in Europe (in November, only four countries had a higher CPI level).

During 2024, consumer prices increased by an average of 4.6% compared to the last year.

Year-on-year inflation dynamics and key policy rate trends (in %)



Source: NBS

Inflation is expected to continue to slow down during 2025, with a slightly more pronounced decline in the second part of the year. Restrictive monetary conditions, lower import inflation and higher-base-effect on food prices should contribute to such dynamics. According to the NBS projection, inflation will approach the central target value (3%±1.5 p.p.) at the end of 2025. Key risks to this projection come from the international environment, primarily from geopolitical tensions and spread of protectionism at the global level, but also from domestic factors that could affect inflation easing. Those are primarily stronger-than-currently-predicted dynamics of personal consumption and the announced introduction of US sanctions against the NIS company due to its majority Russian ownership, leading to negative impact on oil derivatives prices..

Monetary policy

Full inflation targeting is a monetary strategy implemented by the National Bank of Serbia since 2009. During 2024, monetary policy was conducted in accordance with the NBS Monetary Policy Program, adopted in December 2023. It targets inflation rate at the level of 3.0%, with permitted deviations of ± 1.5 pp until December 2026.

During 2024 the restrictiveness of monetary policy began to ease to an extent that can be characterized as appropriate. After inflation returned to the target corridor in May, at its June meeting, the NBS began a

cycle of cautious key interest rate cutitng, aligning with the first interest rates reduction by the ECB. From June to September 2024, key interest rate was cut three times by 25 basis points, remaining at the level of 5.75% since then. Deposit facility rate was reduced to 4.5%, while lending facility rate reached the level of 7%..

During 4Q24, the Central bank kept the reference rate unchanged, maintaining a cautious approach in the environment of growing global tensions, negative impact of a bad agricultural season on food prices and still high core inflation. In addition, the growth of economic activity is strong, and from that point of view, it justifies NBS' position that suggests that the full effects of the previous monetary easing can be expected in the coming period as well.

The relaxation of monetary conditions during the year stimulated the drop in interest rates on dinar loans to corporate sector and households, which began at the end of the previous year. In October, interest rates on newly approved loans to corporate sector for working capital, amounted to 7.1%, and to 11.2% for cash loans to households. The relaxation of the ECB's monetary policy was reflected in interest rates drop on euro-indexed loans, which in October averaged at 6.3% for corporate sector and 6% for households. The average interest rate on euro-indexed housing loans stood at around 5% until the end of the year, which was in accordance with NBS' Decision on euro-indexed housing loans interest rate capping.

During September, the Draft of the new Law on the Protection of Financial Services Consumers was published, with which the NBS plans to, in the form of a law, limit the growth of banks' interest rates, by using the average weighted interest rate for existing business as a basis, with a maximum increase between 0.2 and 0.25 pp, depending on loan type. Financial services consumers should benefit from this, firstly due to greater predictability of cost growth based on loans and other banking products, especially in the circumstances of new shocks or inflation resurgence.

In accordance with the monetary policy program for 2024, the NBS continued to apply interventions on the foreign exchange market aimed at reducing excessive short-term exchange rate fluctuations, in order to preserve price stability, as well as maintaining an adequate level of foreign exchange reserves. As a result, the exchange rate was stable for most of the year, at a level of around RSD 117 against the euro, while its stability was another important instrument for anchoring inflationary expectations. In November 2024, the exchange rate dropped below the RSD 117 per euro, for the first time in the last 10 years.

Considering other monetary policy instruments, the reserve requirement rates have not been changed since September 2023. At that time, the foreign exchange-based reserve requirement rates were increased by 3 pp each (to 23% and 16% for maturities of up to and over two years, respectively) with an increase in the dinar allocation of foreign currency mandatory reserves by 8 pp (to 46% and 38%, depending on the maturity of the obligations), and the mandatory reserve rates on the dinar basis increased by 2 pp (to 7% and 2%, depending on maturity).

Maintaining price and financial stability will remain a priority of monetary policy in the coming period, while future Central bank's decisions will depend on key inflation factors data. Therefore, it is expected that the NBS will continue to carefully monitor geopolitical events and movement of all key factors from the domestic and international environment that may have an impact on inflation slowdown. The NBS is expected to react in a timely manner with all available instruments, if some of the risks materialize, as it would result in inflation once again exceeding the target limits.

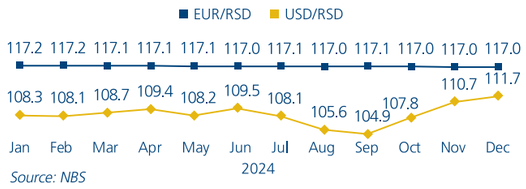
Dinar exchange rate

During 2024, the NBS continued to implement its policy of a stable FX rate, as one of the key pillars of monetary policy. As a result of high FX inflows, which were mostly contributed by FDI, as well as the active policy of interventions on the FX market, in 2024 the local currency strengthened slightly against the euro in nominal terms, by 0.2%. At the same time, due to the strengthening of the US dollar against the euro, at the end of December dinar was 4% weaker against the dollar compared to the end of 2023.

During most of the year, supported by a high inflow of foreign capital, intense pressures prevailed on foreign exchange supply. Meanwhile, occasional depreciation pressures on the dinar were caused by seasonally higher demand for foreign exchange, primarily by energy importers. In November 2024, for the first time since 2014, FX rate fell below the limit of RSD 117 per euro. During the year, in order to soften the short-term fluctuations of the dinar FX rate against the euro, the NBS bought a significant amount of foreign currency on the IFEM, reaching EUR 2.5 bn as of December 25th. With this, 2024 became the seventh year out of the last eight (since 2017), during which the NBS ended as a net buyer of foreign exchange.

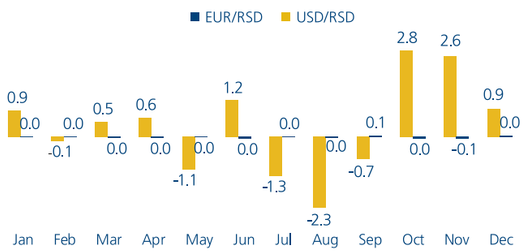
The NBS' purchase of foreign currency was also one of the main channels for increasing the country's FX reserves, which, in their gross amount, reached the historically highest level. At the end of the year, the NBS announced that FX reserves (as of December 25) amounted to EUR 29 bn gross, which is about EUR 4.1 bn higher compared to the end of 2023. Furthermore, the share of gold in reserves continued to grow, as the Central bank enlarged it by 8.1 tons during 2024. This increased the total value of gold reserves to a record EUR 3.9 bn, partakeing with 13% of total FX reserves.

Dinar exchange rate trend



Source: NBS

Monthly exchange rate changes (in %)



Source: NBS

Preservation of a stable dinar will remain one of the main monetary policy pillars, especially in a situation characterized by a high level of uncertainty and tension globally, which can potentially lead to new inflationary pressures. Considering the record high FX reserves at disposal - which is well above the adequacy standards, the monetary authorities have enough space to continue implementing current monetary policy, preserving investment and consumer confidence.

Current account deficit and external debt

During 2024, country's external position was visibly weakened, as almost all of balance of payment (BoP) components recorded a deterioration. In the period Jan-Oct 2024, CAD reached the level of EUR 3.75 bn, which is almost four times higher compared to the same period last year. The main contribution to these trends came from enlarged external trade deficit, as well as increased primary income deficits, mainly based on FDI.

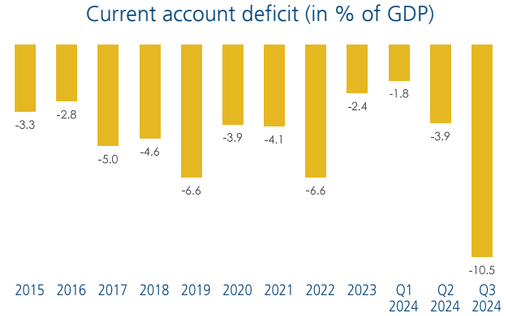
Current account deficit (CAD) had an increasing trend from quarter to quarter, rising from the level of 1.8% of GDP in 1Q24 to 10.5% in 3Q24. The largest increase in the external imbalance was recorded on the account of goods trade, due to faster growth of imports than exports as a result of increased domestic demand. Despite the weaker external demand, increased export of manufacturing, as well as the recovery of agricultural exports, had a positive impact.

In the first ten months, the surplus in the exchange of services decreased by cca. 17% y/y. Although the expansion of services export (+11%) continued, primarily in the field of ICT services, the total import grew faster (+19%), mainly fueled by the increase of tourist services import. The larger CAD was also contributed by the increased deficit of primary income due to the growth of outflows based on capital income, and partly by the smaller surplus of secondary income, i.e. a slightly lower inflow based on remittances compared to the previous year.

For the whole 2024, the NBS expects the current deficit to be at the level of around 5% of GDP, which is a significant deterioration compared to the 2.4% recorded in the previous year, with real possibility that it will be higher. Despite its deterioration, the deficit will be fully covered by FDI inflows, which in the first ten months reached the level of almost EUR 4 bn.

In 2025, a moderate deterioration of BoP trends can be expected, which will be driven by the projected acceleration of the investment cycle and higher imports of raw materials and equipment, as well as by growing FDI outflows and higher external debt. Meanwhile, the expansion of country's exports capacity and a slight recovery of external demand will act in the opposite direction.

Current account deficit (in % of GDP)



Source: NBS

Serbia's external debt continues to grow as a result of additional external borrowing by both the private and public sectors. According to NBS preliminary data, Serbia's total external debt at the end of 3Q24 reached a level of almost EUR 48.5 bn, increasing by around EUR 3.1 bn when compared to the end of the previous year.

Nevertheless, the external debt to GDP ratio has not significantly worsened - in 2023, there was actually a significant improvement of this ratio compared to the period 2021-2022, as a result of GDP revision

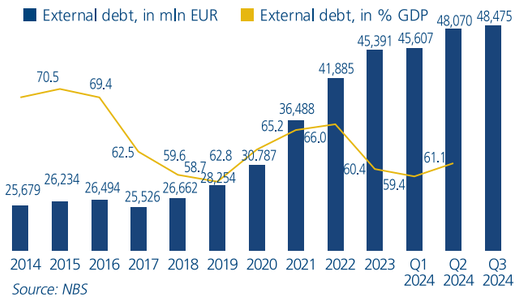
that revised up estimated economic growth in 2023, thus reducing the external debt/GDP ratio by more than 5pp. At the end of the 3Q24, this ratio amounted to 60.2%, remaining below the limit of high indebtedness prescribed by the World Bank (80% of GDP).

The growth in absolute terms was registered primarily in the part of long-term liabilities, to an almost equal extent in both the private and public sector. When it comes to the long-term debt of the private sector, the increase was entirely generated by corporate sector, while the banking sector slightly deleveraged compared to the previous year. Debt level sustainability is precisely supported by its favorable maturity structure, since medium and long-term obligations prevail, with a share of 98% as of 3Q24.

The ratio of external debt to exports of goods and services recorded a slight increase in 2024, growing from 110.7% in 2023 to 114.3% in 3Q24, still remaining below the World Bank's lower limit of 220%. Therefore, according to this indicator, Serbia is still classified as a less indebted country.

The IMF assesses Serbia's external indebtedness as sustainable in the medium term, projecting that the total external debt will reach 61.8% of GDP at the end of 2024, falling to the level of 60.3% by the end of 2025.

External debt



Source: NBS

Foreign direct investment

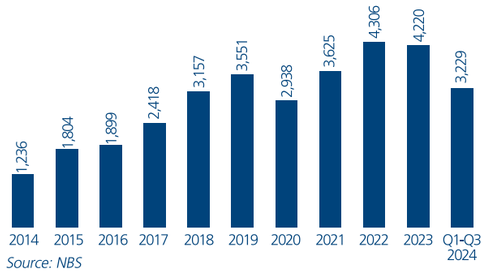
Despite geopolitical instability, still high borrowing costs and the economic slowdown in Serbia's most important economic partners, foreign direct investments (FDI) remained a significant driver of GDP growth in 2024. In the first ten months of 2024, FDI total inflow amounted to EUR 4 bn, and was 6% higher compared to the same period previous year. Net FDI inflow stood at EUR 3.5 bn, slightly higher in an annual comparison (+1%).

Capital inflows based on FDI had a fairly uniform dynamic quarterly, which can also be expected for 4Q24 judging by NBS' preliminary data published at the end of the year, which indicate that the total annual FDI inflow exceeded EUR 5 bn – the highest recorded amount.

As in previous years, more than half of the FDI inflow registered in the first three quarters were directed to tradable sectors - mostly to mining and manufacturing, as the key export sectors of the Serbian economy. In the same period, the largest part of the net FDI inflow came from European countries (62%), while Asian countries stood at the second place (35%). In recent years, the growing participation of China has been noticeable, with share of 32% in I-IIIQ24 in total net FDI inflow.

Since 2015, CAD has been fully covered by the net FDI inflow, which will probably be the case in 2024. However, it should be noted that the long-term reliance on foreign capital also resulted in increase of outflows based on income from direct investments, which in the first three quarters almost equaled to the FDI inflow level.

Foreign direct investment (in EUR million)



Source: NBS

The NBS projects net FDI inflow at around 5% of GDP in the medium term, expecting that the largest part will continuously be directed to export-oriented sectors.

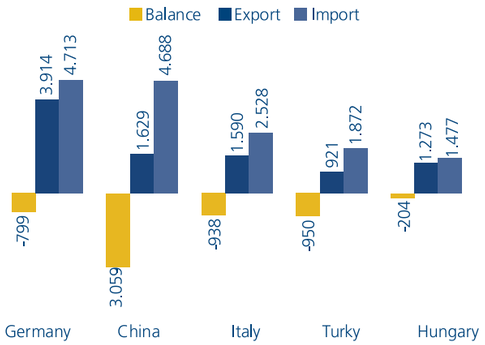
External trade

The value of external trade recorded a slight increase, largely due to imports growth compared to last year – characterized by a drop in imported quantities, as well as decisive impact of energy price in global market. In the first eleven months of 2024, the total trade of goods reached EUR 62.4 bn, 3.9% up compared to the same period in 2023, while the import/export coverage ratio decreased to 75.7% vs. 78.7% recorded at the end of November 2023. Exports value amounted to EUR 26.9 bn (+1.7%), while imports value increased by 5.7% to the level of around EUR 35.5 bn, influenced by higher imports of repro-materials and equipment, as well as consumer goods due to stronger domestic consumption. This resulted in expansion of external trade deficit by 20.4%, i.e. by EUR 1.5 bn, to the level of EUR 8.6 bn by the end of November.

Modest growth achievied in exports is to the greatest extent owed to the increased exports in manufacturing and agriculture. Electrical machines and appliances remained the number 1 export product, with a share of 12% in total exports. Ores and scrap metal stood in second place (5.9%), followed by power machines and devices (5.5%). Agricultural products, especially cereals, had significantly better export results compared to the previous year, due to last year's solid agricultural season and the trade recovery through the main port of Constanta.

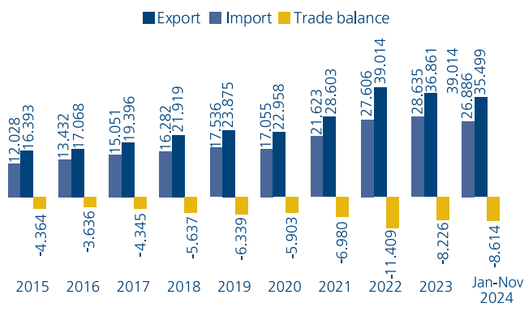
Around 60% of Serbia's external trade was directed towards EU countries, followed by CEFTA countries, which provided significant trade surplus (import/export coverage 174%). The main external trade partners in exports were Germany (EUR 3.9 bn), Bosnia and Herzegovina (EUR 1.8 bn) and China (EUR 1.6 bn). Meanwhile, main partners in imports were Germany (EUR 4.7 bn), China (EUR 4.7 bn) and Italy (EUR 2.5 bn). Although Germany remains Serbia's most important trade partner, exports to China and Turkey are increasing, while trade with Russia is shrinking. Therefore, in period Jan-Nov 2024, Serbia increased the goods export to China by around 52%, and to Turkey by as much as 85%.

Foreign trade with major partners (EUR million)



Source: Statistical Office of the Republic of Serbia

Foreign trade (EUR million)



Source: Statistical Office of the Republic of Serbia

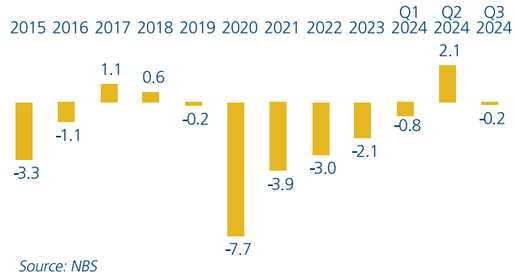
Fiscal policy

Fiscal developments in the first three quarters of 2024 can be assessed as somewhat better than planned, with a realized surplus of RSD 29.1 bn at the consolidated level, i.e. at 0.4% of realized GDP. Meanwhile, the primary surplus amounted to almost RSD 162 bn. Budget revenues recorded a strong real growth y/y, primarily due to increased incomes and domestic consumption. At the same time, budget expenditures marked increase as well, mainly influenced by current (salaries and pensions) and capital expenditures. In October, there was a surge in capital expenditures (due to the payment of the first installment for the purchase of military equipment), which resulted in the cumulative fiscal result turning into a deficit.

In September, the Government decided to increase fiscal policy expansion in the last quarter of the year, adopting the Revised budget that strongly increases budget expenditures, enlarging the fiscal deficit to the level of EUR 2.2 bn, i.e. from the originally planned 2.2% of GDP to 2.9% of GDP. Although it foresees a significant increase in budget revenues, it is insufficient to compensate for the planned expenditures increase, which refers both to the growth of investments related to the procurement of military equipment and the construction of the stadium for EXPO 2027, as well as to higher current expenditures (salaries and subsidies). Nevertheless, it is expected that by year-end the deficit will be slightly lower than the level planned by the rebalancing, at the level of around 2.7% of GDP. By shifting towards greater expansion, fiscal policy continues to act pro-inflationary and in contrary to the monetary policy objectives.

Adopted Budget for 2025 indicates that a similar policy is planned for the next year as well. It predicts modest deficit increase to the level of around EUR 2.7 bn, i.e. 3% of GDP, primarily due to the enlarged current expenditures. Budget foresees an increase in pensions (10.9%) and wages in the public sector (an average of about 8%, for employees in education 11%), but the total expenditure on salaries and pensions should remain within the framework defined by fiscal rules. At the same time, high level of allocation for public capital investments is maintained, at the level of 7.4% of GDP. The Fiscal Council assessed that public revenues and expenditures are credibly projected, although suggesting that this deficit level is relatively high for Serbia, while its increase represent an adverse change in environment of the still high inflation and relatively unfavorable market borrowing conditions.

Consolidated budget deficit (in % of GDP)



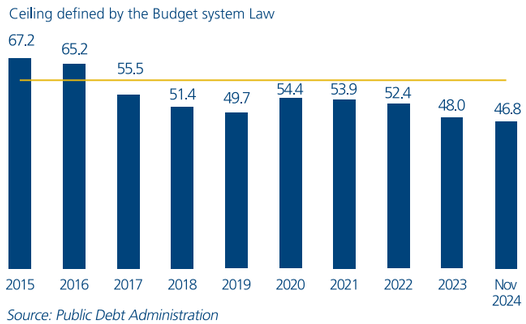
Source: NBS

At the end of November 2024, public debt amounted to EUR 38.4 bn, while its share in (projected) GDP stood at 46.8%. Most of the public debt is still denominated in foreign currency (liabilities in euros and dollars make up to 58.1% and 13.6% of total liabilities, respectively), while 21.6% of public debt is denominated in dinars.

Since the beginning of 2024, public debt increased by about EUR 2.2 bn, which roughly corresponds to the planned deficit in 2024. Although, there was a significant increase in debt in nominal amount during 2024, the official data on relative indebtedness by the Ministry of Finance, show that it decreased by 1.5 pp of GDP compared to the end of 2023.

However, due to the high nominal debt and relatively unfavorable borrowing conditions on the market, interest expenses are increasing, currently standing at around 2% of GDP, which is quite high compared to comparable countries.

Public debt (in % of GDP)



Source: Public Debt Administration

According to Ministry of Finance projection, public debt should increase from EUR 39.3 bn to EUR 41.9 bn during 2025. This growth in indebtedness should not lead to increase of public debt to GDP ratio, as it is expected that nominal GDP will grow faster than the public debt. Therefore, according to the revised Fiscal Strategy 2025-2027, public debt as a % of GDP should decrease slightly in the coming period, from 47.9% of GDP in 2024 to 47.5% in 2025 and 47% in 2026.

Banking sector

As of September, Serbia's banking sector consisted of 20 banks, as at the end of the previous year.

The past few years have been marked by mergers in the Serbian banking market. In March 2023, AIK Bank announced the acquisition of Eurobank Direktna. The official purchase was made in November of the same year, which significantly improved the position of AIK Group in the market. Currently, the process of implementing the status change of the merger of Eurobank Direktna banka with AIK Bank, which is planned to be implemented on March 28, 2025, is underway. In the light of the abovementioned developments, there are indications for further consolidation in the bank market, i.e. there is an indication that consolidation between banks will continue.

Total assets of the banking sector increased by 6.2% since the beginning of the year. At the end of the third quarter, total assets amounted to 6.3 billion dinars, or 53.8 billion euros.

The National Bank of Serbia has reduced the reference interest rate by 0.75 p.p. compared to the end of 2023, which led to the level of 5.75% at the end of 2024. Unlike the previous year, which was marked by an upward trend in EURIBOR, inflation has been within the target range since May this year, and inflation is expected to move within these limits by the end of the projection horizon. In making the decisions, the Executive Board pointed out that, despite the return of inflation to the target and the continuation of its movement within these limits, it is necessary to continue with the implementation of prudent monetary policy, given the unpredictability of macroeconomic developments in the international environment and the growth of geopolitical risks, but also the need to look at the effects of previous interest rate cuts.

Domestic credit activity continues to accelerate growth, but continues to grow at a slower pace than gross domestic product, which is important from the point of view of price stability. Total loans recorded a modest year-on-year growth of 7.8% and reached the level of RSD 3.4 billion at the end of the third quarter of 2024. Corporate loans reached RSD 1,682 billion at the end of the third quarter, increasing by 5% y/y. Corporate loans growth is mainly driven by liquidity and working capital loans.

Observed by industry, the indebtedness of companies from most economic activities increased, mostly in the field of transport and manufacturing, while only the borrowing of companies from the energy sector decreased.

As of September, loans to individual recorded a year-on-year growth of 7.8%, reaching RSD 1.583 billion. The largest contribution to the growth comes from cash loans, which account for 45.9% of total household loans and are therefore the most represented category, while housing loans account for 38.5%.

The trend of dinarization has increased in 2024. Both in the economy and in households, dinar loans increased to a greater extent than foreign currency-indexed loans, which resulted in a further increase in the degree of dinarization of placements to 36.8%. In the segment of economy, the degree of dinarization increased to the level of 20%, while the dinar placements in the segment of the population increased to 55.3%.

The deposit base reached the level of 4.630 billion dinars (39.5 billion euros) at the end of September 2024, recording a year-on-year growth of 10.8%. The level of deposits has increased both in the retail segment and in the economy segment

The share of non-performing loans (NPLs) in total loans remained at a historic low of 2.7% in September 2024, the lowest in the past five years. Despite tightening financial conditions, the quality of bank assets was successfully maintained. In the corporate segment, the NPL ratio was 1.8%, while in the household segment, the NPL ratio stood at 3.7%.

At the end of the third quarter, 19 out of 20 banks recorded positive results. Total net profit before tax amounted to 143.0 billion dinars, which is 34.5 billion dinars (31.7%) higher compared to the same period in 2023. Regarding provisioning costs, the banking sector recorded a decrease of 7.4 billion dinars or 61% year-on-year. The growth in net profit before tax is attributed to the increase in operating income year-on-year, mainly due to a 15.8% increase in interest income and a 14.7% increase in fee and commission income compared to the same period last year. On the other hand, costs did not fully follow the trend of income growth.

The operating margin at the level of the banking sector in September 2024 was 22.4% higher compared to the same period last year, reaching 147.7 billion dinars.

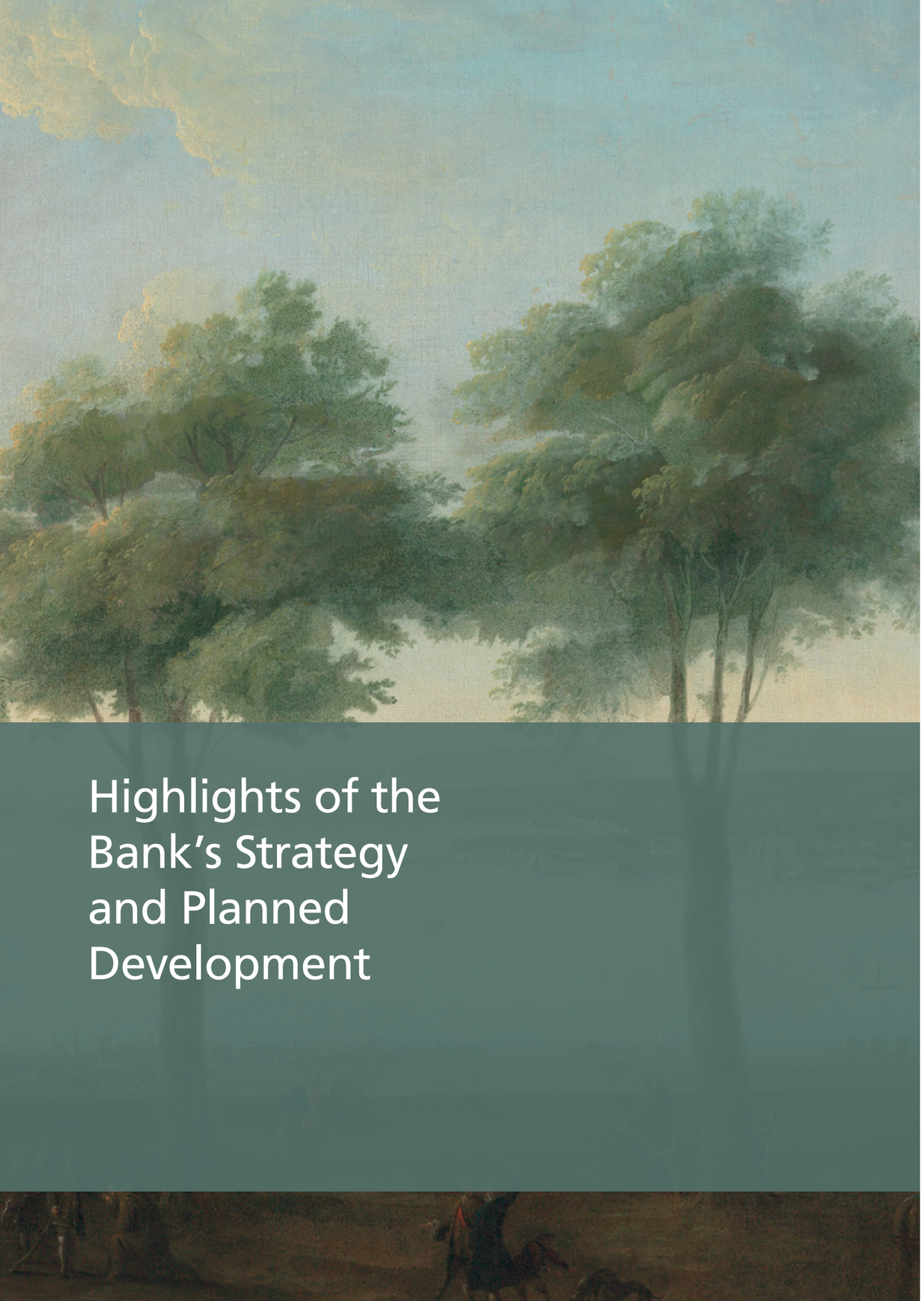
The main reason for the higher margin is operating income (263.8 billion dinars), which increased by 16.5% or 37.3 billion dinars year-on-year, due to higher interest income (+26.2 billion dinars), higher net fee and commission income (+8.4 billion dinars), and higher trading and other operating income (+2.7 billion dinars). Operating expenses increased by 9.8% or 10.3 billion dinars compared to the same period last year, reaching 116.1 billion dinars. The main reasons are higher salary costs (+5.8 billion dinars) and administrative costs (+3.4 billion dinars), while depreciation costs slightly increased (+1.1 billion dinars).

At the end of September 2024, the return on assets (ROA) increased by 0.5 percentage points compared to September 2023, reaching 3.1%. At the same time, the return on equity (ROE) increased by 2.8 percentage points, reaching 22.3%.

The liquidity of the banking sector in Serbia was confirmed by the loan-to-deposit ratio, which stood at 73.6% in September. The quality of assets was also confirmed by a stable cost of risk ratio at 0.2%.

Despite the ongoing trend of consolidation in the banking sector, Banca Intesa maintained its leadership position in 2024 in key business indicators thanks to organic growth. As of September 2024, Banca Intesa achieved the largest market share in terms of total net assets (15.6%) and deposits (16.3%), while it held a strong second place in terms of loans and capital with market shares of 16.6% and 13.4%, respectively. Compared to the same period last year, the level of loans remained at the same market share, while capital increased by 0.1%. The loan-to-deposit ratio was maintained at a stable level of 75.0%, while the cost of risk remained at the same level of 0.6% as in the same period last year.

At the end of the third quarter of 2024, Banca Intesa recorded record results in terms of profitability. Thanks to a 17.2% year-on-year increase in net interest income, the bank ranked first in the market with a share of 16.8%. Additionally, a convincing leading position was achieved in fee and commission income with a share of 18.3%. In a year of tightened monetary conditions, full of uncertainties for both the banking sector and the population and economy, Intesa managed to achieve exceptional results, retain existing clients, and attract new ones. This is evidenced by a stable and growing client base of 1.34 million clients as of December 2024, as well as an extensive network of 134 branches.



Highlights of the Bank's Strategy and Planned Development

Highlights of the Bank's Strategy and Planned Development

The Bank aims to strengthen the leading position in the Serbian banking sector, by providing solid and sustainable value creation and distribution, while remaining dedicated to active support to the economic development of Serbia.

In the period 2022-2025 strategic objectives of the Bank should enable stronger market position through further reinforcement of digitalization in order to grow penetration and client base, building up on revenue growth increasing contribution from commission margin and capturing new business opportunities, while simultaneously being dedicated to strengthen credit machine, as well promoting people re-skilling and strengthen ESG positioning.

Accomplishment of the Bank's objectives is summarized through following six initiatives:

I Increasing revenues in a very competitive environment while improving fee based contribution

The Bank will focus on increase contribution from commission margin, leveraging on the market penetration potential, while at the same time expanding lending activity and building portfolio quality. Main enablers for such approach are defined through following strategic guidelines: Bancassurance and Wealth Management, Enhance collaboration with ISP group product factories, Expanding product offering to capture opportunities offered by new trends, Ancillary/additional services propositions and Change in management programs/trainings.

II Accelerate digitalization for innovation and growth

Exploitation of the full potential of the digitalization is foreseen as one of the key drivers of the value creation and revenue growth in following years. By embracing digitalization, the Bank intends to provide enhanced customer services, providing convenience to customers along with time savings. Namely, digital transformation will be accelerated through following strategic guidelines: Retail digitalization, Digital product offer for new client segments, Digital customer's enhancement and Physical and digital value/product integration.

III Grow business value in lending

Main enablers for grow business value in lending are defined through following strategic guidelines: Current lending product offer integration, Add value on lending business by improvement of penetration and volumes, Price optimization, Cost benefit profiles optimization, Mitigation of existing exposure for riskier industries/sectors and Development of products according to ESG.

In the coming period the Bank will continue on the path of improving credit quality through proactive credit portfolio management and development of actions plans to monitor credit quality. Strategic guidelines that should strengthen credit machine are listed as follows: Credit management process, Improvement of PCM processes and NPL management, Internal process development and People skills improvement and introduction of IT tools.

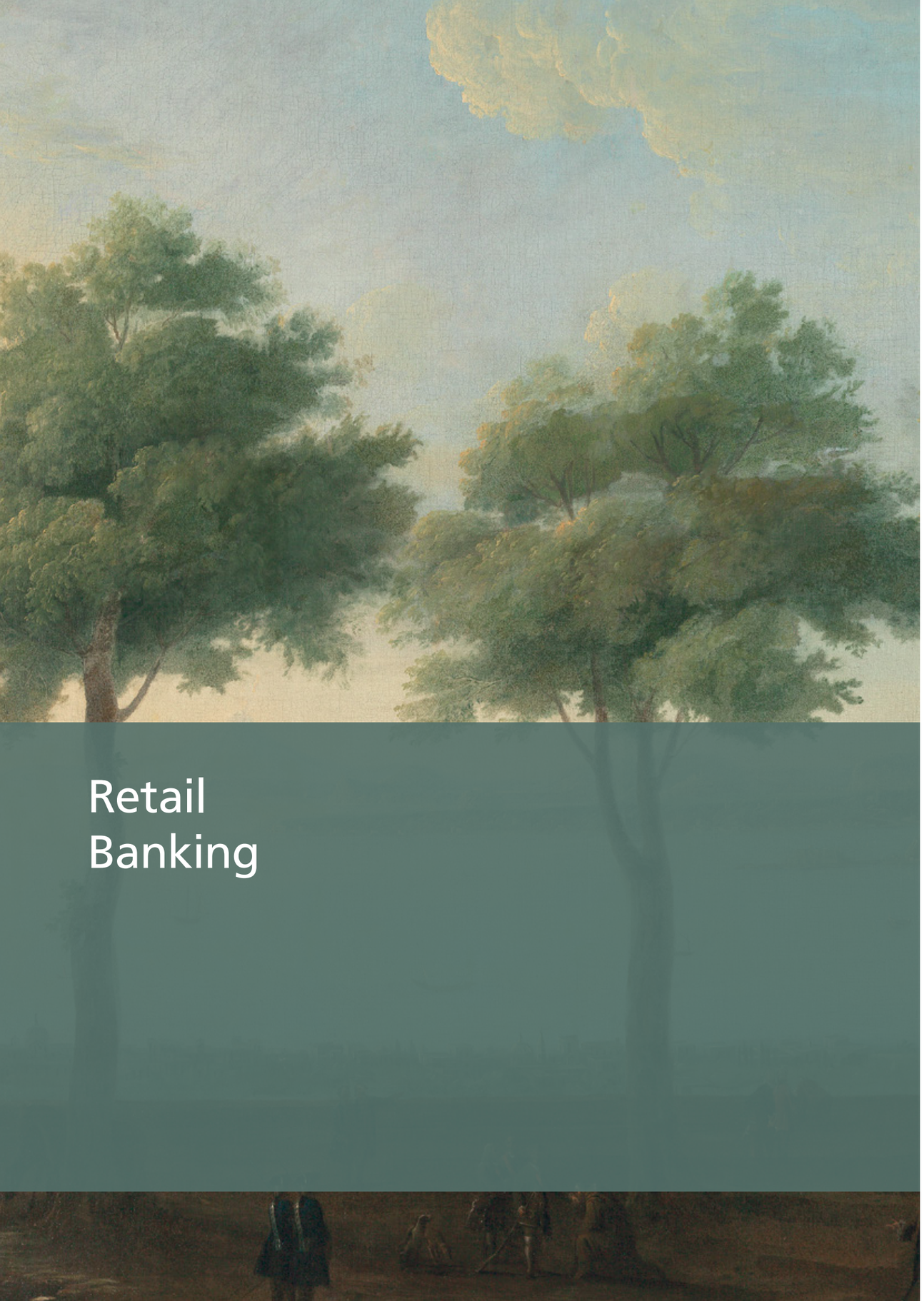
V Promote people re-skilling

In order to improve people skills the Bank will realize activities aimed at boosting skills in Retail business to support further digitalization (e.g. remote advisory), development of wealth management and insurance businesses, activities focused on development of the skills in the areas of e-commerce platforms and data-monetization (additional revenue streams), transformative activities aimed at supporting Corporate business in introducing ESG, Circular Economy products and services and support in development and implementation of new products, markets, derivatives. Furthermore, in order to support the new and agile way of working the Bank will upgrade managerial capabilities through development programs. Also, transformative initiatives will be aimed at spreading the culture of hybrid and agile working, strengthening the culture and practices of task oriented performance management.

VI Strengthening ESG positioning

In the previous period, the Bank established local ESG governance (Deputy CEO as the ESG Manager) and form the ESG team by identifying the structures and roles responsible for the implementation of the framework. The Bank will focus on the proper integration of the ESG culture into the corporate DNA

through developing and implementing of Training and Internal Communication campaigns and by the introduction of the ESG-compliant HR practices. Moreover, the Bank will integrate ESG rules into business and credit processes, predefined list of ESG green and red industries/products/clients and list of non-acceptable industries/products and clients and additionally organize workshops in order to share specific cases among ISP group and subsidiaries in the aim of sharing best practice on the ESG. Furthermore, the Bank will review processes/ product offerings in line with recent developments in the ESG field for both Retail and Corporate businesses.



Retail Banking

Individuals

- *New production of personal loans in 2024 again reached exceptional levels and exceeded the previous record in 2023 by incredible +34%. Excellent commercial result was strongly impacted, with focus on the internal potential of our existing client base.*
- *The increase of Individual deposits throughout the year was accompanied by the slight increase of the share of term deposits in total deposits compared to the previous year. The continuous decline in interest rates during 2024, due to changes in macroeconomic conditions, required constant monitoring of the market situation and adjustments to the Bank's current offerings. To maintain its leading position and enrich its deposit products, in October 2024, the Bank introduced a unique combination of term deposits and investment funds called Combi savings – a diversified investment option that allocates funds between a classic term deposit (with a more attractive interest rate compared to the standard offering) and an investment in one of the Intesa Invest investment funds distributed by the Bank.*
- *In 2024, the Bank achieved exceptional results in the distribution of Intesa Invest investment funds, with a significant increase in assets under management, which, by the end of December 2024, exceeded 600 million EUR. This success is the result of a strategic approach and commitment to improving the products and services offered to clients, with a special focus on the various investment options available to them. The long-term goal of the Bank is further development of non-cash funds, thereby expanding the range of options for investing and potentially achieving higher returns for clients.*
- *The continuous process of educating both, employees and clients of the Bank in the area of bancassurance continued throughout 2024, with a focus on strengthening awareness of the importance of protecting the clients themselves, as well as their families and property. At the end of April 2024, in cooperation with Generali Insurance, the Bank launched a new life insurance product called Multilav Insurance. This product allowed clients to choose one of the four available Multilav Insurance packages offered by the Bank, providing them with a form of protection based on their personal preferences and needs.*
- *Continuation of the implementation of ESG initiatives in accordance with the Group's strategic commitment, which directly contribute to the improvement of both environmental protection and the living conditions of clients from sensitive social categories.*
- *We ended the year with almost 700,000 clients who have contracted digital banking services, of which over 82% actively use the application. During 2024, these clients performed over 28.2 million transactions on digital channels, which is an average of over 2.35 million digital transactions per month. Compared to the previous year, this represents a growth of +17%.*

In the past year, unforeseen circumstances continued to shape the reality of business in which flexibility is imperative, and in these conditions our Bank has once again shown an excellent capacity for change with the aim of meeting the needs of clients as adequately as possible with a high level of personalization of services, thereby placing a special emphasis to client centricity. In order for such a challenging task to be successfully completed, continuous investment was made in improving the competences and skills of the Bank's employees, but also in the development and increase of the quality of services both in physical and digital sales channels. A special focus is on electronic banking through further expansion of the Digical project and implementation of new functionalities within it. The trust shown by clients in this way of doing business is reflected in the increasingly strong expansion of activities through the digital channel.

During 2024, the Bank once again presented a range of innovative products that provide satisfaction of a wide range of sophisticated financial needs of clients, while preserving the stability of all relevant business indicators and increasing market share in most products intended for the population segment.

We would highlight a significant growth in the market share of the overdraft of +2.4%, as well as a stable growth in the credit card market share of +0.7%. This led to an extremely high share of 20.3% for overdrafts and 31.7% for credit cards.

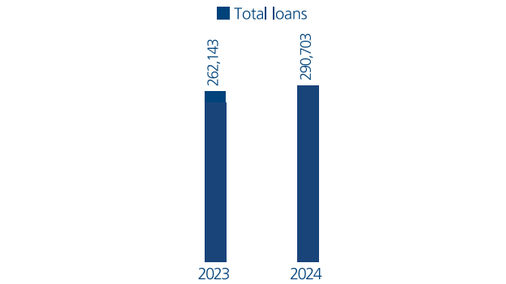
By maintaining stability in all business segments, Banca Intesa managed to successfully respond to the challenges of the dynamic market in the past year and confirm its leadership position. Through a strong focus on the needs and satisfaction of clients, as well as transparent communication of price and non-price elements, the placement of cash loans in the amount of 600.7 million euros (70.3 billion dinars) was achieved.

Such business results contributed to the growth of the number of clients with cash loans in use by +1.4% year-on-year.

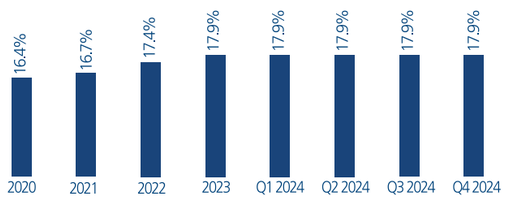
In 2024, we continued with constant improvement and close monitoring of the process for applying for and implementing mortgage loans. We particularly emphasize the introduction of an innovative mortgage loan approval process without coming to the Bank in person, which allows clients to get a mortgage loan approved from the comfort of their own home through a video meeting with a mortgage loan specialist. Also, by introducing a product with fixed interest rate and with tenor of 20 years, we demonstrated that we recognized the needs of our clients and acted in the direction of maximizing their satisfaction. It is precisely these quality-designed processes and products, together with high-level expertise of our advisors in Casa centers, that led to the growth of the mortagge loan portfolio by +10.2%, as well as the growth of the market share by +0.26%, while the production of mortgage loans in 2024 amounted to 236.6 million euros (27.7 billion dinars), which represents an incredible +108.9% growth compared to the previous year.

Data that depict the multi-year growth of active banking products in retail business point to several conclusions: clients have a high appreciation for the high level of service complemented by the Bank's business policy, which is sincerely focused on their specific needs, and the positive effect that fostering the principle of transparency in every aspect of business has on deepening clients' trust in doing business with our institution is more than obvious.

Loans to individuals (in RSD million)

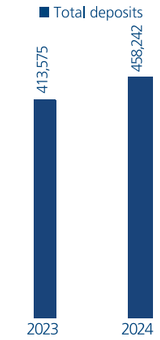


Market share in loans to individuals

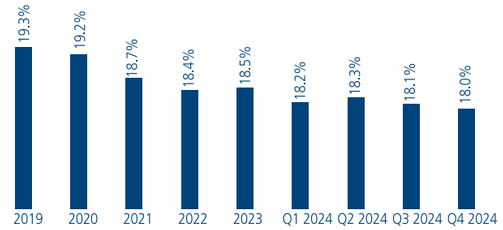


Total private individuals deposits increased throughout the year and reached the level of RSD 458.2 billion in December 2024.

Deposits of individuals (in RSD million)



Market share in deposits of individuals



By the end of 2024, the Bank managed to maintain the level of market share of Individual deposits at 18.1%, the same as in January, which was also the market share in November The decline in key interest rates by leading central banks, as well as new macroeconomic conditions, led to a continuous reduction in interest rates throughout the year on one hand, and on the other hand, an increase in client demand for more favorable interest rates on term deposits and a shift in the deposit structure toward shorter maturities.

Considering both the needs of its clients and the competitive offerings, the Bank created an attractive offer for term deposits in RSD and EUR with shorter maturities (6 and 9 months). Additionally, the new Combi savings product enabled clients to diversify their investments by allowing them to invest at the same time in a term deposit and one of the Intesa Invest investment funds distributed by the Bank.

To educate clients on the importance of diversification and to promote all available investment options, the Bank organized "Savings and Investment Days" in all regional centers in November. The event had notable results, both in terms of client turnout and the volume of investments made in term deposits and investment funds during and after the event.

Throughout 2024, there was a growing interest from clients in investing excess liquid funds in the investment funds distributed by the Bank. With a total of five funds distributed by the Bank, the focus in 2024 was also on promoting non-cash funds, especially the Alternative Investment Fund, which by the end of the year had accumulated total assets under management in the amount of 38.6 million EUR. By the end of 2024, the total assets under management of Intesa Invest reached nearly 606 million EUR, with a market share of 36.7%.

Despite very turbulent market movements and geopolitical events during 2023 and 2024, assets under management of Intesa Invest increased by +97,4% in December 2024 compared to December 2023. This indicates that the Bank, with the support of the Parent Bank and in cooperation with Eurizon, one of the largest asset management companies in Europe, is perceived as an extremely safe place for all types of savings, as well as other available investment methods for all its clients.

Macroeconomic environment and interest rates movements starting from the second half of 2022, as well as the Bank's response to the diversified needs of clients, have led to the confirmation of the fact that the Bank is perceived as a very safe bank with a significant increase in assets in general both through the Bank's deposits and through the investment funds, which is confirmed by the final balances of deposits, and also by the balances of investment funds of private individuals at the end of December 2024.

The growth of geopolitical uncertainty and unforeseen events from the previous few years created a greater need for additional security and protection, which resulted in a greater importance of bancassurance as a segment of the Bank's business.

During 2024, the Bank continued to promote bancassurance products actively, with the goal of raising awareness about their importance and strengthening relationships with clients. Through a comprehensive offering of various products in one place, the Bank provided clients with easier access to the solutions they need, further supporting the growing trend in the placement of bancassurance products. Special emphasis was placed on meeting clients' protection needs, both personal and for family, assets, and credit products in situations where loan repayment becomes impossible. In 2024, the focus was on promoting the new life insurance product "Multilav," which the Bank began distributing at the end of April 2024. With great support from branch colleagues and effective promotion of the new product through different channels excellent results were achieved, selling 2,164 policies with an average premium per policy well above the market average for life insurance. In May and June, “Insurance Days” were organized in all regional centers, specifically dedicated to this topic, with the goal of educating clients, raising awareness about the importance of protection, and promoting the new "Multilav" product.

By focusing on clients and listening to their needs throughout 2024, the Bank, together with Generali Insurance, continued to work on developing new insurance products that will be added to the Bank’s offerings during the next year.

During 2024, the continuous process of educating employees in both the bancassurance and investment sectors was continued in order to provide better quality and comprehensive services - from loans to insurance, from savings to investments, from health to pensions. In the coming period, the Bank will continue with the education of its employees with the aim of increasing the number of licensed insurance agents, all in accordance with the Bank's strategic plans, the needs of the market and the increasingly complex needs of clients.

ESG initiatives

In the previous period, the IBD division adopted the Strategy for the integration of the ESG (Environment, Social and Governance) platform in all member banks, as a new paradigm of the Group's development, based entirely on the principles of sustainable business.

The wide range of topics covered by ESG, which relate to social responsibility and commitment of banks to sustainable economic activities, from an environmental, social and managerial point of view, and also to management of internal processes and relations with clients, Banca Intesa concretizes through projects of responsible and sustainable business based under the concept of the Circle of Sustainable Ideas and in accordance with the Strategy of the Group.

Within the Retail Sector, over the past two years, several ESG initiatives have been implemented that directly contribute to the improvement of both environmental protection and the living conditions of sensitive social categories of the population, such as: loans for improving energy efficiency, green mortgage loans, subsidized mortgage loans for mothers, a specially designed overdraft product (Mum@work).

The positive trend of realization of products that comply with the Group's ESG policy continued in 2024. The production of ESG products intended for individuals amounted to 123.9 million euros (14.5

billion dinars), which represents a growth of +25.1% compared to previous year. We should mention here green housing loans with growth of +41%, cash loans for pensioners with growth of +21.8%, and especially housing loans for mothers, which, although smaller in volume, achieved growth of over +110% in 2024. The strong growth of products that fall into the ESG category clearly shows the Bank's commitment to activities aimed at improving the social and environmental aspects of our society.

Digital channels and e-services

Business with payment cards

In 2024, Banca Intesa maintained its leading position in the card business segment, with a market share of 16% in the number of issued payment cards (15% in the number of debit cards and 28% in the number of credit cards), 21% in the number of POS terminals and 62% in the number of internet POS terminals. Taking into account the realized volumes, Banca Intesa has a 26% market share in the part of POS traffic, while in the part of internet traffic it has over 71% market share.

Banca Intesa cards participated with 26% in the total internet turnover of all cards issued in the Republic of Serbia, as well as with 27% in the total number of internet payment transactions in the country and abroad, while participation in the POS turnover and POS transactions of Banca Intesa cards purchases in the country and abroad is 20%.

The number of transactions made with Banca Intesa payment cards increased by 17%, while the total turnover in 2024 recorded an annual growth of 18%. The circulation of payment cards abroad increased by 32% and the number of transactions by 33%, while the circulation of Banca Intesa payment cards carried out in countries outside the bank's acceptance network increased by 28% and the number of transactions by 24% compared to 2023.

During 2024, the Bank introduced a new product to its offer - IN payment account intended for the youth segment, i.e. clients aged 16 to 26. As part of the account, a Visa Inspire debit card with a special design, made of eco-plastic, is issued to clients free of charge. The bank has provided a special set of benefits and discounts with selected partners from various industries for paying with the Visa Inspire payment card for young people, which can be realized at the partner's retail and/or online sales points.

As for transactions at the bank's POS terminals, including Internet POS terminals, their number increased by 7%, while the volume of traffic increased by 10% compared to the previous year. In addition, Banca Intesa continued to improve its reception network, constantly expanding the number of new users.

As part of the New POS ecosystem project, the expansion of the network of Android POS and SoftPOS terminals, which provide merchants with the opportunity to accept multiple payment instruments and use other business applications on one device, continued. The process of implementing the contracting process through the Digital Business Admin FO application, for POS and Ecommerce services, has started.

In 2024, Banca Intesa further expanded the network of Soft POS applications and thus offered its clients a unique solution that allows merchants to use one application to accept payment cards and IPS payments. At the end of the year, we end with 328 merchants, or 2278 terminals. The implemented improvements in the bank's offer will contribute to the defense of the existing leadership position on the market, especially taking into account the upcoming new platforms that have opened up space for new competitors to enter the market.

The bank also continued to expand sales points where installment credit card sales are enabled, which is now enabled at over 12,000 points. The volume of turnover for installment card transactions maintained a high percentage of participation in the total turnover at the bank's POS terminals of 10%.

In addition, in cooperation with merchants, activities aimed at providing significant discounts and benefits to Banca Intesa payment card users continued.

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Customer activity on digital channels

The total number of clients who have contracted the digital banking service as of December 2024 is 700,000, which is 10% more than at the end of last year. In addition to the focus on the digitalization of the client base, special emphasis is placed on the use of the application itself: 573,000 active users, which is over 82% of the number of contracted clients, is a result that speaks in favor of the successful onboarding of digital users.

The number of transactions performed on digital channels during 2024 reached 28.2 million, which is 17% more than in the previous year. The number of users who perform transactions via digital applications on a monthly basis is 379,000, which is over 40 thousand more than at the end of last year.

This growth in the number of digital transactors and completed transactions was largely driven by the Engagement project: the target group were digital service users who had not previously used applications for transactions and according to predictive (machine learning) models, they were most likely to start using applications for everyday payments. Campaigns that communicated video messages and tutorials to clients were implemented via Viber and in-app communication, and recorded a response rate of over 20%, while the average response rate was 23%. The increase in sales on digital channels in the number of cash loans compared to last year is 13%, and the share in total sales is 23.2%. (0.7pp more than in 2023). Overdraft sales on digital channels increased by 83% in 2024 compared to last year, and the share of digital channels in total overdraft sales is 24.5% (7.5pp more than in 2023).

Digital banking improvement and introduction of paperless process

In addition to numerous innovative functionalities in the mobile application, in the previous year it was possible to activate payment cards that arrived at the address for receiving mail, without going to a branch. Also, clients can use the mobile application to redirect cards to the address for receiving mail or to any branch. Clients who are looking for new investment opportunities are enabled to buy and sell investment units for the funds they opened with Intesa Invest ad Beograd through digital banking, and in this way they have the opportunity to invest and potentially increase their funds in a simple way. Digital banking enables the purchase/sale of investment units for the Alternative Investment Fund, as well as the purchase/sale of Intesa Invest Cash Dinar, as well as foreign exchange funds Intesa Invest Cash Euro, Intesa Invest Comfort Euro and Intesa Invest Flexible Euro.

The number of users and transactions made through Apple and Google devices is constantly increasing, so that in 2024, the number of transactions made through Apple devices was 12.8 million, while the number of transactions made through Google payment was 6.2 million. In 2024, the number of users using this service for Apple was 57 thousand, while for Google it was 34 thousand, which represents a growth of +50% compared to the previous year.

After the bank enabled the online issuance of a qualified electronic certificate through the digital banking application for individuals in 2023, the most important prerequisite for further digitization of processes in the bank was achieved. Applying the signing of documents with the use of a qualified electronic signature through the ConsentID application, made it possible to increase the limit for cash loans that can be realized through digital banking applications, because a qualified electronic certificate is a substitute for a handwritten signature. Banca Intesa is the only bank on the market that offers its clients enabled them to realize a loan in the amount of over 600,000 rsd through digital banking applications, without a single trip to the branch. Since May 2024, 454 loans of over 600,000 rsd in the total amount of over 3,320,000 euros have been placed.

With the introduction of a qualified digital certificate in the Bank's operations, a prerequisite for the

introduction of paperless operations in branches was also achieved. Therefore, Paperless branch project was launched with the aim of presenting the documentation that is currently printed in various processes to the client in an electronic format, enabling the client to sign it with a qualified electronic certificate using the Consent ID application.

The signed documentation is automatically forwarded to the client on digital banking applications or by email, and on the bank's side it is automatically archived in the dedicated archive.

The project will contribute to a significant increase in the efficiency of advisers in branches, as well as the Bank's commitment to sustainable business.

In addition to the paperless process in branches, within the same project Bank is also working on remote offer. Through remote offer, documentation would be presented to client on a mobile application. After review and acceptance, clients could sign the documentation using a qualified certificate, so that the digital processes could be completed without client coming to the branch. Instead, clients would need a mobile application and a qualified electronic certificate.

Besides the effects listed for the Paperless process, the Remote offer brings improvements to sales processes and has significant potential for improving services that clients could use without need for physical presence.

In the first phase of the project, in Q2 2024, paperless processes were implemented as part of the pilot production, as well as a remote offer, for updating data in the client information form and the KYC questionnaire for private individuals.

The pilot for cash loans on new channels (paperless and remote offer) will start in Q1 2025, while the production for the entire network is planned for Q2 2025. After the successful completion of the first two phases, it is planned to enable the new process for deposit products, overdrafts and change of account type.

Donations

In accordance with the ESG policy and during 2024, clients continued to donate funds for humanitarian purposes through the functionality within mobile banking for individuals, which provides clients with the option to donate within the payment order, by rounding the transaction amount. In 2024, the Bank continued its cooperation with humanitarian organizations: SOS Children's Villages, UNICEF, Food Bank Belgrade and Belhospice Belgrade.

The total number of donations in 2024 amounted to 153.541 transactions, while the total amount of donations collected in 2024 amounted to 10.2 million dinars.

Public portal – Remote mortgage

Given that the Bank's strategic commitment is excellence in providing banking services that results in a flawless client experience, as well as the availability of banking services in a way that clients, according to their needs, can choose the channel through which they will be served, in February 2024 we introduced a new sales channel, applying for housing loans via video meeting. In addition to scheduling a meeting at the branch, clients are enabled on the Bank's website to schedule a video meeting for applying for housing loans. A detailed Questionnaire/calculator has also been introduced where clients fill in all the details about the desired housing loan so that the final calculation is as close as possible to the conditions that would ultimately be approved for the client.

In this way, we have improved the client experience when providing housing loan services, by making the service available at any location where clients are without having to go to the Bank, i.e. Bank clients can receive a complete service of counseling, collecting documentation and submitting a housing loan application "from home". Only two physical visits to the bank are required for loan disbursement, while all other activities can be carried out "remotely".

Conversational banking

Pilot production of the Conversational banking functionality began on November 27, 2024, while full production is expected in early 2025. Conversational banking is a new functionality for Magnifica clients that enables direct contact between the Magnifica client and the Advisor through the chat functionality in the Digical application.

Within the chat option, clients are presented with two options:

- Help: chat and video chat with Contact Center agents for service information
- Consultation: chat and video meeting with a Magnifica advisor regarding information related to products and services as well as other information

Pilot production was introduced for 5 Advisors in the Kolarceva branch and clients belonging to their portfolio. As part of the pilot, 81 successful chat communications and 12 successful video calls were made by the end of 2024.

Discount Gallery

The Bank has developed a platform for discounts called "Discount Gallery", which is accessed through the Digical application. Our clients are provided with discounts and benefits through personalized offers created according to the needs and needs of clients.

Clients, users of the Digical application, are segmented into six basic segments that differ from each other in terms of purchasing behavior and motives for purchasing. The segments were created based on a previous analysis of client consumer behavior and client financial potential. The goal of the personalized approach to creating offers is to offer clients products and services in accordance with their interests and to increase the conversion rate of activated offers.

The Discount Gallery project started on 24.12.2024. with over 90 different offers from 24 merchants who joined the platform in the first wave of acquisition.

Further improvements to the user experience and functionality of the platform are planned for the coming year, as well as further acquisition of merchants who will join the Discount Gallery.

Cash in/Cash out

During the last four years, the Bank has worked intensively on expanding the network of multifunctional self-service devices. A total of 110 devices have been installed that offer our clients in the segment of natural persons the possibility, quickly and easily, to make dinar payments/withdrawals, as well as the possibility of making payments/withdrawals in euros from their foreign currency payment account. The dinar payment option at self-service devices is used by over 170 thousand users with a participation of 82% of these transactions in relation to the same transactions performed at counters in branches, while over 64 thousand clients use the EUR currency payment on self-service devices.

In 2024, 1,353,840 payment transactions were made in RSD (26.6% more compared to 2023) in the total amount of RSD 46,254,035,750 (39.9% more compared to the previous year), as well as 326,180 payment transactions in EUR (42.1% more than in the previous year) in the total amount of 297,070,240 EUR (57% more than in 2023).

Over 700k clients of the Bank, segment of individuals and legal entities, used the dinar withdrawal option at 407 ATM last year. At the Bank's ATMs 20.6 million cash withdrawal transactions were carried out, of which 366,910 were in EUR.

The bank also worked intensively and succeeded in installing specialized devices for market payments in the last four years and providing this functionality needed by the segment of legal entities and entrepreneurs on 118 devices in 113 branches. By using these devices, almost 27,000 clients of legal entities and entrepreneurs migrated 80% of market payments from branch counters at the level of the entire business network., while the migration rate of market payment transactions in branches where the device exists is around 84%, which provided additional time for colleagues from branch office for advisory services and sales of more complex products and services.

Activity of clients - legal entities on digital channels

The activity of legal entities on digital channels continues its growth trend in 2024:

- Total number of contracted users: 93,575, an increase of 8% compared to the end of last year.
- Number of clients with login, active clients: 66,975, up by 4% compared to the end of 2023.
- Number of clients with transactions: 56,686, a 2% increase compared to the previous year.
- Total number of payments made on digital platforms in 2024: 28,908,661, 2% more than in 2023.
- In 2024, a total of 3,606 loans/overdrafts were approved, amounting to 8,811,230 EUR.

At the end of 2024, the BizMobi application introduced the foreign currency payments functionality. Users can now easily and quickly perform international transactions directly through the app and gain real-time insight into all changes and foreign currency statements. The total amount of foreign currency payments processed via BizMobi application during the first 40 days since its launch into production is 4,088,336.56 EUR

Additionally, by the end of 2024, the integration of the BizMobi application with the CRM solution was completed. This integration serves as a new point of contact between clients and the bank, with the ultimate goal of enhancing client relationships both in terms of relational aspects and increasing sales through digital channels.

The BizMobi-CRM integration enabled the display of product catalogs and campaigns within the BizMobi application. The product catalog offers a wide range of products for which clients can proactively express interest and apply at any time. Simultaneously, the advisor receives real-time information about the client's interest in a specific product and can contact the client promptly.

Through CRISP, campaigns are activated and become visible to clients within the BizMobi application. Clients can express interest in campaign offers or complete loan/overdraft applications entirely online. In addition to sales campaigns, clients also have access to relational campaigns on the BizMobi channel. These campaigns are designed to inform clients without any sales objectives, further strengthening communication between the bank and its clients.

The results of this integration are best reflected in the numbers: the total number of expressed opportunities through the BizMobi application reached 1,128, with a realization rate of 9.84% within a two-month period.

Other promotions

Self-service devices

During 2024, customers have done 1,096,662 payment transactions in RSD in the total amount of RSD 36,700,816,121, as well as 264,084 payment transactions in EUR in the total amount of EUR 239,122,672.

Business network

The transformation of the business network in the last few years was necessity on one side, but driving force in the process of modernization and improvement of the bank's operations as a whole. The transformation from a dominantly transaction-oriented network to predominantly advisory and sales-oriented branches, with the introduction of branch cashless formats, growing coverage of devices, both internal and external, improvement of the branch processes and entire business model, through clustering and modernization of the appearance of the branches, has been especially intensive during 2024.

The changes in the year behind us, mostly related to the continuation of the clustering process, the full implementation of the new service model and the optimization of the working hours of the transaction segment, which created preconditions for further optimization of the physical network. By continuing the process of clustering and optimization, the business network ended the year 2024 with 134 branches (9 branches less than in 2023), 65 clusters and 1368 Fte (132 Fte less compared to 2023). The improved service model implies, first of all, the strengthening of the team approach supported by the new management structure in the cluster, the improvement of employee competence, and the orientation of the branch towards an advisory approach and the integration of the omnichannel model, with a strong focus on increasing productivity and improving the customer experience.

In order to strengthen its availability to clients in strategically important locations, the Bank relocated three branches to new business premises in Belgrade in 2024: Crnotravska 7-9, Cara Dušana 35 and Požeška 65a and 65b. The Niš branch offices at Milojko Lešjanin 1, Sinđelićev trg 18 and Bulevar Nemanjića 28-32, as well as the Belgrade branches at Mirjevski venac 23 and Surčin, Vojvođanska 85, also received new looks. The ATM network was expanded by 14 new devices, while external ATMs were replaced at the same time and thereby rejuvenated the entire network of self-service devices.

During 2024, the Bank's Contact center successfully responded to a significant increase in requests volume on all electronic channels, thus confirming that it is one of the key pillars in the future development of a better customs experience and improvement of the Bank's services.

The telephone channel remained dominant during 2024, with an increase of 13% in the number of calls offered and the desired realization of 90%. The increase in the number of calls offered, as well as further focus on conducting sales campaigns, enabled an increase of 18% in the number of created leads, with a stable conversion rate ranging from 18% to 20% on a monthly basis. The largest increase in the number of queries offered was achieved on the Chat channel (42% increase compared to the previous year), which indicates an accelerated migration of clients with significant use of electronic services. All this led to a total number of 1.5 million processed interactions during 2024, which indicates a further intensification of the trend of volume growth in the coming years.

The previous year was also marked by a significant effort in defining and starting the processes related to the adoption of the Digital Branch concept, which will enable full autonomy of the sales activities of the contact center in the coming year. During 2025, significant changes in the technological solution, further reorganization and acquisition of new skills related to the full use of the Remote Offer process are expected, which will modernize the Bank's operations and enable the service preferred by new generations of our clients.

Segment of Small business and Registered agricultural households' clients

- *Support and innovation for sustainable growth: Small businesses and Registered agricultural households' are the pillars of our economy. Our bank is committed to providing innovative financial solutions and support that enables these sectors to adapt, grow and thrive in a dynamic market environment.*
- *Focus on security and stability: In a world full of challenges, security is a priority. By introducing new bundles of payment accounts with insurance products, we provide our customers with additional protection and peace of mind, allowing them to focus on their business goals without worrying about contingencies.*
- *Sustainable agriculture as the key to the future: Sustainable agriculture is key to our economic stability and ecological balance. By providing financial support and education, we continue to empower farmers, thereby contributing to the development of local communities and the preservation of natural resources.*

The year 2024 was marked by numerous challenges and changes in the global market, which had a significant impact on the operations of small businesses, entrepreneurs and Registered agricultural households' in Serbia. Geopolitical tensions have created uncertainty that has affected economic stability both in the euro region and in the world. The energy crisis, which resulted in an increase in the price of raw materials and energy, made business conditions even more difficult for many entrepreneurs.

In this context, revamping supply chains and adapting business models have become imperatives for survival and growth. Although the growth of the main foreign trade partners has slowed down, 2024 is the year of a slight recovery of economic activity, which provides a basis for stabilization and development.

Digitization has emerged as a key force on this path, enabling businesses to improve efficiency and reach new customers through online platforms. This transformation was not only technical, but also meant a change in the way of thinking of entrepreneurs, who recognized the value of innovation in modern business. In addition, the focus on sustainability and environmentally responsible practices has become increasingly present, bringing a new dimension to business and opening the door to the development of sustainable models.

Serbia, as part of this complex economic and political environment, faces its own challenges, but also opportunities. Small businesses play a key role in the economy, and their ability to adapt and innovate is crucial for the future growth and competitiveness of the national economy.

In the aforementioned economic circumstances, Banca Intesa continues to be a strong and stable pillar of the domestic economy. At the end of 2024, the Bank had 122.6 thousand clients of legal entities and entrepreneurs in the small business segment, which represents an increase of 3% compared to 2023. Of the mentioned number, even 17.5 thousand clients are loan beneficiaries at Banca Intesa. And in the segment of credit clients, the Bank recorded a positive trend and growth of 0.4% compared to 2023.

In the business segment Registered agricultural households', Banca Intesa welcomed the end of 2024 with a market share of 15.4%, confirming its increasingly active role in this segment as well, since growth of 10.6% was recorded compared to 2023. The total number of clients of registered agricultural households in Banca intesa amounts to 68.4 thousand, of which 6.4 thousand are credit clients that had a growth of 1% compared to 2023.

The year 2024 is a record year in Banca Intesa's small business, since through the support of small businesses and AGRO clients, as many as 329.8 million EUR loans were placed, which is 8% more than in 2023. Also, a record amount of loan portfolio balance of 451,9 million EUR was achieved, which is 9% growth yoy.

Deposits are traditionally at a high level. At the end of 2024, the segment covering small businesses and registered agricultural holdings met with a level of 804.9 million EUR deposits, which is an average growth of 9% compared to the previous year.

Small Business Segment

In order to provide adequate support to the economy in a challenging market environment, Banca Intesa continued with innovations in its offer as well as with traditional support through cooperation with renowned financial institutions.

With the aim of offering its clients flexible and comprehensive solutions that will facilitate their daily business, but also introduce an additional element of security, at the beginning of the second quarter of 2024, Banca Intesa enriched its product offering with packages of payment accounts intended for legal entities and entrepreneurs with annual income up to 3 million euros. The Bank offers its clients 4 different packages that represent combinations of different banking products and services in accordance with the identified needs of companies that are in different phases of the life cycle and in different spheres of business. What sets Banca Intesa's package of payment accounts apart and makes it unique compared to competitors is the inclusion of insurance products. Namely, each package includes a special insurance product (secure wallet, travel and/or health insurance), while users of the premium package also have at their disposal a priority support service for interventions on POS equipment. The quality of the offer was also recognized by the market, so that Banca Intesa met the end of 2024 with as many as 13.9 thousand clients who activated some of the new payment account packages only 9 months after their introduction.

During 2024, Banca Intesa continued intensive cooperation with renowned financial institutions in order to make available to its clients loans characterized by extended repayment terms compared to the standard offer, as well as additional flexibility in terms of required collateral. Among the most important partners of Banca Intesa on this path are the American Development Finance Corporation (DFC), the European Investment Fund (EIF), the European Bank for Reconstruction and Development (EBRD) as well as the Italian partner Cassa Depositi e Prestiti (CDP).

Cooperation with the American Development Finance Corporation (DFC) began in 2021 with the signing of a guarantee agreement that allowed the Bank to use the DFC guarantee for the needs of long-term loans for investments in agriculture. From 2022, the cooperation is extended to include economic entities. In 2024, through loans supported by the DFC guarantee, Banca Intesa placed 3.5 million EUR funds for financing current operations as well as investments (SB and AGR).

The Bank and the European Investment Fund (EIF) signed an Agreement on the guarantee of the loan portfolio within the Western Balkans Enterprise Development and Innovation Facility Guarantee for SME Resilience (WB EDIF Guarantee4SME Resilience) program, with the aim of encouraging credit activity with the use of the EIF guarantee for risk sharing. In this way, the Bank and the EIF continue the successful long-term cooperation that started in 2016. During 2024, through EDIF products, 209 clients were supported in financing their investments, with funds in the total amount of over 12.1 million EUR (SB and AGR).

With the aim of consistently continuing its activity in the field of socially responsible business, Banca Intesa has continued its long-standing cooperation with the European Bank for Reconstruction and Development (EBRD) through programs intended for financial and educational support for sensitive market niches of female and young entrepreneurs.

Through the program intended to support female entrepreneurship, Banca Intesa supported 499 business ideas of women in business through 12.9 million EUR funds during 2024. Since the Program came into being, from 2015 until the end of 2024, the Bank proudly points out that as many as 7 contracts with the EBRD have been signed for a total of EUR 39.5 million. At the beginning of 2025, on the 10th anniversary of the Program, a new 8-in-a-row contract will be signed in the total amount of EUR 15 million.

The program intended to support young entrepreneurs (up to 35 years of age) started in 2022. During 2024, through this program, 336 young entrepreneurs were supported with 9.1 million EUR funds.

Along with financial support, the Bank provides these sensitive market niches with opportunities to acquire new knowledge and skills through educational programs (seminars) that address current topics important for the growth and development of their business, but also represent an opportunity for networking and expanding the network of contacts.

Aware that time is the most valuable resource to clients, Banca Intesa continued dedicated work in the field of improving its digital platform. Through the improved BizMobi application, online through a fully digitized end-to-end loan process, during the year 2024 even 2,828 entrepreneurs had the opportunity to realize their loan requests. The BizMobi application has been further improved, enabling clients to make foreign currency payments through it, but also to find all relevant information in real time and schedule a meeting with their advisors.

With the desire to make attractive alternatives to classic forms of savings to its clients, Banca Intesa continues its successful cooperation with the Intesa Invest Fund. Through 2 different types of investments (funds), AUM reached the amount of 90.9 million EUR, which represents a growth of 65% compared to the previous year. Also, the network of Intesa advisers licensed to provide professional support is expanding so much that at the end of 2024, even 214 advisers have the appropriate certificates, which makes up 97% of Banca Intesa's business network in the small business segment.

Registered Agricultural Households

During 2024, the recession in agriculture that started at the end of 2022 continued. High input prices at the beginning of the season and unfavorable climatic conditions during the summer affected the reduction of yields and the quality of finished products, which for the third year in a row generated a total decline in the volume of agricultural production. The effects of such a bad year are still evaluate, and it is estimated that all of this will have long-term consequences for the entire agricultural production in Serbia.

In order to mitigate the consequences, the state introduced several measures aimed at stabilizing agriculture in 2024, of which almost 90 percent of the budget intended for agriculture was placed through incentives and through direct payments. Incentives increased the amounts of direct payments in the farming and livestock segment, introduced preferential prices for energy sources (diesel fuel) and continued the program of subsidized lending in cooperation with commercial banks. Annualy report by the Food and Agriculture Organization of the United Nations (FAO) analyzes the global production of primary crops, which continues to grow year after year. Staple crops such as sugarcane, maize, wheat and rice together account for nearly half of global crop production. Meat production also increased, with chicken overtaking pork to account for the largest share of this increase.

Pesticide use has increased over 70% from 2000 to the present, with America accounting for half of global pesticide use. Carbon emissions from agri-food systems have increased by over 10% since the beginning of this century. Water scarcity remains a growing problem in regions such as the Middle East and North Africa, where many countries face extreme water lack, directly affecting the sustainability of agricultural production.

Food production is continuously increasing, but on the other hand, hunger remains a permanent issue. During 2023, between 713 and 757 million people were undernourished, accounting for more than 9.4% of the total population

Regardless of the turbulence in the agricultural market and the state of agriculture in Serbia, Banca Intesa increased its market share in the agricultural business segment to 15.42% in 2024 (data for November), thus confirming its stable market position in the group of four leading banks in this segment. In 2024, the activity of economic entities in the agricultural sector reached 69.5 million euros, with total realisation of 5.025 loan placements.

The loan portfolio recorded a growth of 14% compared to 2023, reaching a new record of EUR 118.6 million at the end of the year.

As in previous years, Banca Intesa was ranked among the leading financial institutions in the field of cooperation with registered agricultural farms.

During 2024, we continued to improve the process by implementing new products in this segment

Dedicated accounts of farmers - new functionalities

As part of the process of digital transformation of the dedicated current account of farmers, Banca Intesa introduced new additional functionalities which included issuing Dina and/or Visa payment cards at the beginning of April 2024.

With the introduction of debit cards, the dedicated account was further improved through the possibility of cashless payments from dedicated accounts, as well as cash withdrawals and payments at ATMs, instead of at the Bank's counters, thus giving the possibility of complete control and management of the funds on those accounts.

Cooperation agreements with agricultural machinery dealers

The market for the sale of new and used machinery is well developed in Serbia, with the world's most famous manufacturers of tractors, combines and other machinery having been present for years. The sale of machinery is organized through a distribution network, using various sales methods through the commercial services of representatives of these companies.

Bank Intesa recognized the potential of this market in the possibility of increasing the realization of investment loans and entered into negotiations with the most famous dealers and signed several business arrangements with the most famous distributors already at the end of the summer. These credit arrangements are based on the principles of defining lower interest rates for loans intended for machinery buyers, on the basis of which the Bank generates income, while part of the income is generated based on the fees it collects from dealers.

This program was launched at the end of the third quarter, and the first results show satisfactory effects. During the last four months of 2024, 63 credit arrangements were implemented in the total amount of 1.9 million euros.

WB EDIF Farmer loans

Bank Intesa and the European Investment Fund (EIF) have signed an Agreement on the loan portfolio guarantee, with the aim of encouraging credit activity with the use of the EIF guarantee for risk sharing.

As a guarantor, EIF provides a guarantee to cover part of the Bank's credit risk in connection with the portfolio of loans approved and realized to end users, registered agricultural holdings established and operating in the Republic of Serbia.

In March 2024, this new guarantee program started, which, in addition to agri clients, also included small business and SME client segments.

By the end of the year, more than 54.4 million euros (SME+SB+AGR) were realized, of which only in the agriculture segment was placed 6 million euros.

EaSI Farmer loans

The guarantee program of the European Investment Fund by name EaSI, in addition to the liberalization of collateralization (loans without security), reduced the risk costs of these loans and opened up space for lower loan prices compared to the standard offer, which was well received by agricultural producers.

In the fourth year of this program, the expected implementation of investment loans continued, the effect of which was mostly reflected in the improvement of the maturity structure of the agro portfolio and the additional stabilization of the quality of the portfolio.

In order to expand the offer of loans, in addition to investment loans, at the beginning of November we implemented EaSI Farmer loans for working capital and thus completed the offer in this credit category.

During the year 2024, more than 4 million euros of loans were placed through the mentioned program, while the total realization since the beginning of the program amounts to 23.8 million euros.

Loans for women in agriculture

By placing an additional focus on the ESG component of the Bank's business, as well as strengthening competitiveness in the RPG client market, a new credit product for RPG clients was created at the end of 2023

with the aim of facilitating access to funding sources for the market niche of women in agribusiness.

These loans are intended exclusively for registered agricultural farms owned by women, where they are granted loans for financing working capital and investments, on more favorable terms than standard loans for the same purposes.

This program was successfully continued during 2024, during which it has been dibursed 263 loans in total amount of 5,3 mil EUR.

Loans for young farmers
As is the case with loans for women in agriculture, where the focus was placed on the ESG component of business, our bank created another new loan product for a special group of RPG clients who are under 40 years old.

The main goal of this product is to facilitate access to sources of financing for the growing market segment of young agricultural producers in agro business. Loans for financing working capital and investments are intended exclusively for registered agricultural holdings whose owners are persons under 40 years of age.

After a successful start in mid-November 2023, so far i 2024. it has been dibursed 224 loans in total amount of 3,8 mln EUR.

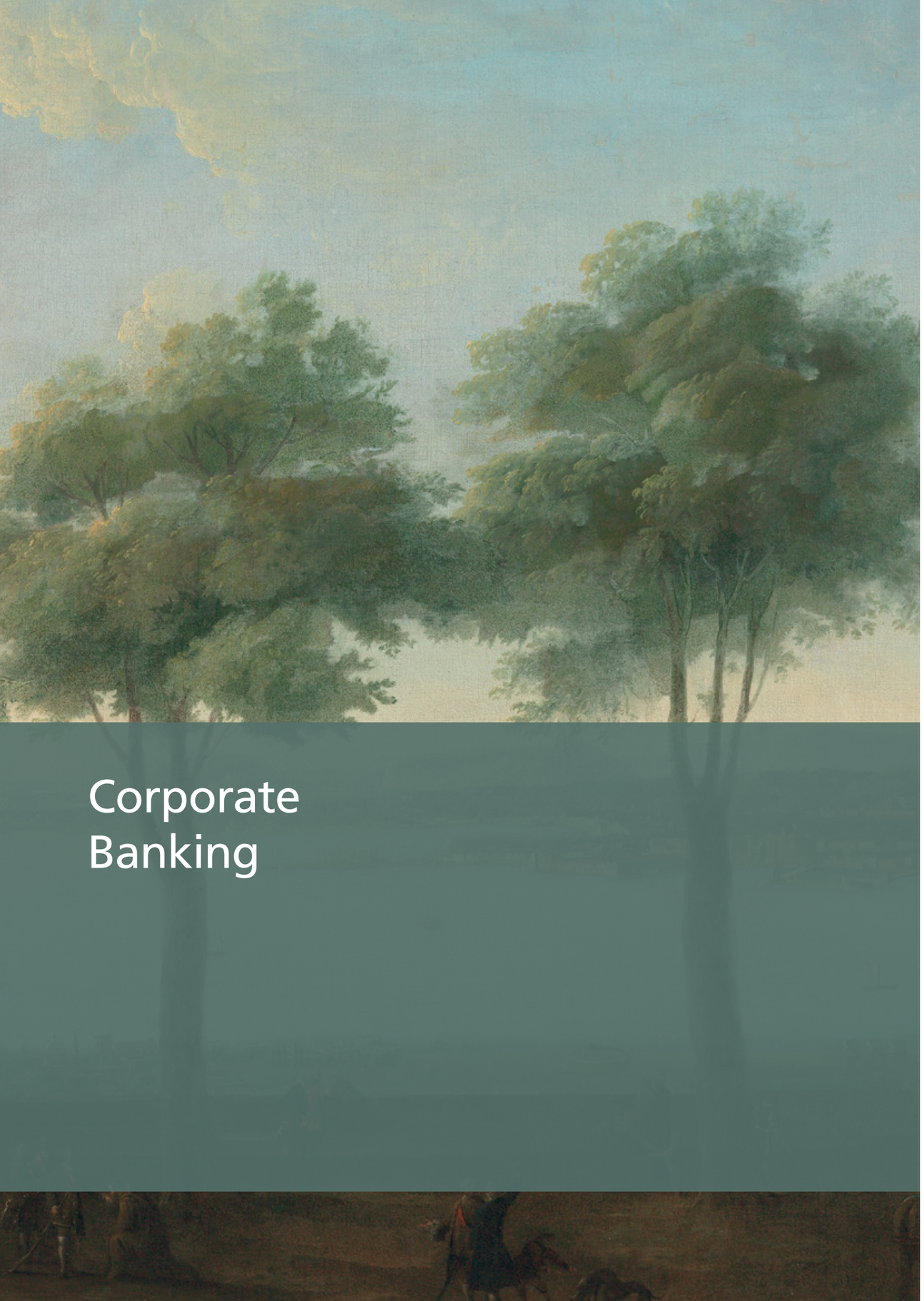
KFW credit line
At the end of 2022, an agreement was signed with the German Development Bank KFW, which defined a special program of financial support for the agricultural sector with the main goal of improving and developing agricultural production on the territory of the Republic of Serbia.

Through more favorable sources of financing, it is possible to lend to a wide range of clients and market a more diverse structure of new credit products offered by our bank.

During March 2023, this program was launched and so far more than 2.3 million euros have been placed through it.

Subsidized lending program in cooperation with the Ministry of Agriculture, Forestry and Water Management
This program was first launched in 2008 and traditionally occupies a very important place in the Bank's offer for this segment group of clients. During 2024, Banca Intesa implemented over 12.7 million euros of loans in cooperation with the Ministry of Agriculture, Forestry and Water Management.

As in previous years, cooperation with a large number of local governments throughout Serbia continued through agricultural loan financing programs, in which municipalities fully or partially subsidize the interest rate of special-purpose loans.



Corporate Banking

Corporate Banking

- *Strong support to economic growth and development, reflected in facilitate access to financing, the implementation of digital solutions, as well as additional incentives aimed at improving competitiveness and business sustainability*
- *Important contribution to the improvement of business environment, through the support to the clients on their way to a sustainable future and through the fully implementation of ESG principles and the financing of the projects with strong ESG components*
- *Development and implementation of innovative digital application solutions that can make the business of clients more efficient*

The global monetary space in 2024 has been marked by the beginning of interest rate cutting by the main Central banks. As a result, banks in Serbia has started with lowering interest rates, but interest rates decreasing slower than they rose.

After a challenging period shaped by the tight lending conditions, in the second half of the year it was recorded an increase in demand for loans.

In 2024, the Serbian economy has achieved relatively high economic growth, inflation is close to the upper limit of the target corridor, while maintaining economic stability.

Serbia's investment climate has significantly improved, with record inflow of foreign direct investments in 2024 (5.1 billion euros as of November 2024)

Serbia has achieved a significant milestone by being upgraded to a BBB- credit rating (by Standard&Poor's rating agency), which will facilitate access to capital, lower borrowing costs, and stimulate new investments.

The central bank of Serbia maintained its key interest rate at 5.75%. Key policy rate has been cut by 75 bp in total since June.

Despite very dynamic and challenging business environment, Corporate and SME Division recorded a 6.6% growth in loan portfolio, providing a market share of 16,8% (Nov-2024). The total balance and off-balance portfolio exceeded RSD 360 billion. Corporate and SME Division generated more than EUR 1,9 billion of cash new production.

The increase in credit exposure volumes is followed by the preservation of the quality of the portfolio, the share of Non-Performing Loans in Total Loan Portfolio is still at a historical minimum (1,0% Nov-2023).

With the ambition of becoming the market leader in green financing, we supported the clients who were ready to fully align their business with the principles of corporate and social responsibility as well as environmental protection, with over 104 million EUR. Supported by its parent company, Banca Intesa Belgrade has successfully granted EUR 57.6 mln of circular and green economy loans and laid the foundations for building a sustainable future.

In addition, educational activities have been organized for clients and business partners in form of seminars, workshops and trainings on important sustainability trends. Participation in institutional and ESG related conferences was also noted.

Regarding deposit transactions with legal entities, the Bank constantly records an increase in the volumes of deposits, achieving a market share of 15.9%. The Division recorded growth in deposits by 10.7%. Deposits in local currency, which make up over 60% of total deposits, represent the main source of financing for the growth of the loan portfolio. In the total deposit structure, a vista deposits make up ca. 60% of total corporate deposits.

In documentary activities related to issuing of bank guarantees and letters of credit, Division recorded yoy volume increase by 20.2%.

In the Segment for Large and Institutional clients, loans volumes recorded 14% growth yoy, as well as deposits by 6% compared to 2023. Strong support was again directed at strategic infrastructure projects in the country, with dominant participation in Public sector placements of 34,3%.

The acquisition of new multinational companies and the adaptation of products and services to their specific needs led to an 11% growth in the loan portfolio in the Multinational client department.

In addition, in the Small and Medium Enterprises Segment, beside a strong focus on customer satisfaction in a highly competitive environment, business process improvements continued as well as the provision of attractive credit lines in cooperation with foreign creditors. Since the beginning of the year, the loan portfolio grew by 3%, while deposits increased by 16%.

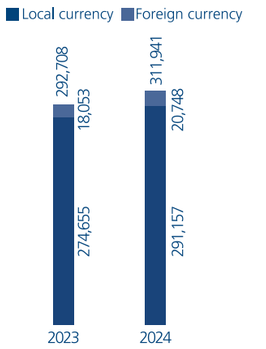
In Corporate Division, digital transformation impacts customer expectations and experience.

The Division also recognized the importance of transformation and innovation in both its business processes and customer offering. In this context, a domestic digital factoring platform was fully implemented, through which clients can manage the liquidity of their business in real time, quickly and easily sell receivables to the bank, without paper documentation.

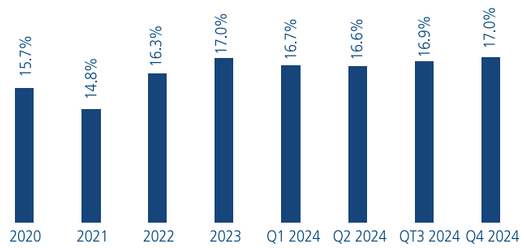
In the field of data monetization and development of new sales tools, Division actively participates in both local and joint initiatives with the parent bank, and sets standards of good practice and has a significant role in the implementation and use of the most modern solutions. This is reflected in the application of one of the world's best CRM tools (Salesforce), the application of advanced analytics, the improvement of the reporting system and the visualization of reporting in accordance with the highest standards (dashboards..)

In 2024, the Bank participated in the Benchmark study, which results cover more than 90% of the domestic banking market. Survey was confirmed leading position of Corporate & SME Division in different business aspects, in terms of number of clients, loans and deposits volumes, profitability, efficiency of business network etc.

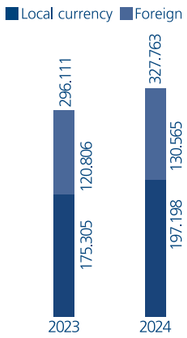
Corporate loans (in RSD million)



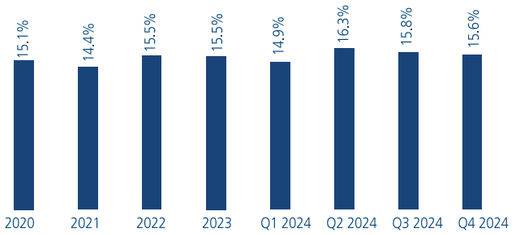
Market share of the Bank in corporate loans



Corporate deposits (in RSD million)



Market share of the Bank in corporate deposits



Transaction banking

By providing payment services to clients, Letter of Guarantees documentation operations, the Bank continues to deepen relations with corporate clients, while promoting various transactional banking services, both domestically and internationally, with the support of the ISP Group.

For the seventh year in a row, the bank continues to improve the Payment Factory service by expanding products and functionalities aimed at constantly improving the quality of this unique service on our market. In addition, with joint efforts and with the support of our Parent Group, we managed to retain and further improve the client base, both within Bank as well as at the level of the ISP Group. This service enables the centralization of payments, billing and reporting.

The portfolio of users of the Payment Factory service (almost 100% of users from the MNK segment and one SME client) is expanding with a tendency of continuous growth and new clients in onboarding status for upcoming period.

In 2024, the share of PF accounts in the total number of MNC commercial transactions is as follows:

- In dinar PP 9,9% in the number of orders and 5,9% in volume
- In foreign currency PP 67,2% in the number of orders and 29,5% in volume

Following new trends and continuously investing in the development of better products and better payment services, we strive to create solutions to customer needs and this full commitment further strengthens our partnership with them, taking into account the continuous improvement of service quality, in order to simplify and speed up their issuance in accordance with the needs of our clients and their partners. During 2023, Banca Intesa has improved Payment Factory service by introduction of CAMT053 messages, being only bank in the local market that provides this feature.

In this way, in 2023 - 2024, we managed to acquire many targeting clients through transactional banking services, who decided to do business with Banca Intesa, relying on new services, a wide global network and rich experience. Advisory approach, knowledge of market trends and efficiency in the implementation of client requirements are the key to good business and results.

In the coming period, the focus will be on digitization, i.e. a new approach model for submitting requests and documentation for the issuance of documentary products, all in accordance with group rules, in order to enable clients who use these products in other members of the group, with the same credentials, that is, the platform, they can access local needs.

Trade finance portfolio recorded strong upscale in volumes (above 30%) as a result of Bank's strong commitment to further boost this segment and demonstrate support to growing economy and trade business.

Guarantees and other commitments (in RSD million)

Factoring

Factoring business generates high outstanding as of the end of 2024 amounting to app. 210 mm EUR (outstanding as of 2023 amounted to 106 mm EUR), with turnover over 630 mm EUR. Number of factoring clients selling receivables or payables is 281 which is almost 2,8 times higher number than the number of clients of previous year. All categories of results record the highest historical growth, while the main driver of this trend is Digital Factoring Platform, as well as some of the complex transactions executed during the year.

Out of development activities, we would highlight following:

- Digital Factoring Platform that is in function as of the beginning of 2024. This was a period of stabilization of Platform functioning.

We have executed transactions with big multinationals companies. In addition, we managed technical connection of the Platform with payment system resulting in cross-selling synergetic effects.

Having in mind high average outstanding, we expect its full contribution to profitability during 2025.

Banca Intesa strives to be recognized and proven on the market as a reliable partner that provides stable support to clients in project financing, i.e. financing projects with real estate and renewable energy sources. The Bank has recognized the potential and advantages of this type of financing, with the orientation of business to market leaders, and the most relevant projects in real estate and renewable energy subsegments. Financing is realized in accordance with the rules and principles of project financing.

The focus in 2024, which will remain in 2025 as well, was the continuity of growth and improvement of the project-financing portfolio, with careful monitoring of the results of ongoing projects. The activities resulted in highest historical earnings, new projects to be implemented in 2025 and confirmed the quality and stability of our portfolio:

Structured (project) finance

Quantitative indicators:

- Outstanding/portfolio exposure recorded an increase of 2.3% compared to the previous year;
- Profitability on the portfolio level recorded an increase of 7.5% compared to the previous, also record year.

Qualitative indicators:

- Projects record a stable business result, on a strong foundation and sustainable repayment capacity, with regular settlement of obligations of all projects / Clients to the bank and without NPLs and any debt due, with a very good risk profile and diversification of project financing portfolio.

Considering all the activities from previous years, portfolio was improved with new projects in real estate segment (with good diversification of various projects in the area of housing and commercial real estate), renewable energy segment as well as new M&A financing. The total amount of financing in our portfolio is EUR 201 million, which represents a slight decrease compared to last year. In addition, the Division has adjusted its business model to fully comply with the new guidelines and criteria in the area of credit standards for this type of transaction.

In 2025, the Bank will strive to improve its competitiveness level to desired level – of one of the leading Banks on the market, to which we expect announced revision of the aforementioned guidelines

will contribute a lot. In addition, we expect to continue with high level of profitability and improvement of project financing portfolio through implementation of existing and new projects. At the same time, the Bank is focusing on increasing its presence on the market through quality new projects, which arise from market potential and upgrading of relations with domestic and international investors, in both real estate and renewable energy sources, and optimization of internal processes. The focus will remain on continuous monitoring of both existing and new projects, with additional attention focused on the negative effects of global market destabilization recorded in years 2023 and 2024. In the coming period, the Bank will try to fully utilize quality opportunities on the market in the M&A as well as the agency field, and to additionally improve the process of providing these services.

In addition, the Bank respects and acts in accordance with the Equator and ESG principles in its operations.

Capital markets/ EU desk

In 2024, the Bank joined the European Bank for Reconstruction and Development (EBRD), the EU, Cassa Depositi e Prestiti (CDP) and the German Development Bank (KfW) as the first private investor of the Enterprise Expansion Fund II (ENEF II), an investment fund which aims to support companies with high development potential operating in the Western Balkans region.

The Bank committed to investing up to 7 million euros in the ENEF II investment fund, whose total value and available capital worth is 71 million euros. The funds will be disbursed to the clients with significant potential for growth, with the comprehensive support of the EBRD as the fund's Investment Advisor. Nurturing cooperation with the EBRD, the Bank continues to identify new models for the empowerment of small and medium-sized enterprises, this time not only in our country, but also in other countries of the Western Balkans, thereby contributing to the strengthening of economic ties, as well as the economies of individual countries, and economy of the entire region.

As the first in Serbia, the Bank signed the Risk Sharing Framework Agreement (RSF) with the European Bank for Reconstruction and Development (EBRD), as part of the Risk Sharing Framework program, which aims to share the risks for loans granted by the Bank to end users, legal entities based in the Republic Serbia. By joining the EBRD RSF program, the Bank has the opportunity to support the financial needs of not only small and medium-sized enterprises, but also large companies, and to help them in a flexible way in the realization of significant investment plans.

The Bank will use this type of the EBRD guarantee in the amount of up to 50 million euros. The guarantee is designed to enable the EBRD to take over the exposure of partner banks to local large or small and medium-sized enterprises, through the risk participation. The EBRD will guarantee up to 65 percent of each individual loan granted by the Bank to the clients who meet the guarantee criteria.

During 2024, the Bank continued its successful cooperation with the European Investment Fund (EIF). The new EIF guarantee within the Western Balkan Enterprise Development and Innovation Program (WB EDIF Guarantee 4SME Resilience program), which aims to strengthen the resilience of small and medium-sized enterprises, enables the Bank to provide the economy with the opportunity to access financing under favorable conditions in the form of relaxed requirements for collateral or lower interest rates in the case of solid collateral, confirming once again the Bank's willingness to be an important support for this segment of the economy as a driver of further economic growth and employment. The agreement enabled building of the portfolio of almost 103 million euros, which is secured by a first call guarantee from the EIF.

In 2024, the Bank has continued the previously started successful cooperation with the American Development Finance Corporation (DFC), successfully building a loan portfolio of almost 82 million dollars for the development of micro, small and medium-sized enterprises and registered agricultural farms. The arrangement in question provides a guarantee for the realization of loans for working capital and capital investments with the aim of contributing to economic stabilization after the pandemic, stimulating the creation of new jobs and economic growth, as well as strengthening their resistance to future economic changes. The total portfolio of loans covered by the DFC guarantee, which Banca Intesa will market to clients, is aimed at the agricultural sector, underdeveloped regions, companies owned by women, as well as startup companies.

The guarantee is provided with the strong support of the Ministry of Finance of the Republic of Serbia and in partnership with the American Agency for International Development (USAID), which promotes equal opportunities for the development of micro, small and medium enterprises in Serbia.

During 2024, with the aim of continuing to support the economy, the Bank continued its successful cooperation with international financial institutions by using available and contracting new credit lines.

In providing access to favorable sources of financing for its clients, the Bank its strongly commitment to ESG principles. Encouraging the rational use of resources, reducing harmful gas emissions and mitigating developmental inequalities is part of Banca Intesa's broader ESG strategy, which assumes contributing to solving current environmental and social challenges by having a positive impact on the environment and social environment.

A credit line agreement was signed with the European Bank for Reconstruction and Development (EBRD) within EBRD program SME GO Green, in the amount of 15 million euros intended for investments in modernization with the aim of increased compliance with one or more European Union Directives in the field of environmental protection, worker safety and product safety and quality.

Joint support for the development of small and medium-sized enterprises has continued, primarily within the credit line in the amount of up to 100 million euros, with which the Bank undertook to develop a transition plan based on the goals of the Paris Agreement in the field of climate change, as well as to increase the level of green placements by investing at least 10% of the funds from the credit line in the projects that are in line with the approach to the green transition of the European Bank for Reconstruction and Development, thereby approaching the fulfillment of the goals in the field of application of ESG principles of the parent group.

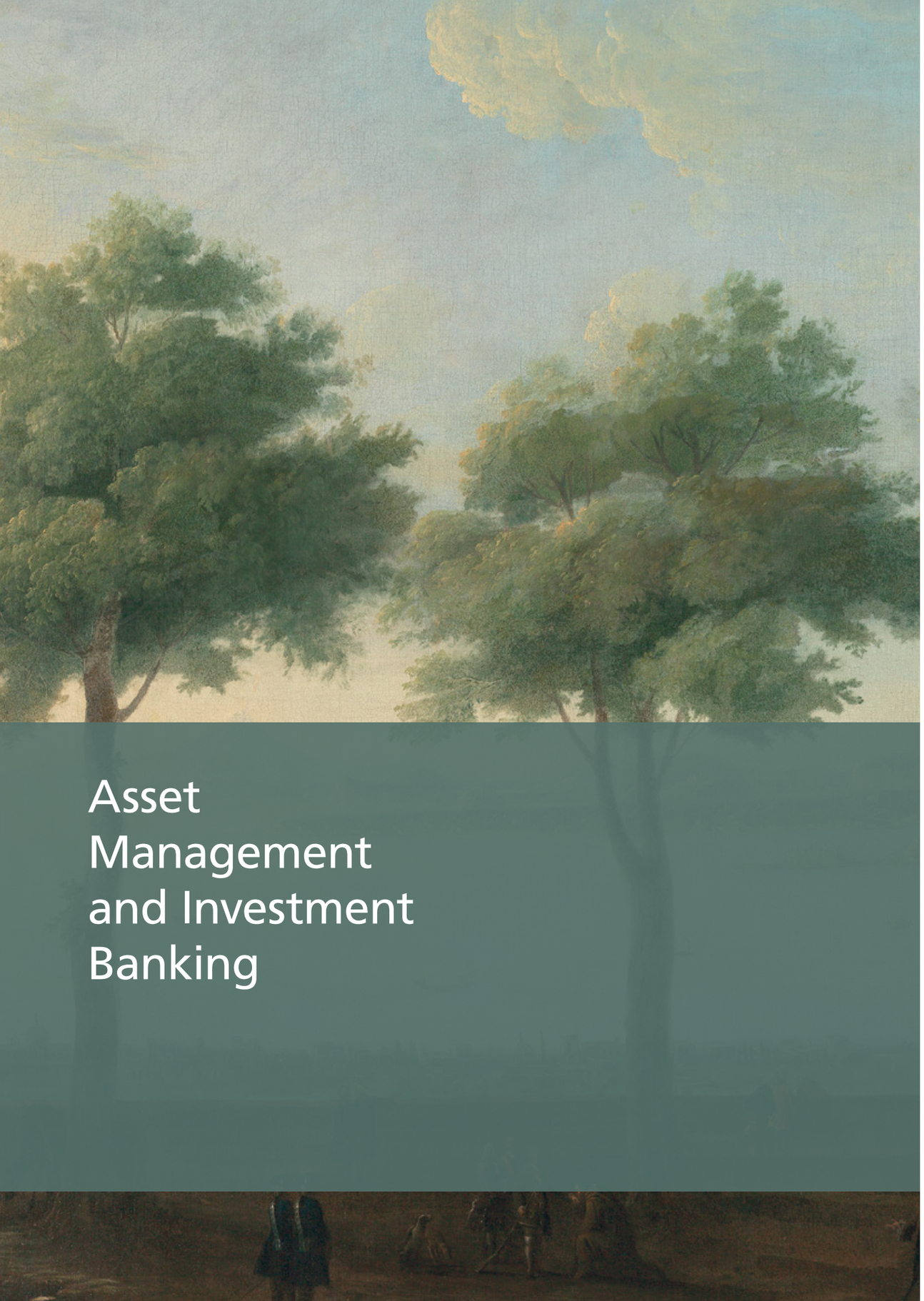
In addition, the Bank has continued to utilize funds within the EBRD Program of additional support for small and medium-sized enterprises in Serbia - Reboot SME Program. The Bank is utilizing funds within this program, successively, in several tranches up to maximum amount of of 25 million euros. A significant part of funds from this credit line is directed to investments of small and medium-sized enterprises in green technologies and improvements in the field of improving their energy efficiency and reducing carbon emissions, i.e. support for investments in automation, increase productivity, product quality and business safety.

In cooperation with the European Investment Bank (EIB), the Bank continued to use a credit line in the amount of 100 million euros for the recovery and support of the development of small and medium-sized enterprises, as well as enterprises of medium market capitalization, through the financing of new investments.

With the German Development Bank (KfW), a credit line agreement was signed in the total value of 40 million euros, intended for the economy to improve the efficiency of using natural resources, the recycling resources and reducing their emissions.

The mentioned agreement is a continuation of the previously started successful cooperation which refers to the utilization of a credit line in the total value of 35 million euros to support green initiatives and the development of rural areas. A tranche of 25 million euros is used to finance investments to improve the efficiency of using natural resources, recycle resources and reduce harmful emissions in order to reduce the level of environmental pollution. From this tranche, the Bank grants loans to micro, small and medium-sized enterprises (MSMEs), as well as to local governments, which, upon successful completion of the project, have the opportunity to receive grants in the amount of 10 percent of the loan amount. The second tranche, worth 10 million euros, almost fully utilized, is intended for a wide range of investments in strengthening the competitiveness of rural areas and is aimed at MSMEs, registered agricultural holdings, cooperatives and social entrepreneurs.

In 2024, the Bank has started cooperation with Italian financial institution CDP - Cassa Depositi e Prestiti, by signing a credit line agreement for supporting green projects for small and medium-sized enterprises. New credit line made 20 million euros available for clients.



Asset Management and Investment Banking

Asset Management and Investment Banking

- *The Bank continues to actively participate and support the development of the bond market*
- *Leading bank in terms of offering financial instruments for dinar and foreign currency liquidity management*
- *The Bank constantly improves cooperation with international financial institutions in order to obtain favorable long term funding and investments in ESG initiatives*

During 2024, the Ministry of Finance sold a total amount of RSD 107.57 billion of government bonds denominated in domestic currency and EUR 220.82 million of government bonds denominated in euros through primary auctions. Domestic government bonds issued in dinars in 2024 had initial maturities of 8 while domestic bonds issued in euros had initial maturities of 3 years. Republic of Serbia successfully realized issue of sustainable Eurobonds denominated in US dollars on the international financial market. Sustainable Eurobonds with maturities of ten years were issued in total amount of 1.5 billion US dollars.

In comparison to 2023, the total turnover on the secondary market of government securities – was higher. Regarding activities in the secondary market, investors mainly concentrated on government bonds denominated in local currency. Total turnover in currency RSD in the secondary market exceed the amount of bonds sold in the primary auctions while in currency EUR did not exceeded the amount of bonds sold in the primary auctions.

During 2024, Banca Intesa participated in primary auctions and in secondary market of government securities of the Republic of Serbia for its own account and on behalf of its customers, actively supporting the development of this key segment of the bond market -. In this regard, Banca Intesa applied a proactive approach in informing clients about the possibilities of investing in government securities and introduced its brokerage services to all interested institutional and individual investors.

During 2024, the portfolio of the Bank remained diversified and consists of debt securities issued in the domestic market in the Republic of Serbia, in RSD and EUR currency, debt securities of the Republic of Serbia in EUR currency issued on the international financial market as well as debt securities of foreign countries member of European Union.

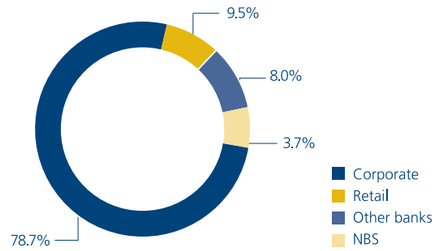
In 2024 Banca Intesa continued to be the leading bank regarding the offer of financial instruments for dinar and foreign currency liquidity management. Currency swap contracts and dinar-denominated bonds of the Republic of Serbia are available to customers, primarily intended for investors who prefer to completely or partially hedge the foreign exchange risk.

Banca Intesa retained its leading position in foreign exchange trading operations, with a market share of 13.32% in 2024. The Bank provided the EUR-NET Exchange Rate to its clients, which applies in transactions through the Intesa Mobi application and Intesa On-line e-banking service and represents the most favorable exchange rate since it follows trends in the interbank foreign exchange market in real time. During 2024, the volume of EUR-NET transactions posted an increase of 17,75% compared to previous 2023.

Foreign exchange trading (in EUR million)

	2020	2021	2022	2023	**2024**
Corporate	4.004	5.591	7.260	6.415	**7.529**
Retail	545	623	898	800	**908**
Other banks	676	708	1.560	1.022	**768**
NBS	187	448	821	483	**358**
Total	5.412	7.370	10.539	8.720	**9.563**

Customer shares in foreign exchange trading



The Bank continued to educate clients in the field of modern banking services, as well as to promote products that aim to enable timely management of financial risks in business, primarily the foreign exchange risk.

Year after year, the Bank justifies its role as the best partner to international financial institutions and a leader in the implementation of new financing programs. In addition

to the general purpose financing program, this year the bank also provide clients of all segments investments' financing to improve energy efficiency, competitiveness, efficient use of natural resources, the recycling of resources and/or reduce their emissions and thereby the level of environmental pollution. In accordance with the bank's strategic orientation towards the ESG principles, the bank continues with already successful programs of economic empowerment of women and financing program for young people in business, which consists of easier access to financing, knowledge and non-financial services in order to provide full support a strategically significant and sophisticated market segment.

Obtaining long-term financing from respectable international financial organizations additionally strengthens and diversifies the balance structure of the bank with the aim of meeting the demands of a wide range of clients segments.

Research and Development Activities

Research and Development Activities

Customer Satisfaction management

Banca Intesa continued its consistent research into the experiences of its clients in 2024, as well as the key factors influencing their satisfaction and dissatisfaction with the products and services we provide. These researches are in line with our strategic vision to continuously set higher standards in the field of customer satisfaction management and delivering an exceptional customer experience. Such standards provide a significant competitive advantage and represent a key pillar for the Bank in acquiring and maintaining its leadership position in the market.

Through the implementation of proven, scientifically tested, and, above all, effective methods, satisfaction researches were conducted in 2024 covering various client segments, including individuals, small businesses, agribusiness and small and medium-sized enterprises.

Based on the insights gained regarding satisfaction levels across various aspects of our business activities, special attention was given to the development of action plans. These plans were designed and, more importantly, implemented to address the identified challenges, with the ultimate goal of maintaining a base of satisfied and loyal customers who actively promote our products and services.In 2024, the Bank implemented numerous internal initiatives aimed at improving the customer satisfaction management processes, among which the following stand out:

- Formation of the Banca Intesa 'Voice of Customer' Community, bringing together experts from various Bank departments, with the goal of ensuring a holistic approach to customer experience-related topics.
- Standardization of the customer satisfaction management process, with a special focus on the corrective actions implementation phase, thereby improving the overall customer experience.
- Design of a model for handling and managing customer feedback (free text entered by customers in surveys) to ensure that every customer voice is heard and appropriately considered.
- Training for business network employees who are in direct contact with customers, aimed at strengthening their skills and abilities to deliver an advanced customer experience.
- Development of new tools to support employees in the business network, enabling them to more effectively address dissatisfaction causes and transform detractors into promoters of our products and services.
- Improvement of reporting tools in this area, along with a range of other activities focused on enhancing the overall customer experience.

Throughout 2024, the Bank conducted numerous customer satisfaction researches, and some of them are described below:

- Instant Feedback (Bottom-Up NPS) – This type of research has been continuously conducted since 2021 in the retail banking segment - individuals. It is characterized by the immediate collection of customer feedback right after interactions with the Bank's products and services (the so-called "touchpoints"). This approach allows capturing customer opinion while the experience is still fresh, enabling quick identification and resolution of potential sources of dissatisfaction, as well as improving overall customer satisfaction. In this way, the Bank can effectively identify the causes of individual customer dissatisfaction and prevent them from escalating into complaints that are more serious.The Instant Feedback NPS consistently recorded high values throughout 2024, with Relationship Manager's services receiving the best ratings among the various evaluated aspects.
- The Top-Down NPS research has been regularly conducted since 2022 for the individual and small business segments, and since October 2023, the program has also included the segment of registered agricultural households (RPG). The main difference compared to the aforementioned Instant Feedback approach lies in the fact that the Top-Down approach allows contacting a larger number of clients, with the possibility of asking additional questions. This approach not only enables the collection of standard NPS indicators but also provides more detailed information about the factors influencing customer satisfaction or dissatisfaction.
- Since the beginning of 2024, customer satisfaction in the individual segment has shown a stable and slightly increasing trend. In the small business segment, after fluctuations in NPS results in the first and second quarters of 2024, customer satisfaction stabilized during the third quarter. The registered agricultural households segment recorded an exceptionally high and stable level of customer satisfaction, ranking first compared to other client segments.
- At the beginning of 2024, two key customer satisfaction and loyalty research studies were conducted for small and medium-sized enterprise clients: the Internal and Benchmarking surveys.

- The Internal survey involves interviewing Banca Intesa clients and focuses on two main indicators: the Satisfaction Index and the Loyalty Indicator. This research framework shows positive growth trends for both indicators, confirming an overall improvement in the customer experience.
- The Benchmarking survey, on the other hand, enables a comparison of customer satisfaction and loyalty levels between our bank and its competitors. The results of this research provide a clear picture of our bank's market position in terms of service quality. The feedback obtained through this process is crucial for identifying areas for improvement and for formulating strategic decisions aimed at further enhancing the customer experience.
- According to the obtained Customer Satisfaction Index, which also shows a positive annual trend in this research, our bank confirms its leadership position in the market. Additionally, when viewed from the perspective of the loyalty indicator, our bank demonstrates significantly better results compared to competitors, who remain well below Banca Intesa on all evaluated aspects of loyalty.

The common conclusion from all the conducted studies is that clients highly value their collaboration with the bank's employees, which confirms that Banca Intesa's employees are the key factor behind the Bank's success.

By conducting various Customer Satisfaction and Loyalty surveys, the Bank is able to gain a comprehensive insight into the quality of its services and identify areas for further improvement. These surveys enable the Bank to continuously optimize its processes and deliver services that are fully aligned with the needs and expectations of its clients.

The Bank will continue to use modern research techniques in the future, with the goal of making clients active partners in its development process. The feedback provided by clients is crucial for making strategic decisions and, consequently, for the further progress of the Bank.

Product and service development

Retail segment

IN payment account – The new product "IN" payment account which is opened to individuals - residents from 16 to 26 years old (including this age), who are not employed/ don't have personal incomes, is introduced. The introduction of new product for young people in the Bank's product offer was one of the important initiatives of the Retail Division, considering that children, youth and young people are a key socio-economic category in every society.

"IN" payment account is a type of payment account in currency RSD for which no monthly fee is charged for maintaining the payment account, and which includes the possibility of using following products, i.e. services:

- Debit cards Dina and Visa, without issuing fee; Visa inspire debit card is personalized on plastic with a new type of design for this target group, different comparing to the standard design;
- Standing instructions;
- Electronic and mobile banking;
- More favorable exchange rate (EUR NET) for buying and selling EUR currency through electronic and mobile banking;
- Additional benefits for selected merchants from various industries.

In addition to the specified products/services within the "IN" payment account, the client can also contract with the Bank other products/services from the Bank's current offer, such as: foreign currency payment account, debit cards with foreign currency payment account and term deposit.

When concluding the „IN" payment account Agreement, the Bank also agree with the client an automatic transfer to the already existing current account package class "Intesa Hit" payment account, if the client stops fulfilling conditions for „IN" payment account, i.e.:

- when the client turns 27 years old
- upon receiving the first salary on this account.

COMBI Savings - A modified Combi Savings term deposit has been introduced, intended for resident and non-resident individuals.

Clients who open 'Combi Savings' term deposit have a more attractive interest rate compared to interest rate that apply on term deposit from the Banks current offer, while the result from funds invested in Investment funds that the Bank distributes depends entirely on performance of the specific fund.

The main characteristics of 'Combi Savings' are:

- Simultaneous terming and investing. From total amount of funds the client disposes, part of the funds - 30%, 50%, 70% is termed and the rest, the difference up to 100%, is invested;
- A more favorable interest rate on 'Combi Savings' compared to the one from the Bank's actual offer, with the condition of maintaining the number of purchased investment units until the maturity of the deposit.
- If the client sells investment units, reduced interest rate by 20 bps from standard Bank's offer for 'COMBI Savings' would be applied from the moment of initial terming until the maturity of the deposit, regardless of posible reinvestment

Delivery of payment cards to the client's address - In an effort to satisfy all the needs of its clients, it follows and dictates digitalization trends, the Bank has introduced a new convenience of delivery of payment cards to the client's address. In addition, card activation is possible through the Banca Intesa Mobi application, which enables clients to save time, comfort and simple and fast activation and use of the card.

Individuals are allowed to choose the payment card delivery method that suits them better, namely:

- by mail, to the address in the Republic of Serbia that the user registered in the Application Form as the address for receiving mail, or
- bank branch

The client chooses the delivery method when applying for the card, but can change the card delivery method at any time and subsequently choose another option through the Banca Intesa Mobi application. Users who choose delivery of the card to the address, the card will be delivered to the address for receiving mail by regular mail, at the rate of the postal operator.

Our clients can quickly and easily activate the payment card that arrives at the selected address for receiving mail through the Banca Intesa Mobi application.

The choice of card delivery method is possible for all types of production (new, replacement or renewal) of debit and credit cards for individulas for which there are conditions for the realization of the complete process without the user coming to the branch.

In today's world, where speed and convenience play a key role, users increasingly value flexibility in interacting with banks, whether through digital channels or traditional services, but with a focus on saving time. Delivery of cards to the client's address is a response to clients' expectations for personalized and efficient solutions, allows clients greater freedom and reduces the need to come to the branch, while online card activation ensures speed and security.

Small business and Agro segment

Bundle of payment accounts for legal entities and entrepreneurs – In accordance with the needs of clients from each sub-segment (Basic, Silver, Gold and Platinum), four packages of payment accounts were created:

1. BizStart payment account;
2. BizSmart payment account;
3. BizComfort payment account;
4. BizPro payment account.

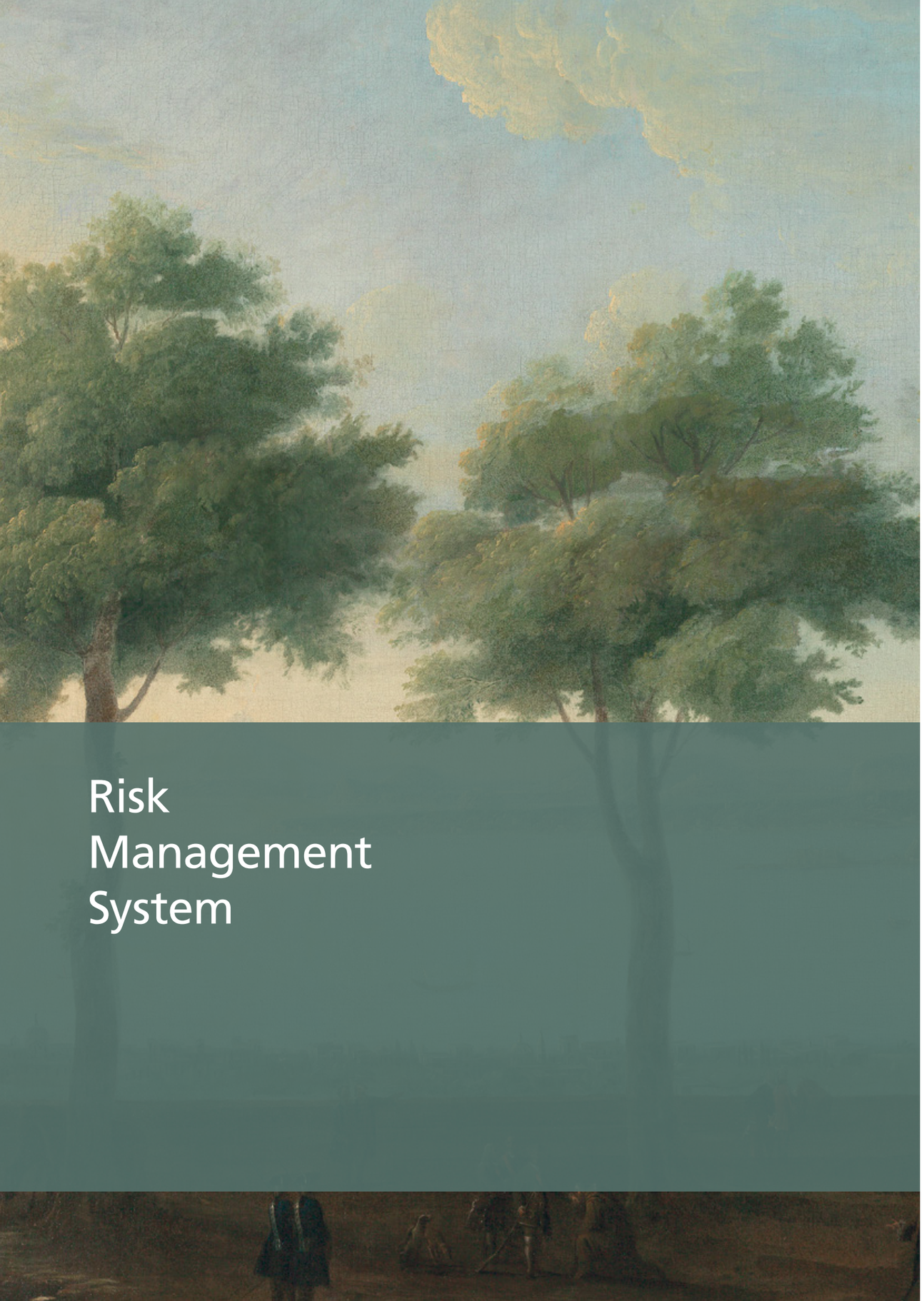
Payment account packages are created starting from the perspective of clients, with the aim of continuing to provide quality services to clients at the highest level, and to adapt the offer of payment accounts and services within them to the needs of the target group of clients through a more careful, selective approach and adequate positioning of account packages within the Bank's offer. Each account package contains a basic payment account and additional products or benefits in the use of certain products, in accordance with the identified behavior and preferences of the target group of clients, i.e. reduced fees for products/services, which are already in the bank's active offer, and according to their needs in the part of transactional business by payment account.

WB EDIF Working Capital and Investment Loans – The Bank and the European Investment Fund (EIF) have signed a Loan Portfolio Guarantee Agreement under the Western Balkans Enterprise Development and Innovation Facility Guarantee for SME Resilience programme, with the aim of stimulating lending activity using the EIF's risk-sharing guarantee. EIF, as the guarantor, provided a guarantee to the Bank to cover part of the Bank's credit risk in relation to the loan portfolio approved and disbursed to end-users, micro, small and medium-sized enterprises and registered agricultural households (RAH).

The guarantee agreement envisages the disbursement of new loans for working capital, capital investments and other permitted purposes. The Bank has ensured that the benefit of the guarantee is passed on to end-users through specific benefits – longer loan maturities, a more relaxed collateral policy and a lower interest rate compared to the standard offer.

EaSI Farmer working capital loan – In the previous period, the Bank signed a Guarantee Agreement with the EIF within the EaSI Programme, using the EIF guarantee for risk sharing, with the aim of stimulating lending activity for registered agricultural households, by introducing investment loans into the offer.

After the successful implementation of the EaSI Program in the part of investment loans, in 2024 the EaSI Farmer working capital loan was introduced, intended for the financing of working capital.



Risk Management System

Risk Management System

- *The credit portfolio quality remained stable comparing to the December 2023, if measured by NPL ratio. NPL ratio has slightly decreased (from 2.8% to 2.6%) considering principal only, remained below banking sector average.*
- *Stage 2 exposures in 2024 have decreased, on the level of 12% of balance sheet portfolio, in comparison to previous year. Bank has kept prudent approach during 2024 on the uncertainties related to the current economic crisis, very high inflationary pressures, energy crisis, war in Ukraine, sanctions against Russia and Belarus, and for the sake of prudent credit portfolio management and potential effects on the performance of Clients assessed as more affected to these changes.*
- *In the last Supervisory Review Evaluation Process (SREP) Letter from the National Bank of Serbia, from April 2024 (conducted at reference date as of 31/12/2022 and taking into account Recovery Plan approved at the meeting of BoD on 28/9/2022) the risk assessment for each field of evaluation remained on the same level as it was last year (medium-low risk). National Bank of Serbia issued 7 recommendations for qualitative improvements that Bank considers as fully completed and it will be subject of control during the next Supervisory assessment.*
- *During 2024, PD Corporate model was re-calibrated. New PD RPG model was developed starting from the long list of variables and implemented in Banks' IT system. The PD Individuals model was revised including model calibration.*
- *Corporate LGD models that cover legal entities within the Corporate regulatory segment and SME Retail LGD models that cover legal entities and entrepreneurs within the Retail regulatory segment were developed and implemented during 2024. Calibration PD LGD and EAD models for Individuals clients was performed at the end of 2024.*
- *Within Unique Platform project, relevant data set for Individuals models' development (PD, LGD and EAD) has been detected and a set of data quality controls have been established. At the end of the 2024 all data necessary for model development have been imported in Google Cloud Platform, ready for model development planned for the beginning of 2025.*
- *SICR Corporate model for significant increase in credit risk that focuses on delta lifetime PD criteria was developed and implemented for IFRS 9 purpose.*
- *During 2024, the Bank has continued to improve the internal reporting through usage of the Power BI Platform.*
- *In line with to NBS Decision amendments, which has been in force since the end of June 2024, materiality thresholds for calculating days past due have been changed so that for retail segment absolute threshold has been increased from RSD 1 thousand to RSD 10 thousand, while for corporate segment materiality threshold is increased from RSD 10,000 to RSD 50,000, making absolute thresholds for days past due almost identical to the definition used in the EU. During 2024, activities to improve and strengthen the internal framework for risk management that integrates ESG components through the establishment of systematic and automated reporting to the parent company regarding the Green Asset Ratio and Pillar III Reporting continued. Also, the Bank, in cooperation with the Parent Bank, continued to participate in the ESG project, which aims to improve ESG bases and sources, create data, infrastructure and processes for creating reports from the ESG domain, improve frameworks and principles in the field of risk management and assessment physical and transition risks, as well as other ESG-related activities, primarily in the area of own emissions plan. In December 2024, the NBS adopted the Decision on the Limitation of Interest Rates on Loan Agreements Concluded with a User - Natural Person. The Decision provides for a limitation of the variable interest rate on loan agreements of a maximum of 14.75% for loans in dinars, or 7.05% for loans in dinars indexed to foreign currency and loans in foreign currency. Also, the interest rate on housing loans is limited to 5%. As a result of this measure, the Bank calculated losses from the modification of financial assets for RSD 1.4 billion, which will be amortized through income from modification interest during the period of the Decision validity.*

Banca Intesa continuously identifies, assesses, monitors and controls risks in compliance with the national and international banking, supervisory and accounting regulations, and ISP Group guidelines, providing an integrated, prudent and consistent risk management system. The Bank's Board of Directors established by its enactments an appropriate risk management and internal control system, which includes different corporate governance bodies and committees: – the Board of Directors, Executive Board, Audit Committee, Risk Management Committee, Problem Asset Committee (PAC), Credit Risk Governance Committee (CRGC), Credit Committee, Assets and Liabilities Committee (ALCO), Operational Risk Committee (ORC), Integrated Control

Coordination Committee (ICCC) and newly established ESG Committee. The functioning of the system is regulated by the policies, procedures and rulebooks adopted individually for each material risk type.

Main objectives of the risk management process are related to the protection of the Bank's capital and its optimal allocation, increase in economic value for shareholders, monitoring of risk limits and/or risk measures for all identified risks. The existing system of limits, defined in the Risk Appetite Framework (RAF), gives the highest priority to the monitoring and controlling of minimum requirements related to capital adequacy, liquidity and operational risks. In addition, the RAF system covers credit concentration limits, limits of exposure to interest rate risk and funding limits. The resolvability indicators, profit stability, market and macroeconomic stability, asset quality, non-financial risks and AML represent additional RAF measures. In 2024, new indicators were introduced within non-financial Early Warning indicators (Operational Risk – Ordinary Events Cyber Risk, Ordinary Events IT Risk, Ordinary Events Third Parties, and Cyber Incidents) as well as within AML early warning indicators (indicators % of alerts not processed within 60 days and Average aging of SARs are replaced by new indicator - percentage SARs not processed within 90 days[1]).

The Bank ensures the compliance of the strategic guidelines defined in the business strategy, capital plan, operating plan – budget and recovery plan, with the Bank's risk profile defined in the RAF system. The RAF limits also make an important part of the Internal Capital Adequacy Assessment (ICAAP) Report/Book, Stress Test Book and other strategic documents of the Bank.

SREP (Supervisory Review Evaluation Process) is a regular activity of the Supervisor performed according to Pillar 2 requirements of Basel Capital Accord (Basel 3). SREP report presents results of comprehensive risk assessment of a bank. The ultimate result of a SREP process is a specific requirement for additional capital buffer for a bank, which should cover Pillar 2 risks and risks of all identified deficiencies in corporate governance, controls, information system, data quality and so forth.

In the last SREP letter that the Bank received from the NBS in April 2024 (conducted at reference date as of 31/12/2022 and taking into account Recovery Plan approved at the meeting of BoD on 28/9/2022), the risk assessment for each field of evaluation remained unchanged compared to the last year (medium-low risk). The National Bank of Serbia issued 7 recommendations for qualitative improvements, but which the Bank considers fully completed and it will be verified and assessed by the NBS during the next Supervisory assessment.

The Bank has already covered most of its credit portfolio by the internal rating system. The Bank completed development of LGD models for Legal Entities and Entrepreneurs.

The model development activity continued in 2024 through initiatives of the Parent Bank updated ISP Roll-out Plan supported with Unique Platform for Credit Risk Management (UP4RM). BIB and PBZ are the pilot banks in the Unique Platform Head Office Project that provides homogeneous solution system for the entire life cycle management of credit risk models for I Foreign Banks. During 2024, the main goal of the mentioned project was Data Quality controls and reconstruction of new Default Definition. Relevant data set for Individuals models' development (PD, LGD and EAD) has been detected and a set of data quality controls have been established. At the end of the 2024 all data necessary for model development have been imported in Google Cloud Platform, ready for model development planned for the beginning of 2025.

In the ISP Group plan date of submission authorization package to Regulator will be the end of 2025 for Retail regulatory class (Individuals segment) and the end of 2026 for Corporate regulatory class.

Risk management policies and procedures have been revised and updated for the purpose of their alignment with amendments to the domestic and international (EU) regulations, as well as the amended guidelines and policies of the Parent Group, recommendations/findings of the Bank's Internal Audit, Internal Validation and the National Bank of Serbia.

Credit risks

Credit risk is monitored on a number of levels: by assessing customers' creditworthiness prior to loan approval, monitoring regular settlement of their liabilities and creditworthiness during the whole credit lifecycle and also by collecting and managing due receivables.

During the year, the Bank performed regular monitoring and reporting activities, the annual review of internal acts regulating the credit risk area and activities related to supporting the governing bodies in the decision-making process. During 2023 the Bank continued to make improvements to the risk management system.

Starting from mid-2021 the Bank is applying (including regular reporting) Calendar Provisioning rules related to non-performing loans (NPL) in accordance with EU regulation. The regulation splits NPLs depending on their origination date. Non–performing loans originated before April 26, 2019 are in the scope of Pillar 2 methodology of Calendar Provisioning framework, while NPLs originated after April 26, 2019 belong to Pillar 1 methodology of Calendar Provisioning. For exposures belonging to Pillar 1 scope, the minimum loss coverage (MLC) is defined depending on the duration of NPL status and presence of collaterals. If the impairment allowances are not sufficient to cover the prudential minimum loss coverage, the difference is to be directly deducted from CET1 capital. As of December 31, 2024, the amount of the deductible item from capital on this basis amounts to RSD 222,226 thousands (as of December 31, 2023 RSD 84,346 thousand). Methodology for Pillar 2 scope assumes similar approach by defining minimum coverage expectations (MCE) for non – performing loans.

Internal reassessment and monitoring of the value of real estate collaterals has been carried out. The Bank has performed internal reassessment and statistical monitoring of residential real estate. In 2024, 4,900 of real estate collaterals have been reassessed internally (with total underlying exposure in the amount of EUR 184.1 million) enabling them to be used for credit risk mitigation which results in decrease in provision expenses and increase in Capital adequacy of the Bank (through decrease of risk weighted assets). Internal appraiser determines the market, construction and liquidation value of the real estate by applying a "desk-top" model of revaluation to each individual real estate in the portfolio that is the subject of the revaluation. Statistical monitoring of the value of real estate collaterals is performed by applying the index of change in the value of real estate to the market value of residential real estate from the valuation of authorised appraisers. After quality controls, the final value of the property from statistical monitoring is adopted.

Properties that do not pass controls are subject to revaluation by a certified appraiser. In addition to this, the Bank performed monitoring of commercial real estate collateral by applying the index of change in the value of real estate to the market value of commercial real estate from the valuation of authorized appraisers.

The purpose of monitoring is to determine whether there is a significant impairment of the market value of the property that serves as collateral in Banca Intesa Beograd, if available data indicates that the value of the property may have declined materially relative to general market prices, properties are subject to revaluation by a certified appraiser.

Also, further improvements of the system for consolidated credit risk and financial reporting (Finrep and Corep) to the Parent Company has been conducted.

Improvement of the first and second-level credit controls performed by the Credit Quality Monitoring and Control Office, Credit Portfolio Analysis and Administration Department and Rating Desk, has been performed. In 2021, new tool for the second-level controls has been introduced and during 2023 further strengthened to insure effectiveness of these controls. In addition to this, a more granular assessment grid is implemented for each individual customer outcome within single name controls, and, a scoring model for calculating the overall control assessment is introduced in order to have a synthetic and homogeneous view on control results.

During 2024, the bank started with implementation of the "Basel IV" project, which relates to the Group's analytical and synthetic reporting on risk-weighted assets and capital adequacy, in accordance with the new European regulation EU No 16/1623. The full implementation of the project is expected during the first half of 2025.

In 2024, Banca Intesa continued developing and updating its internal credit rating and loss given default models for converging to advanced credit risk measurement standards.

Calibration of the PD Corporate model was done in order to consider IVO findings and to align with methodology of the Parent Bank. Model change validation and implementation will be completed during Q1 of 2025. Calibration of the model includes the following changes:

- Redefinition of Central tendency by extending sample to the most recent data;
- Recalibration of the internal rating model in line with ISP Group guidelines;
- Redefinition of appropriate adjustments and margin of conservatism in order to consider identified uncertainties of the model and data quality issues but in line with the newly performed recalibration.

The PD Individuals model was revised to resolve issues related to the binomial and homogeneity test. The model revision includes the recalibration of the model with the following changes:

- Updating the calibration sample;
- The new boundaries between rating classes were determined without separately considering Mortgage and Other (non-Mortgage) clients, as was the case in the current model;
- Defining the appropriate length of the time series used for the calculation of central tendency (Long Run Average Default Rate) that is based on a new methodology for determining "bad" and "good" years, using macroeconomic variables;
- Updating Central Tendency value to 3.24% that is based on 13 years' time series. Central tendency was updated in accordance with ISP methodology including appropriate adjustments and MOCs (Margins of Conservatism);
- Final PD values are re-calculated based on new Central Tendency.

For the purposes of approving agricultural loans, new PD RPG model was developed starting from the long list of variables and implemented in Banks' IT system. The design of the new model is the same as the current and consists of three modules:

- Module based on data from Credit Bureau;
- Module based on data from MAPS (Master Application Processing System serves as a working

[1] The indicator considers the ratio between Numerator – SARs backlog (number of SARs active and open (not yet reported to local FIU) for more than 90 calendar days) and Denominator – SARs stock (overall number of active and open SARs).

environment for implementing and monitoring the credit process for agricultural loans, in which RPG rating will be displayed);
- Module based on usage of BIB loan products.

Corporate LGD models that cover legal entities within the Corporate regulatory segment (Risk segment - LC, SME, FC and SB-DE), and SME Retail LGD models that cover legal entities and entrepreneurs within the Retail regulatory segment (Risk segment SB-DE) were developed and implemented during 2024. The Loss Given Default (LGD) models are developed with the aim at defining LGD levels for Performing and Non-Performing (also known as "Defaulted Asset") positions and are estimated by analyzing observed historical losses (by means of an internal workout approach) on the set of the mentioned obligors. Models are developed on a facility level.

SICR Corporate model for significant increase in credit risk that focuses on delta lifetime PD criteria was developed and implemented for IFRS 9 purpose. During 2024 there was no change of PD SME Retail model.

PD satellite models for Individuals, SME LC and SME Retail were redeveloped in accordance with the ISP HO's "PD Satellite Models Methodological Document" and in collaboration between Foreign Banks Risk Governance and BIB Enterprise Risk Management Office. The purpose of models is to include forward-looking information in Probability of Default (PD) parameter and to predict the impact of future economic shocks on the portfolio's PDs for three segments: Individuals, SME LC and SME Retail. Models represent the link between dependent (default rate) and independent variables (macroeconomic factors). The final models for each segment consist of the following macroeconomic variables:
- Individuals – total deposit private sector, GDP, unemployment, Covid dummy, unemployment dummy;
- SME LC – total deposit private sector, GDP, Covid dummy variable;
- SME Retail – EUR/RSD foreign exchange rate, total deposit private sector, GDP, Covid dummy variable, GDP dummy variable.

LGD satellite models for Corporate (SME LC and SME Retail) were developed in accordance with the Intesa Sanpaolo Head Office's methodology and in collaboration between ISP Head Office Foreign Banks Risk Governance and BIB Enterprise Risk Management Office. LGD satellite models estimate the value of Loss Given Default (LGD) over time based on the movement of the macroeconomic variables, with the aim to be able to forecast LGD along various scenarios quantifying the impact of macroeconomic factors on it. The macroeconomic variable selected for the development process is the annual Nominal Gross Domestic Product (GDP), as one of the most significant variables for Serbian economy for legal entities segment. Taking into account portfolio segmentation, four LGD satellite models for Corporate have been developed:
- SME LC Performing
- SME LC Non-performing
- SME Retail Performing
- SME Retail Non-performing

Within project, Unique Platform for Risk Management (UP4RM) new PD, LGD and EAD models for Individuals segment will be developed during 2025 and 2026.

Main activities within the project are:
- Setting up new Unique Platform environment Analytics lab for development activities and Exposure/ Execution layer for models' implementation;
- Data preparation - implementation and execution controls and calculation key quality indicators for certification reference data set;
- Development, validation and implementation of internal models (PD, LGD, EAD);
- Integration of internal models into all risk management processes and activities;
- Supervisory authorization phases.

The adoption of Unique Platform will enable potential savings as well as the possibility to use new and innovative open-source programming languages, advanced algorithm and Business Intelligence ready-to-use solutions.

In addition to PD, LGD and EAD models the Bank updated the IFRS 9 models in November 2024 on the request of the Parent Company. The update included the following changes: transition from the "First group – Second approach" model to the "Second group - Second approach" for the SL segment; expansion of time series data (including data until 31.12.2023); use new EBA stress coefficients values for LGD; new scenarios for PD Satellite models; use of the new LGD models Corporate and SME Retail; use of the new LGD satellite models for Corporate and SME Retail; use of the new SICR Corporate model.

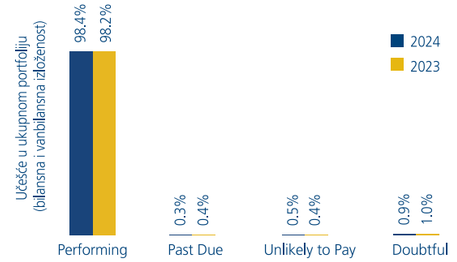
As a part of the improvement IFRS 9 methodology during 2024, the Bank applied a new calculation for staging criteria - significant increase in credit risk (SICR), delta lifetime PD criteria for PD Corporate model. This methodology was defined by Parent Bank and consists of three steps:
- Determination pre-calibration thresholds
- Thresholds calibration
- Fine tuning

The input parameters for calculating the cost of risk and cost of capital as a component for defining level of interest rates for loans to Corporate and SME and SB clients will be updated and implemented during Q1 2025 according to abovementioned changes

The CSA model, which was implemented in 2022, is successfully used throughout 2023. This model assumes a structured way of granting discounts and premiums on the standard price to clients in corporate regulatory segment according to the prescribed methodology. The main strategic goals of the CSA model are encouraging lending to highly attractive clients by approving special discounts within interest rate and applying additional premium to clients with a high level of risk by increasing interest rates with add-ons. During the development of CSA model, an important variable was the assessment of ESG risks which is used in order to assess the attractiveness of sectors.

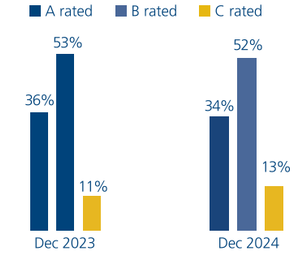
The quality of the credit portfolio compared to December 2023 was improved, if measured by NPL ratio considering both on balance and off balance sheet exposure (from 2.2% To 2.0%), while the NPL ratio has decreased (from 2.82% to 2.57%) considering principal only, and it is still below banking sector average. NPL inflow (over the course of the year) mostly referred to private individuals (EUR 45 million, out of EUR 62.6 million). On the other hand, the inflow is largely offset by NPL collection activities (EUR 29.6 million), return to performing status (EUR 12.9 million) and transferring to off-balance sheet (EUR 20.7 million). In addition, in 2024, the level of NPL exposures in probation period that are potentially eligible for returning to Performing status after the expiration of the defined time period, increased from EUR 21.4 million to EUR 22.6 million.

Credit portfolio quality by class
(balance and off-balance sheet exposure)

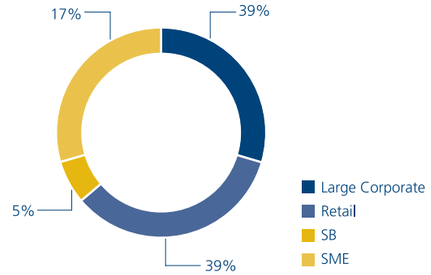


In addition, the Bank also posted a large increase in new production, both in Retail and Corporate segments. Credit portfolio growth in the amount of RSD 44.9 bln was achieved keeping adequate level of credit risk in terms of rating distribution. Low-risk clients account for 34%, medium-risk client's account for 52%, while high-risk clients account for 13% of all internally rated clients.

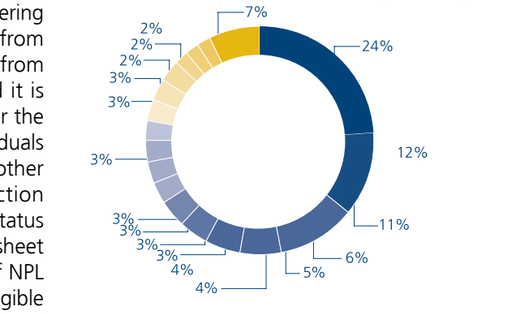
Credit portfolio quality based on internal rating zones



Portfolio distribution by segment



Portfolio distribution by industry



Credit portfolio distribution by industry points to relatively good portfolio diversification. In accordance with the official industry classification (NACE), the largest portion of credit portfolio belongs to Wholesale and Retail (24%), Construction (11%) and Government Services (11%).

Market risks

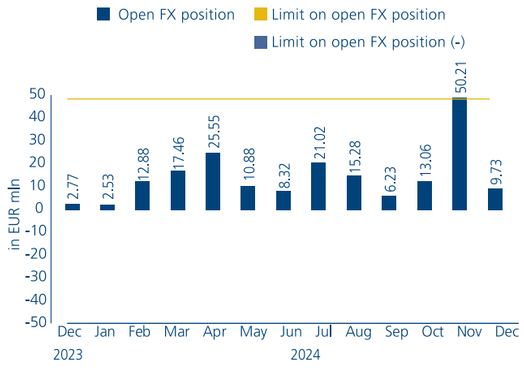
The main sources of market risks to which the Bank is exposed in its operations are interest rate risk and foreign exchange risk.

General principles of market risk management are defined in accordance with regulatory rules, ISP Group standards, international best practices and standards, as well as internal acts. The system of market risk limits, defined in coordination with the Parent Group's relevant structures and approved by the Board of Directors, operationalises the market risk monitoring process. The system of limits is aligned with the strategic goals of the Bank, RAF system and regulatory requirements. Market risk limits utilization is reported to the relevant functions of the Bank on a daily basis, while reporting to the ALCO is on a monthly

i.e. to the Board of Directors on quarterly level or more frequently, if necessary. The ALCO i.e. Board of Directors monitors market risk exposures on a strategic level and provides guidelines for general management of the Bank's balance sheet within its responsibility.

In 2024, the foreign exchange risk exposure was significantly below the maximum level prescribed by the regulator. Internally established limit for open foreign exchange position as well as the limit for foreign exchange Value at Risk were not revised. The FX position limits were breached on a few occasions (primarily due to the disbursement of the loan with FX clause and conversion of funds from RSD to EUR for our clients) as a consequence of preapproved and agreed business actions requiring open FX position not to be closed immediately but in the short period of time. Limit overutilization were anticipated and made according to the procedures. During 2024, the Bank was in line with the FX VaR limit.

Trend of foreign exchange risk exposure



Regarding interest rate risk, the Trading Book was constantly within the defined limits for all risk measures: position, Value at Risk, duration. During 2024, the Trading book VaR limits were not revised.

As for the Banking Book, interest rate risk indicators were below the prescribed limits throughout the year. At the beginning of the year, interest rate risk limit NII was reduced by ISP Group Financial Risk Committee, while interest rate risk limit EVE remained at the same level.

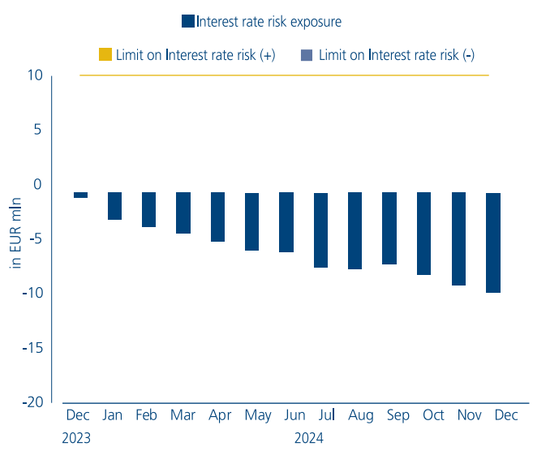
In 2024, interest rate risk measured as Economic value of equity (EVE) sensitivity to 100bps has increased compared to the previous year. Overall decline of the Bank's sensitivity +100 bps was primarily caused by increase of Euribor rates, which affected completely opposite trend regarding fixed and floating rates especially for mortgage loans (we had almost a full production in loans with a fixed interest rate during 2024). In addition, we have increased share of fixed-rate loan production in corporate segment, which resulted in an overall increase in loans with a fixed interest rate and led to a change in indicators during the fourth quarter. Additionally, the increase in the position and duration of the securities had a negative effect on the shift.

Throughout 2024, the NII limit utilization has remained at almost same level, compared to the previous year, within the prescribed limit. The insignificant change occurred due to movements on the both sides of balance sheet. In particular, an increase of both bonds portfolio and fixed-rate loans up to 1Y along with decreased duration of the floating-rate mortgage loans to customers because their repricing date is approaching (December 31st 2024), affected negatively on shift. That impact was totally overlapped with positive shift effect based on decreased Nostro account and acquisition of new fixed-rate term deposits.

During 2024, the Bank was in line with the HTCS VaR limit. The greater utilisation of the HTCS VaR limit was recorded in the first half of the year then gradually decreased until it reached a minimum at the end of the year. A similar trend had the Total (HTCS +Trading + FX) VaR indicator. In the 2024, Parent bank revised and decreased both HTCS and Total (HTCS+Trading+FX) VaR limits.

The interest rate risk principles applied in the monitoring process were revised through the updated Policy on IRRBB Management and implementation of new regulatory requirements and Intesa Sanpaolo Group requirements.

Trend of interest rate risk exposure



Liquidity risk

The Bank's adequate liquidity position, supported by suitable liquidity reserves/HQLA and the significant contribution from the large customer deposits base, remained within the risk limits (regulatory ones and those defined by the Group) during the whole 2024.

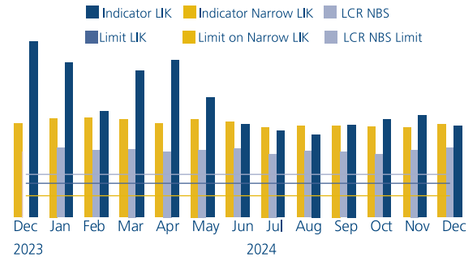
The main liquidity indicators, LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio), were well above the minimum requirements, which confirms the solidity of the Bank's liquidity position. Level of LCR and NSFR indicator measured according to local regulation was also highly above the regulatory limit of 100% prescribed for both indicators (in average more than two times). New NBS decision on liquidity risk management adopted on November 9, 2023 introduced the mandatory calculation of Net Stable Funding Ratio (NSFR) for all banks. First reporting date (testing phase) was on March 31, 2024, while the decision began to be applied from June 30, 2024. Although there are some methodological differences, the indicators required by NBS (LCR_NBS and NSFR_NBS) followed the same trend as the LCR and NSFR ratio which is calculated in accordance with the request of the Parent bank.

In order to better capture potential currency mismatches that could arise (between assets and liabilities), the Bank is required to monitor and report the LCR by significant currencies, RSD and EUR. The specific internal limit for LCR in RSD of 100% was introduced in line with new Liquidity Risk Management Policy that is in force from December 2022. LCR in EUR is subject to regular monthly monitoring, without the defined limit. According to local regulator, along with the total NSFR limit, limit of 100% was introduced for NSFR indicator in dinar currency as well, with the time frame for adjustment until the end of 2028. During this period, the amount of elements providing available stable funding in dinars that is missing to cover elements requiring stable funding in that currency (i.e. the NSFR for dinars is below 100%), the bank will be allowed to cover with elements providing stable funding in euro. The allowed percentage of missing elements providing stable funding in dinars will gradually decrease from 40% (by the end of 2025) to 10% (by the end of 2028). As of June 2024, NSFR indicator represented by significant currencies was at following levels: 1,587% for EUR and 88% for RSD. After applying 40% as an adjustment valid until the end of 2025 (in accordance with the NBS Decision on liquidity risk management by banks), NSFR_NBS for EUR was 1,406% and NSFR_NBS for RSD was 100%. Similar result were in September 2024, while December 2024 data was not ready at the time of this report.

At the end of December 2024, the amount of liquid reserves/HQLA was at high level, which together with large deposits base provides strong liquidity support. Retail deposits have significantly increased, along with registered growth of newly acquired corporate deposits, accompanied by an overall recovery and growth of the economy, decline in inflation, an easing of monetary policy, and maintenance of favorable prospects for economic growth. However, all the necessary preventive management and control measures are in place to detect any signs of potential exacerbation of liquidity conditions. Due to volatility in the global economy in previous period, the Bank withdrawn long term subordinated loan and MREL senior loan from the Parent bank at the end of 2023, as precautionary measures in order to preserve strong liquidity indicators and even strengthen overall Bank's liquidity position.

Experience demonstrated the importance of liquidity monitoring in stress situations. For that purpose, besides annual liquidity exercise which lasted five consecutive days at the end of November and beginning of December 2024, and that was monitored by the ECB, the Bank continued to perform an additional SSM Liquidity Exercise (started in September 2023) on weekly basis in accordance with ECB requirements. The exercise assesses the Bank's overall liquidity position which is at a satisfactory level and it is conducted for the purpose of consolidated reporting to the European Central Bank.

Trend of regulatory liquidity indicators



Operational risks

Operational risk represents the risk of possible negative effects on the bank's financial results and capital due to omissions (unintentional and intentional) in the work of employees, inappropriate internal procedures and processes, inadequate management of information and other systems in the bank, as well as due to the occurrence of unpredictable external events. This definition also includes legal risk.

Operational risk management is conducted in line with the methodology of the Parent Company, according to the model supported by appropriate IT solutions, enabling regular monitoring, assessment and reporting on operational risks.

Banca Intesa complies with the requirements related to the regulatory capital defined by the NBS and applies a standardised approach to the measurement of capital requirement for operational risk.

Operational risk identification, assessment and monitoring are undertaken through the process of collecting data on operational risks/losses and the process of assessment of exposure to operational risk.

Data on operational risks/losses are analyzed on a monthly basis, while the process of assessing the exposure to operational risk (Self-Diagnosis) is carried out once a year, including a subjective assessment of operational risks for the period of 12 months. Various scenarios are analyzed and the possibility and frequency of occurrence of operational risk are assessed, as well as the average and the worst possible loss in case of occurrence of each scenario. The process of operational

risk exposure assessment also includes an evaluation of the business environment through an analysis of the level of risk factor management, identification of potential critical operational issues and mitigation actions proposed to reduce the operational risk exposure. The process also encompass ICT and security risk analysis, which applies to infrastructural services, IT governance, outsourcing, the Bank's applications, information security, physical security and business continuity.

By applying an advanced measurement model, the Parent Company calculates the level of expected and unexpected operational losses, i.e. the level of capital required to cover operational risks.

Exposure to operational risks is also monitored and controlled through RAF (Risk Appetite Framework) limits. Within the RAF, two limits refer to Operational risks:

- Ordinary events – the limit is set on the indicator of losses due to operational risks that have been booked during the previous year and that have occurred in the previous five years.
- Large event – refers to individual events that exceed the set limit. The bank has set the limit at 0 (zero) - it has no tolerance for losses that occurred as a result of operational risk events over the defined threshold.

Both RAF limits are in the group of Top of the House limits, which represent Hard limits for which escalation plans with urgent deadlines are provided.

During 2024, there was no breach of the RAF limit and the utilization of the Ordinary Events limit was at a relatively low level throughout the year.

In 2024, the Bank adopted early warning indicators related to operational risks. Operational risks indicators that are monitored are following:

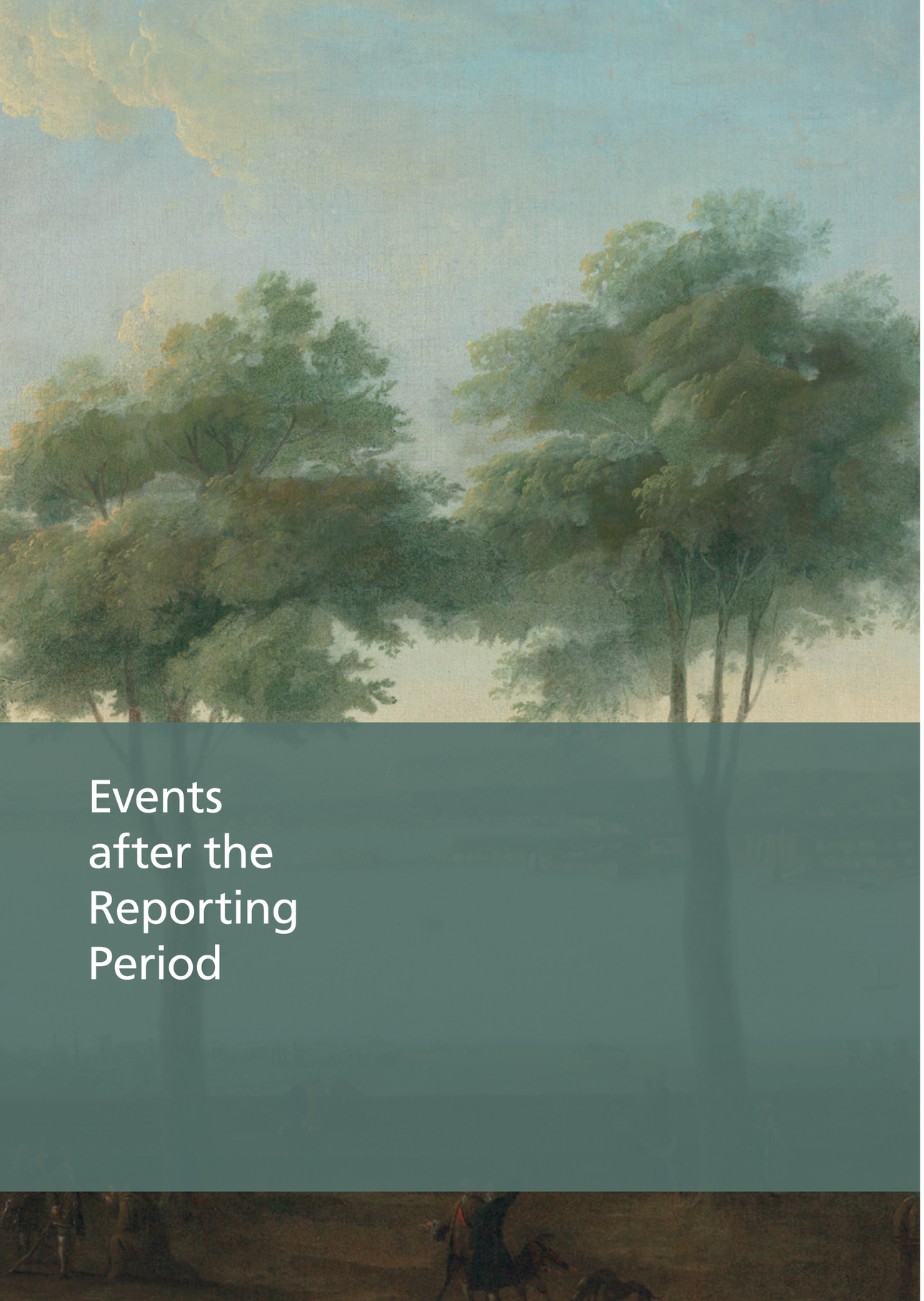
- Ordinary Events Cyber Risk: events related to Cyber Risk and targeting BIB's IT systems.
- Ordinary Events IT Risk: events related to IT Risk (failure/malfunction occurred in IT systems managed by the local technical functions).
- Ordinary Events Third Parties: events caused by Third Parties (vendors, suppliers and outsourcers).

Based on the controls of the ECB Joint Supervisory Team (JST) carried out by the Parent Company, related to the risk of procedures, certain inquiries were sent to BIB regarding the treatment of lawsuits related to loan processing fees and NKOSK cases. The parent company demanded to treat all these cases as two macro-events (loan processing fees and NKOSK fees) and accordingly to aggregate losses for each macro-event. Previously, we treated each lawsuit as an independent case. This methodological change could affect the utilization of the limit for Large Events.

Operational risk management system is additionally monitored through set of Key Risk Indicators (KRI). It is an early warning system for operational risk that should support a timely identification of increased operational risk and allow preventive actions that could mitigate identified risks. KRI indicators are updated once a year and more often if it is necessary.

The Bank prepares monthly and quarterly Report related to management of Operational risks.

The Risk Management Department regularly reports to the Operational Risk Committee, Executive Board, the Board of Directors and the Parent Company on operational risks and measures for their mitigation.



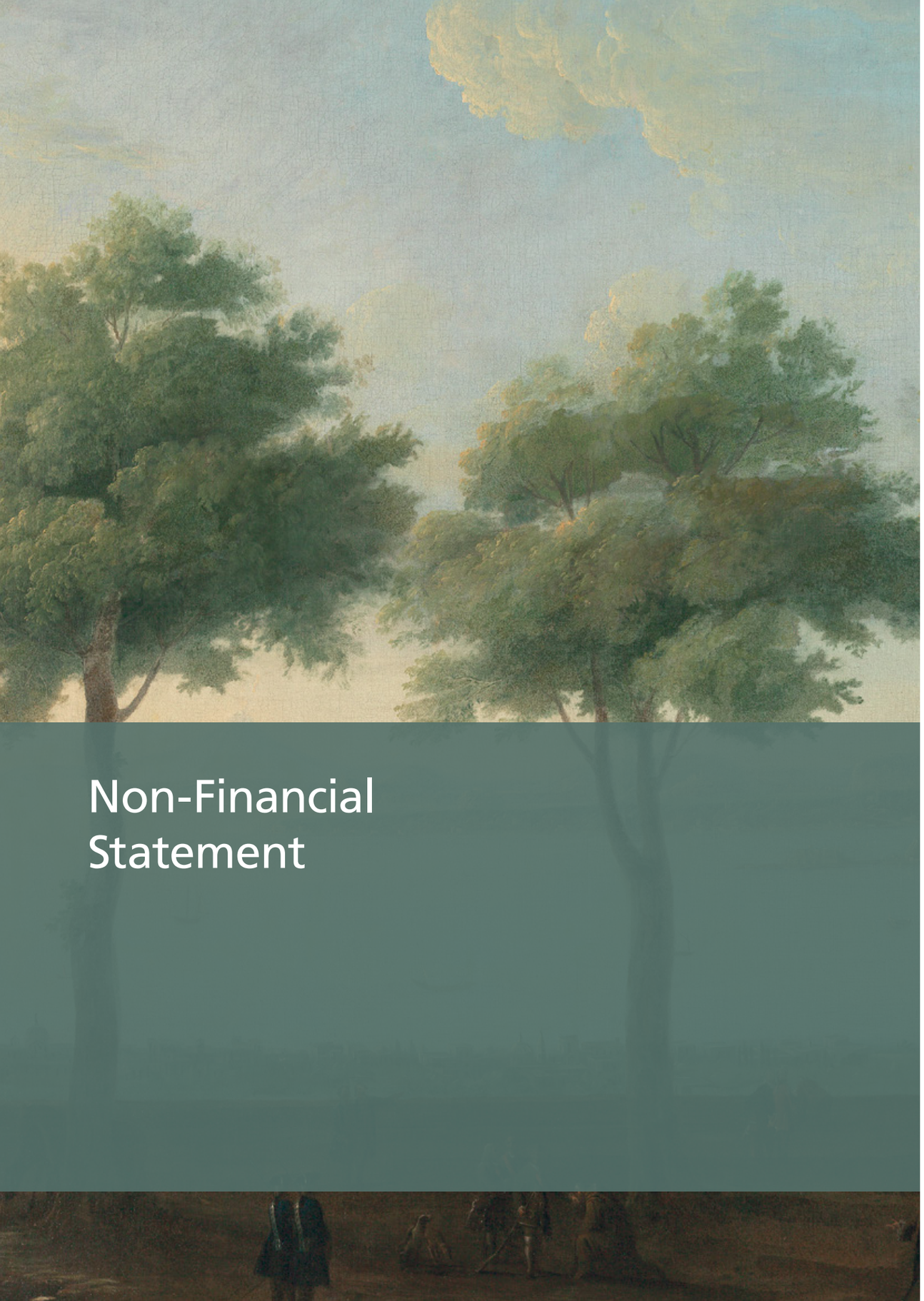
Events after the Reporting Period

Events after the Reporting Period

One client of the Bank has been under the sanctions by the Office of Foreign Assets Control (hereinafter: "OFAC") of the US Department of the Treasury, started from January 10, 2025, with transition period for its implementation up to March 28, 2025.

Bank is closely monitoring the situation, and the Bank´s Management has assessed that adequate actions has been taken in order to mitigate potential negative effects related to future collection of receivables from the Client.

The Bank will continue to actively monitoring further developments in the upcoming period, with the aim of timely and adequate fulfilment of its regulatory obligations and maintaining compliance, with both, the requirements of International Financial Reporting Standards regarding the adequate classification of the aforementioned receivables, as well as, with the expectations of all key stakeholders.



Non-Financial Statement

Introduction

Banca Intesa Beograd, as one of the IBD Division subsidiaries, is undertaking the reporting obligations and providing information that are included in the consolidated non-financial statement presented by Intesa Sanpaolo S.p.A., in a consolidated and timely manner.

This Highlights on CSR activities as part of the Banca Intesa AD Beograd's Financial Report are prepared in accordance with the Accounting Law ('Official Gazette of the Republic of Serbia', number 73/2019).

The Highlights on CSR activities represent an overview of Bank's governance model and strategies, selection of the most relevant activities and results achieved by the Bank within its sustainability conduct, with special emphasize on employee related and environmental topics.

Data presented in CSR Highlights relate to the most relevant CSR activities of Banca Intesa a.d. Beograd for the year 2024. Wherever possible, comparative data for previous years (2023, 2022) were provided as well, thus ensuring timeliness and comparability of the applicable data.

Sustainability context and materiality topics

The selection of indicators presented in this CSR Highlights are chosen by their relevance according to the Serbian reference legislation and their representativeness and with respect to the material issues identified by Intesa Sanpaolo[2], and are therefore presenting the selection of priorities for the Bank, but also for the Group and its stakeholders.

Integrity in corporate conduct

The values in which Banca Intesa believes and to which is committed, as well as the principles on which its relations with stakeholders are based, are defined in the Bank's Code of Ethics, adopted in 2023, a with the recommendations of the ISP.

The Code of Ethics represents the embodiment of corporate culture, and a fundamental document that contains principles, values and obligations, which all employees of Intesa Sanpaolo Group and Banca Intesa Beograd are obliged to adhere to in their work and activities. Emphasizing and promoting behavior that is in accordance with the highest international and national ethical standards, we affirm that people are Bank's most valuable asset and our main competitive advantage in the market, as their behavior, activities and relationships shape Bank's corporate culture, our strategy and future.

New Code of Ethics is richer in its content, and additionally reminds us of our new corporate mission - full commitment to sustainability, principles of equity and inclusion, avoiding any form of discrimination, and our commitment to combat climate change and support the transition to a circular economy.

In addition to basic value principles, the Code of Ethics introduces us to the ethical principles on which we base our relationship with all stakeholders, clients, colleagues, suppliers, as well as the standards we adhere to in our approach to the environment and the local community where we operate.

The Code of Ethics is a management instrument that prescribes standards of conduct that all employees and all organizational units must observe in order to maintain the stakeholders' trust. All Bank employees, as well as customers, suppliers and other external stakeholders who notice any behavior or activity that might represent a breach of the principles prescribed by the Code of Ethics may submit a non-compliance report.

This process is regulated by the Procedure for Managing Reports of Non-compliance with the Code of Ethics, initially adopted by the Bank in 2011. During 2024, the Bank has not received any complaints from external or internal Stakeholders related to the Bank's Code of Ethics.

When combating potential frauds, the internal regulations that govern the control system and mitigate corruption risk comprise, beside the Code of Ethics: the Code of Conduct, the Prevention and management of fraud in Banca Intesa Beograd Policy, Prevention and Management of Service Fraud Rulebook, as well as procedures Fraud Incident Management Procedure and Fraud Risk Assessment Procedure, which defines operational steps in case of suspected fraudulent activities and methodology of fraud risk assessment, respectively.

Internal governance framework is based on Group's documents - General security rules for the protection of the information assets, Security Principles, Security rules for preventing and managing service frauds as well as Cybersecurity and BC Services-Security Fraud Management Process Guide.

The process of reporting fraud incident and suspicion on fraud is applicable to all Banca Intesa Beograd's employees.

Process of fraud incident management is responsibility of the Fraud Prevention Office, which, besides process of regular monitoring of suspicious transactions, had analyzed a total of 85 suspected frauds in 2024, out of which 69 incidents were proven frauds - 8 internal and 61 external.

In 2024, the Bank has not been involved in any external investigations related to corruption and bribery.

2 Read more: https://group.intesasanpaolo.com/en/sustainability/sustainability-reporting

In 2024, in total 2317 employees participated training on prevention of bribery and anti-money laundering and reached 12057,5 training hours. In the same reporting period, number of Banca Intesa Beograd staff who have received training on prevention of corruption and bribery was 367 achieving in total 4.765 hours of training.

During 2024, there were no changes to "Anti-Corruption Guidelines" policy. At the end of 2024, the parent bank issued an updated version of the document that regulates the area of corruption, and in accordance with the stipulated deadlines, the Bank's document covering the same area will be updated during the first quarter of 2025.

ESG Governance in Banca Intesa

The Bank's ESG and climate strategy is based on the strategy and principles adopted by the Parent bank, which is based on a clear awareness of the risks of climate change (transitional and physical), as well as on the opportunities that arise in connection with them.

The Bank has committed to:

- adhere to the general principles and strategies set by the ISP and carries out all activities to the extent possible and permitted by the existing infrastructure and available resources, relying as much as possible on the instructions and expertise of the ISP;
- integrate ESG factors and corresponding risks into its risk management processes;
- implement and integrate the Equator principles;
- promote the offer of sustainable products in order to encourage the wide use of renewable resources and energy, improve energy efficiency and contribute to the fight against climate change;
- always assess and consider environmental impact when developing policies, products and services, and direct attention to climate change in important mitigation initiatives to support the transition to a low-carbon economy;

The Bank's decisions on long-term investments and credit placements are guided by the need to ensure:

- Social and environmental sustainability of financed projects, from the aspect of their long-term impact on the global community and the environment;
- Avoiding any danger to the internationally recognized and proclaimed rights of employees, their health and safety;
- Positive effects of projects on the preservation and development of local communities;

During 2024, the bank fully established and additionally strengthened the ESG management and operating model. The Bank has defined corporate authorities and internal management structures for managing ESG risks in terms of the defined competencies of the Board of Directors, the Risk Management Committee, the Audit Committee, the Executive Board and other relevant functions of the Bank. The Bank defined in its internal acts which organizational parts are responsible for the development, implementation, management and improvement of internal tools and systems for measuring and controlling exposure to ESG risks.

In July 2023, the Bank established the Environmental Social and Governance Committee (ESGC). The ESG Committee is a permanent consultative committee of the Bank with the authority to make decisions within its competence, with the main objective to coordinate and manage issues related to environmental protection, social policy and corporate governance, as well as to ensure the correct implementation of the IBD ESG strategy and the corresponding ISP guidelines at the level of the Bank. During 2024, six sessions of the ESG Committee were held.

ESG Manager is responsible for the coordination of ESG activities performed at the local level and should ensure the expected performance / achievements and results in the application of ESG principles and strategy. This function has been supported by new organizational unit - ESG Office, formed in H1 of 2024, responsible for the implementation of the ESG related initiatives and activities, ensuring progressive implementation of the ISP Group's methodological ESG framework.

In 2024 dedicated targets related to the achievement of ESG goals are included in the evaluations of the results of managers of BIB Group.

At the operational level, in order to continue the efficient implementation of ESG initiatives the implementation of the ESG project continued, The ESG project, initially opened in May 2023 primarily gathers over 20 Bank employees from different reference areas related to ESG implementation divided into the following key areas:

- ESG Data & Reporting
- ESG Risk management
- Own emissions plan

The ISP defines and directs the framework that needs to be implemented and established, regarding the management of ESG risks, and in accordance with the requirements of the European Central Bank under whose supervision it is. The primary focus is on establishing ESG related reporting, along with establishing a system for assessing and measuring physical and transition risks at the portfolio level.

During 2024, the Bank updated and adopted internal acts on which the integration of ESG principles in business and the framework for managing ESG risks is based, such as: Management of Environmental, Social and Governance (ESG) risks, ESG Risk Management procedure and adopted work instruction Technical guidance on disclosure on ESG risks.

At the ISP Group level, the design of the ESG/climate credit framework was completed in 2022, defining a new credit decision-making model – based on the evolution of the credit framework, which includes climate/ESG components applied to the entire credit offering. In this way, the integration of ESG/climate metrics, i.e. ESG sector strategy, ESG scoring and the framework for the classification of sustainable credit products, is ensured, in the context of the complete credit framework, i.e. risk appetite framework, credit risk appetite (CRA), credit strategies and decision-making processes.

Due to data and system availability limitations, the ESG/climate credit framework has been implemented in the Bank through a temporary solution that applies to exposures that are subject to the ISP advisory opinion above defined materiality thresholds. For clients and placements outside that perimeter, the Bank has also defined a way of approaching and assessing ESG risk based on ESG sensitivity of industries and ESG industry strategies with established process of ESG & Reputational clearing for higher risk exposures.

On the one hand, by incorporating the ESG component of the industry into the framework of credit strategies, the Bank directs its credit activities in the direction of stimulating industries that do not have a negative environmental impact that is, disincentivizing and limiting the financing of those industries with greater estimated pollution effects. In more detail, ESG sector strategies consider the sectoral risk characteristics where the following categories are identified: credit neutrality, credit incentives, credit incentives in terms of energy transition, credit disincentives and prohibited or restricted operations.

On the other hand, within the RAF limits defined by the ISP Group and applied by the Bank, specific protective measures have been defined, translated into specific risk controls for the sectors that are most exposed to ESG risks. In this sense, the rules for the financing of those industries have been specifically defined, and those provide guidelines for limiting or excluding financing activities in correlation with high pollution potential. In addition, at the portfolio level, the exposures of ESG sensitive sectors are monitored, especially in relation to the established RAF limits.

In terms of credit risk, the Bank considers climate and environmental risk factors in assessing the creditworthiness of clients and in the loan approval process, ensuring their monitoring within its own portfolio. As part of the lending process, an ESG risk assessment process has been established to ensure that the Bank does not finance projects that have a significant negative impact on the environment. In the context of reputational risk, the Bank pre-evaluates potential ESG and reputational risks through the established two stage ESG and reputational clearing process.

In accordance with the strategic commitment to promote the offer of sustainable products, the Bank is actively working on the development and improvement of the offer of its products that have integrated components of sustainability. In order to ensure greater transparency in terms of products and transactions that are considered sustainable, the Bank adopted and implemented Rules for the classification of sustainable credit products and transactions, and a system for flagging and reporting sustainable products. These rules provide a framework and criteria that products and transactions should meet in order to be considered and internally labeled as sustainable.

Apart from recognizing ESG factors in Bank's credit activities, they have been introduced in the potential outsourcing of services, during feasibility analysis for introducing new products and services as well as assessing potential suppliers in procurement process.

The Bank analyzes the proposal from the aspect of identifying ESG risks, considering whether the outsourcing activity has negative impacts on the environment, social environment and management. Also, based on the Feasibility Analysis of a new product or service, the Bank creates a Risk Assessment in order to identify risks and create measures to control the previously mentioned risks.

In order to extend value through the supply chain all suppliers are required to fill out questionnaires on the Supplier Portal, where certain criteria are linked to the ESG performance of the suppliers. In accordance with the local Procurement procedures, suppliers are obliged to answer all mandatory questions; otherwise, they cannot complete the registration or continue with the procurement process. During 2024, the Bank had 1304 suppliers in its register, of which around 96% were local.

Banca Intesa Beograd has an obligation to report analytically to the ISP Group, which relates to ESG initiatives, which it carries out by regularly sending data through the established data exchange systems. The ESG data strategy, through the "ESG Data & Reporting" initiative, is defined by the ISP Group, which monitors the implementation and controls the data.

In terms of reporting activities, the Bank has developed and implemented a software solution for the automatic calculation of GAR ratios (Green Asset Ratio). The calculation of this raid is done with a semi-annual frequency. When it comes to Pillar 3 reporting from the ESG domain, the Bank has arranged the process through the optimization of procedures in order to reduce manual work to the minimum possible extent. Complete automation of this process is also planned. In addition, additional optimizations are continuously being worked on between quarters, with the aim of harmonizing with new requirements and changes.

Also, in order to adequately monitor the implementation of ESG initiatives and achieve adequate data quality, ownership of ESG data was established in Banca Intesa Beograd in 2024 and the implementation of data management standards was initiated, starting from the definition of data to the establishment of a data quality control system.

Respecting the rights of employees, investing in the development of their professional qualifications and creating a work environment in which employees feel comfortable and motivated to contribute to the achievement of common goals is a strategic commitment of Banca Intesa. Therefore, the Bank continuously develops programs and initiatives with the aim of empowering its employees and providing them with new opportunities for professional development but also personal welfare.

All employees in Banca Intesa are covered by the Collective Bargaining Agreement, regardless of whether they are trade union members. On 31. 12. 2024 Banca Intesa had 273 employees who were registered as members of trade union.

Employee's breakdown by category, gender and age

		2023			2024		
Role	Age	Male	Female	Total	Male	Female	Total
Managers	*0-30*						
	31-50	18	16	34	19	14	33
	51-70	1	5	6	1	7	8
		19	**21**	**40**	**20**	**21**	**41**
Officers	*0-30*	2	4	6	1	2	3
	31-50	115	171	286	115	159	274
	51-70	18	45	63	22	43	65
		135	**220**	**355**	**138**	**204**	**342**
Employees	*0-30*	109	422	531	82	369	451
	31-50	383	1,356	1,739	356	1,370	1,726
	51-70	105	309	414	118	366	484
		597	**2,087**	**2,684**	**556**	**2,105**	**2,661**
Total		**751**	**2,328**	**3,079**	**714**	**2,330**	**3,044**

"New employee hires by gender and age"

Age	Female	Male	Total
<=30	137	21	158
31-50	121	41	162
>50	7	0	7
Total	265	62	327

"Number of terminations by gender and age"

Age	Female	Male	Total
<=30	92	27	119
31-50	143	54	197
>50	28	18	46
Total	263	99	362

Employee's breakdown by qualifications

Qualification level	Up to 30 years	30-40 years	40-50 years	50-60 years	Over 60 years	TOTAL
I						0
II						0
III	1	2	6	11	1	21
IV	175	133	195	167	35	705
V	0	2	1	4	0	7
VI	233	419	378	114	19	1163
VII/1	45	210	686	181	24	1146
VII/2						0
VIII		1	0	0	1	2
Total	**454**	**767**	**1266**	**477**	**80**	**3044**

Diversity, Equity and Inclusion

As important part of the ESG Strategy, Banca Intesa adopted the Group's Diversity, Equity and Inclusion Principles in 2024. The key principles are respect for all people in their identity and diversity expression, nurturing of everyone's skills and competences, meritocracy and more equal opportunities.

Diversity, Equity and Inclusion framework also introduced the governance structure that consists of the Bank's CEO, Head of Human Resources and Organization as appointed Head of Diversity, Equity and Inclusion, as well as multidisciplinary Diversity, Equity and Inclusion Steering Committee, that is responsible for development, monitoring and evaluating the results of the action plan for the implementation of diversity, equality and equal opportunities.

On this regard, on 31.12.2024 Banca Intesa Beograd had in total 6 employees (3 male and 3 females) belonging to protected categories (e.g. people affected by disability, etc.).

With the aim of further strengthening the Bank's business agenda focused on an inclusive working environment dedicated to equal opportunities, in July 2022, the Bank signed the first Protocol on cooperation with the Association of Students with Handicap, which was also in force in 2024. Members of the Association are enabled to access the Bank's database of open positions and to enter their professional resumes. The members of the Association were also provided with the opportunity for professional practice at the Bank.

In November 2023, the Bank signed a Cooperation Agreement with the Forum of Youth with Disabilities (FMI), which was also in force during 2024. The goal of this cooperation is to support the employment of young people with disabilities. By actively posting job ads on the association's website, the Bank contributes to the promotion of employment of this target group, providing strategic support in achieving long-term and sustainable employment of persons with disabilities.

In May 2024, the Bank adopted a new regulatory document „Remuneration Policy" which, as one of the most important strategic acts, defines, among other things, the conditions and principles of exercising the right to salary, elements of salary and other important preconditions for the payment of additional financial incentives for all employees.

In accordance with the principles of equal opportunities for all and acceptance of diversity (Diversity and Inclusion Principles), which represent one of the fundamental values of our Bank, the Board of Directors will pay special attention to the balanced gender neutrality of the salary policy at all levels of the company, with the aim of completely eliminating possible differences in earnings due to the gender of the employee (gender pay gap).

In May 2024, Banca Intesa Beograd received the award "TOP 5 - Successful HR stories" within the competitive part of the HR Experience conference organized by the Infostud center for recruitment, selection and employer branding.

The recognition was given on the basis of a series of programs and projects implemented by the Bank with the aim of improving the well-being of employees and their families, including flexible working hours, health benefits package, support for parents of newborn babies, the possibility of intercultural programs for students, scholarship programs for employees' children, sports summer camps, as well as numerous initiatives dedicated to physical, psychological and emotional well-being of employees

This year, our Bank took first place in the "banks and insurance" category and was ranked 20th among employers in Serbia for 2024 in the Employer Branding Agency survey. Also, according to the data of the talent X survey, the largest survey on brand perception employer in Serbia, Banca Intesa took 15th place in the "Top employer" category among all employers and first place among banks and insurance companies.

ThinkUp: On the occasion of International Women's Day and Men's Health Month (November), two special ThinkUp workshops were organized. What is really important to women" was held on March 8 and our speakers were female colleagues from different divisions of the Bank. Some of the topics were work-life balance, building a supportive environment and equality of chances and opportunities. We opened the month of men's health with a ThinkUp workshop where representatives of the Njuz podcast were guests, who spoke about the importance of maintaining physical and mental health, as well as the expectations of men (but also women) in the business and private environment.

Work environment

The Bank applies the Rules of the Intesa Sanpaolo Group when it comes to occupational health and safety management systems, and manages activities related to this topic in close cooperation with the ISP. This area is defined at the local level by the Collective Agreement, the Rulebook on Safety and Health at Work, as well as the Act on Risk Assessment at Workplaces and the Working Environment of Banca Intesa Beograd. All activities within health and safety area are in the scope of specially appointed Officer for health and safety (within BIB's Security and Business continuity management Department) and in line with the parent company's strategy to implement management systems that are consistent with ISO 45001 international standard requirements and appropriately customized in accordance with the referent national regulation.

In 2024, a total of 14 injuries were recorded in BIB (12 female and 2 male employees). It represents sum of employees' injuries per event, occurred during the reference period, including those occurred during working hours (4) and when commuting (10). In 2024, mandatory training on Operational Health and Safety was locally provided for all Banca Intesa employees. In 2024, a total of 815 hours of mandatory training in the field of health and safety were realized, attended by 327 new employees.

Health benefit for employees

In 2024, the bank provided the benefit of private health insurance for all employees with contract concluded for indefinite period of time, including colleagues who are on probation work. The benefit is available in the Generali clinics network at over 900 locations in Serbia, covering the geographical spread of the Bank's branch network.

Moreover, all colleagues who are employed for an indefinite period (including those who have successfully completed the probation period) also have access to the International Health Program, which is provided with the support of ISP group. This benefit program has been available to employees since 2017 and covers insurance and full medical and logistical assistance to colleagues in unfortunate cases of the most serious illnesses. It provides the most modern medical practice and adequate treatments in medical centers around the world, as well as assistance of an experienced and dedicated medical team, which takes care of the entire process, costs and accompanying logistics of the treatment.

Employee growth and development

During 2024, a total of 60,962 days of training (in the classroom and remotely) were conducted for 2,885 employees. Of these, 2,185 were female and 700 were male. During the year 2024, a total of 290,515 hours of training were achieved, which is 95.43 hours on average per employee. Also, in 2024, a total of 42,792.5 mandatory hours of training (e-learning) were realized. On average, each employee of Banca Intesa Beograd attended 12.03 programs on the e-learning platform.

Training hours		
Category	Male	Female
Manager	1020	1207.5
Officer	11620	15302.5
Employees	40252.5	221112.5
In total	**290,515**	

Gender		
Category	Male	Female
Manager	20	21
Officer	136	201
Employees	544	1963
In total	**2,885**	

Through the distance-learning platform LEA, 3,044 employees were trained in 2024. LEA provides access to the knowledge base in 11 local languages. In 2024, access to 54 different educational and developmental digital courses, divided into mandatory and training for special business functions, was made possible.

In 2024, the Bank organized the eighth consecutive BIB Future Gen program, which provided the opportunity to acquire knowledge through a four-month paid training at Banca Intesa Beograd for a total of 19 graduates and final year students without work experience who, through mentoring and structural development plans, gained their first work experience. At the end of the program, 14 of them remained and were employed at the Bank.

Number of participants per programs in 2024.	
Data Academy	138
ESG Academy	51
Offsite workshops	783
Future Leaders	17
AML Academy	35
Retail + (Customer and employee experience)	180
FTM – BM and Cordinators	22
BIB Future Gen	19
PS Academy	15
Magnifica Fit for Future	70
Magnifica Excellence	24
Small Business Academy Professional	16
Small Business Academy Basic	16
Individual Developmental Assessment (Hogan)	277
SME Academy	87
MBA Education	10
BIB Coaching	32
Case Study	6
Women4Future	40
HO Individual development plans	183
Lead UP academy	125

Through the organization of 21 training programs, the Bank worked on the fundamental development of employees' skills and knowledge. Leadership skills, as one of the essential elements of the Bank's success, were developed through seven programs. The FTM program is organized for 22 managers and coordinators. Through 3 modules, the skills of delegation, time and task management, efficiency, as well as giving feedback to the employees were developed. Also, through the Lead Up Academy, 125 managers went through 18 modules where the main topics were how to lead yourself, your employees, teams and the organization.

Additionally, this year the Bank dedicated a program to successfully evaluated female colleagues, from an idea of the Women4Future program, through which 40 female colleagues together with their managers went through 4 modules on change management, negotiation, resilience, public speaking and presentation. The bank continued to work with young talents, which can be seen through the organization of the following two programs: the BIB Future Gen program, the eighth organized in a row, which provided the opportunity to acquire knowledge through a four-month paid training at Banca Intesa Beograd for a total of 20 graduates and final year college students without work experience, and the Future Leaders program, which was intended for young people who are already employed at the Bank and who have been assessed as successful young employees. Through this program, they had the opportunity to learn about strategy, management, business development and entrepreneurship, and in addition, they had the opportunity to visit the Mother Bank in Italy.

Furthermore, during 2024, the Bank was committed to developing individual plans for 183 employees, as well as organizing MBA education for 10 employees and developing a coaching culture, through the organization of 192 1-on-1 coaching sessions.

In addition to leadership skills, the Bank also implemented programs aimed at developing technical knowledge. Through Retail+ and the PS Academy, employees learned more about sales skills and commercial approaches in order to increase customer satisfaction with the Bank's products. Also, the Magnifica Excellence/Fit for Future and Small Business academies provided employees with additional knowledge about products, credit analysis, investments and macroeconomic trends, and the SME Academy provided managers and business associates with additional knowledge about financial management, structural financing, leading oneself and others.

During the year 2024, through the AML, Data and ESG academies, the Bank's employees also had the opportunity to acquire narrow professional, specific knowledge in these areas, which are very important for business in the financial sector. A total of 400 participants from various departments and sectors were recorded at these academies.

In addition to these programs, the Bank participated in a competition organized by the IDEC School of Management in Bled, where it sent 6 employees.

Furthermore, the Bank continued to develop strategic cooperation with faculties in Serbia. During 2024, 8 workshops and visits to different faculties throughout Serbia were organized through the implementation of Intesa Caravan.

Finally, it is important to mention that 9 team workshops were organized for 783 employees, during which they had the opportunity to develop soft skills, connect with colleagues, and create an even better foundation for further efficient work and business.

Quality and Innovation

During 2024, Banca Intesa Beograd proceeded with the application of agile ways of working in the realization of requests for ICT changes, as well as in the realization of some projects. During the whole year agile methodology was used in the implementation of ICT changes in the existing Power system, as well as Power Web platform, which was a part of the ongoing projects “Paperless branch” (within “Paperless and Automation” program) and Power Mortgage Loans (opened in March). Part of “Paperless and Automation” program is also the project RPA (Robotic Process Automation), which is also managed with agile methodology and ongoing, but 4 automatized processes within International Payments Office are in production 2 since September and 2 since October. Agile methodology is also used for the implementation of the projects “DMS Upgrade” (renamed Paperless Bank") and "Delivery of cards to home address", from which the second was put in production at the end of November, so the clients can choose the option of home delivery in the mobile application. The process of applying the agile way of working was accompanied by appropriate agile trainings for colleagues who work in accordance with agile principles.

During 2024, BIB organized the third cycle of IDEATION - an internal initiative for the collection and implementation of ideas. Under the slogan "Tomorrow's trends, TODAY", the Ideation 3.0 cycle started on March 1, and during the three weeks of applications, 245 ideas were submitted. 12 teams passed to the further steps of project and have presented idea at the final event. The final event was held on June 10, and the winner of this year's cycle is the Meetmaster team, which gathered colleagues from all over Serbia around the idea of "My Advisor" - a new dimension of user experience for our clients.

Also, this year cycles of innovative thinking were held within the Small Business and Agro Business academies, as well as “Wall of Ideas”.

On the initiative and in collaboration with IBD colleagues, a competition "Wall of Ideas" was held, in which participated colleagues with insurance licenses, as well as employees from the headquarters with expertise and experience in the development of this area. The competition focused on improving customer satisfaction, enhancing communication with clients, as well as training and developing new insurance products. In addition to our Bank, colleagues from PBZ and VUB also participated, which made it possible to exchange experiences and ideas with other IBD members who have more experience in bancassurance.

Over 80 ideas were collected, and our Bank proudly contributed with 21 proposals. The top three ideas were presented at the final competition in Milan, where the idea of our colleague, "BIB Life Insurance Share Point," was awarded for its innovative approach. This idea is expected to be implemented in 2025, which will help spread best practices and knowledge among employees, leading to the further growth and improvement of life insurance within the Bank.

Employee Wellbeing

Banca Intesa strives to make the time spent at work stimulating for employees through diverse activities, regularly listening to their needs and aiming to provide well-balanced and fulfilled working hours.

Throughout 2024, the Bank continues to strengthen People Care initiatives to promote and enhance the well-being and quality of life of individuals, in line with the 2022-2025 Business Plan and the Group's HR strategy. The core is CareLab, a real ecosystem for well-being, with digital and in-person content, tools, and initiatives conveyed through a dedicated platform. Among many articles and content on the wellbeing, our employees have a free of charge, 24 hours a day, 365 days a year, anonymously psychological support. Managed by a network of external partners of psychologists and psychotherapists with consolidated experience, the service offers immediate, professional and impartial support for life situations that generate concerns or affect well-being.

In 2024, we continued the series of ThinkUp workshops - a series of conversations with experts from various fields. In 2024, 15 workshops were held on numerous topics such as manipulative green marketing, mental health at work, parenting, cyber security, process automation with advanced use of Excel, entrepreneurial spirit and many others.

Environment protection

Intesa Sanpaolo principles are implemented in certain strategic directions through the signing and joining international initiatives such as: Net Zero Banking alliance (NZBA), Principles of responsible banking (PRB), Principles of responsible investments (PRI), Equator Principles (EP), Global Compact, UNEP Finance Initiative, etc.

The Intesa Sanpaolo Group has decided to pursue the "Net Zero" objective by 2050 for all its main business lines, including its own emissions, credit and investment portfolios, asset management and insurance divisions. Regarding financed emissions, in February 2022, as part of the 2022-2025 Business

Plan, medium-term emission reduction targets for 2030 were presented for the oil and gas, power generation, automotive and mining sectors, which accounted for more than 60% of the financed emissions of non-financial companies' portfolios in sectors identified by the Zero Emissions Banking Alliance. In November 2024, Intesa Sanpaolo disclosed additional targets for the progressive decarbonization of financing in the Residential Real Estate, Agribusiness-Primary Farming, Cement, and Aluminium sectors. With these additional targets, Intesa Sanpaolo completes the definition of its 2030 decarbonization targets for the highest-emitting and most material sectors for the Group.

Regarding coal mining, a phase-out from the sector by 2025 is specifically foreseen, as provided for in the Coal Lending Rules, updated in July 2021. The Unconventional Oil and Gas Lending Rules were also published in 2021, introducing specific exclusions and restrictions related to operations related to major unconventional resources and vulnerable ecosystems, with a phase-out by 2030. In relation to the objectives set by the Business Plan for 2022-2025, the Group has developed its first Transition Plan, in accordance with the requirements of the NZBA and according to the indications of the Glasgow Net Emissions Finance Alliance - GFANZ. The Transition Plan and the first monitoring of the objectives included in the Plan and relating to the NZBA are available in the "Metrics and Targets" chapter of the Group's Climate Report.

By joining the Net-Zero Banking Alliance (NZBA) Intesa Sanpaolo has chosen to pursue the "Net Zero" goal by 2050 - for its own emissions, for loans and investments portfolios and asset management.

In the 2022-2025 Business Plan, the commitment is strengthened by the commitment to carbon neutrality for own emissions already in 2030 with 100% of energy purchased from renewable sources at Group level, targets aligned with net zero by 2030 in the following sectors (Oil&Gas, Power Generation, Automotive, Coal mining) and by protecting and regenerating natural capital.

Banca Intesa, as part of the ISP group, has defined projects within the perimeter of its Own Emissions Plan, in order to contribute to the reduction of the Group's carbon dioxide emissions by 2030.

In line with its commitment to achieve extraordinary business results with full compliance in line with the sustainability principles, Banca Intesa continued to improve its standard practice in the field of environmental protection in 2024, as well. Accordingly, during previous year, environmental protection became one of the strategic areas of Banca Intesa's activity in the field of sustainability, in two priority aspects: Responsible resource management and Responsible financing.

Responsible resource management

Climate change is an extremely important phenomenon and one of the crucial social challenges for the twenty-first century. A constant increase in temperatures due to the growing concentration of greenhouse gases in the atmosphere will lead to - and is already bringing about - consequences and repercussions not only for the planet's ecosystem, but also at a social and economic sustainability for present and future generations. Effectively tackling the causes of climate change therefore requires a collective effort and a comprehensive and systematic approach.

With regards to the commitment to reduce greenhouse gas (GHG) emissions generated by its activities or over which it has a partial control and the related actions, the Bank is involved in the Intesa Sanpaolo's Own Emission Plan (a joint Group-driven action to reach Net-Zero objectives), through which the Bank has shown strong commitment to reduce greenhouse emissions produced directly by the Bank by the optimization of electricity consumption (the Bank is using up to 83% of its energy from renewable sources - target at the Group level is 100% by 2030), reduction of gas consumption and replacement of the car fleet.

Main indicators tracked in BIB

	2022	2023	2024
Total water consumption (m3)	41.233	33.950	39.715
Paper purchased (ton)	223	231*	234,6
Total energy consumption, kWh*	9.557.198	8.209.829	8.525.551
Energy from renewable Sources (% renewable electricity consumption vs total)	86,0%	86,0%	83,00%
Total waste generated (ton)	**2022**	**2023**	**2024**
Hazardous	14	13	3,2
Nonhazardous	16	16	50
Total	**30**	**29**	**53,2**

In line with the approach of its Parent company, Banca Intesa Beograd manages direct and indirect impacts of the Bank according to Rules for Environmental and Energy Policy. As part of the initiatives aimed at responsible procurement and use of goods and services, and based on Parent Bank's approach, the Bank aligns with the Green Banking Procurement Rulebook, which defines the minimum criteria that should be respected in the process of procurement of certain categories of products aimed at improving compliance with environmental and social standards but also responding to the need to rationalize consumption.

Aiming to contribute to the responsible consumption of resources, we marked Earth Day in April 2024, with an internal initiative - a competition based on a collection of plastic caps. The celebration of this important world day was just an additional incentive to achieve even better results in the action that we have been a part of for years. Thanks to the commitment of our colleagues, we successfully cooperate with the organization "Čep za hendikep" and this year we collected 90 kg of plastic caps.

In June 2024, we marked World Environment Day and launched the initiative "Start sustainably, arrive in style". In the first week of June, we invited all colleagues to ride a bicycle, scooter or walk from home to work and reduce CO2 emissions. The initiative had an incredible response, and more than 20 photo and video materials were received.

The Bank applies Group Rules that regulate sustainability in the organization of communication events, courses and trainings. Accordingly, during the organization of the event, the Bank sends invitations only electronically, both for internal and external parties. Invitations for 100% of communication events in 2024 were sent in electronic form.

The Bank continued with an active promotion of both-sided printing, as well as black and white printing in all business processes. Only small amount of specific materials for external and internal usage was one-side printed due to promotional/business reasons.

When it comes to mobility initiatives in 2024, the Bank's fleet was optimized during 2024 by replacing 71 vehicles with gasoline vehicles with Euro 6 standards of European quality, which brought the total number of gasoline vehicles to 122 (78% of the fleet) , including 4 new hybrid plug-in vehicles that combine gasoline and electric motor. Total number of electric vehicles is 2. During 2024, Bank provided six chargers for electrical vehicles. It is planned to continue in this direction in 2025.

Responsible financing

When it comes to responsible financing, the Bank is committed to integrating environmental and social criteria in its business decisions in order to contribute to reducing adverse impacts its customers' operation may have on the environment and society. This obligation is confirmed by the local implementation and adoption of the Parent Company's policies that regulate the application of advanced ESG risk assessment practices in lending processes.

During 2024, Banca Intesa Beograd updated "Group Guidelines for the Management of Environmental, Social and Governance Risks (ESG)" which, together with the accompanying rules on credit operations in the coal sector and rules for credit operations in the unconventional oil and gas sector, form part of the general framework for managing ESG risks.

On the one hand, the Bank has defined general exclusion principles for financing (so-called business activities that the Bank does not support) for certain activities with a particularly high negative environmental or social impact. On the other hand, the Bank, in cooperation with the Parent Company, as well as international financial institutions, promotes projects that achieve a positive impact on environmental protection by providing financial incentives, both through more favorable interest rates and through the possibility of returning part of the funds.

Year after year, the bank justifies its role as the largest partner to international financial institutions and a leader in the implementation of new (green) financing programs. Some of the most important credit lines to be mentioned are the following:

- **A credit line agreement was signed with the European Bank for Reconstruction and Development (EBRD) within EBRD program SME GO Green**, in the amount of 15 million euros intended for investments in modernization with the aim of increased compliance with one or more European Union Directives in the field of environmental protection, worker safety and product safety and quality.
- **Credit line agreement with the European Bank for Reconstruction and Development (EBRD) in the amount up to 50 million euros** continuing supporting development of small and medium-sized enterprises with which the Bank undertook to develop a transition plan based on the goals of the Paris Agreement in the field of climate change, as well as to increase the level of green placements on the best efforts basis by investing up to 10% of the funds from the credit line in the projects that are in line with the approach to the green transition of the EBRD.
- **Credit line agreement with European Bank for Reconstruction and Development (EBRD) in the amount up to 7 million euros** continuing sucessful program Western Balkan women in business which started in the Bank back in 2015.
- In cooperation with the **European Investment Bank (EIB)**, the Bank continued to use a credit line in the amount of **100 million euros** for the recovery and support of the development of small and medium-sized enterprises as well as for support of green projects, through the financing of new investments. According to contract terms, at least 10% of the Loan shall be allocated to Sub-Financings dedicated to Green Objectives.
- **With the German Development Bank (KfW), a new credit line agreement was signed in 2024 in the total value of 40 million euros**, intended for the economy to improve the efficiency of using natural resources, the recycling resources and reducing their emissions. The mentioned agreement is a continuation of the previously started successful cooperation which refers to the utilization of a credit

line in the total value of 35 million euros to support green initiatives and the development of rural areas.
– In 2024, the Bank has started cooperation with Italian financial institution **CDP - *Cassa Depositi e Prestiti***, by signing a credit line agreement for supporting green projects for small and medium-sized enterprises. New credit line i**n the amount of 10 milion euros** along with co-financing by Banca Intesa in the same amount **made 20 million euros available for clients**.

During 2024, Banca Intesa AD Beograd continued with placement of new sustainable lending product S-Loans - financing solution dedicated to the ESG transition that allows the company to obtain a discount upon achieving specific objectives in the ESG areas. S-Loans are specially designed with integrated KPIs for the 360° improvement of client's sustainability performances, regarding Environment, Social -activities as well as Governance management. BIB granted approximately EUR 36 million of new S-loans in 2024. In parallel, we enriched the offer of green loans and at the end of the year implemented the Sustainable Dedicated S-loan ("Green dedicated S-loan") intended for clients to finance investments in the field of renewable energy sources, energy efficiency, pollution prevention, etc.

The Bank has applied international criteria for additional risk assessment of clients' financing in order to preserve the sustainability of natural resources, respect human rights and individual health, protect cultural heritage and biodiversity in Serbia. In that regard, the Bank is applying the international Equatorial Principles in Project Financing.

Innovations in finance: Circular economy
As a market leader in the Serbian banking sector, Banca Intesa has a high environmental awareness and is an innovator in the circular economy financing. Supported by its parent company, Banca Intesa Belgrade has successfully granted EUR 57,6 Million of circular economy loans and laid the foundations for building a sustainable future. The financed projects covered, among other things, smart/green buildings, solar power plants, biogas plants, solutions that provide optimization of water consumption, etc.

Community

The Bank plays an active role in the local communities. The Code of Ethics draws attention to the requirements related to the responding on the community needs: this commitment consists of various activities, such as the promotion of solidarity initiatives with projects set up through partnerships, donations, sponsorship of important cultural and social initiatives, and protection and promotion of the historical, artistic and cultural heritage of both Italy and Serbia.

Corporate philanthropy

BIB helps local community growth through Donations in accordance with the Group's Rules for Donations in the International Subsidiary Banks, which set out specific principles and procedures to be applied by the International Banks while evaluating, and granting donations. Moreover, in March 2024 Banca Intesa Beograd established Intesa Foundation philanthropic organization with the support from ISP IBD with the aim of creating modern, sustainable and inclusive society focusing on five keys impact areas - support for women in difficult situations and fight against social inequalities; support for the development of education, children and youth; strengthening health and social protection with a focus on the elderly population; climate change mitigation and environmental protection, as well as local community projects.

In 2024, Banca Intesa Beograd dedicated cc RSD 11.10 million (EUR94.900) for financial contribution to the community.

To the greatest extent, social protection projects were supported, especially those aimed at children without parental care as well as children from other vulnerable social groups (Dom za decu i mlade Zvečanska, Prihvatilište) as well as other projects or initiatives that focus on improving the quality of life of vulnerable groups and the treatment of those suffering from the most serious diseases, such as supporting the activities of: the Association of Multiple Myeloma Patients, Belhospice for support for palliative care for seriously ill patients, support for pensioners with poor financial status, support for initiatives to build and renovate kindergartens in Serbia, equip school classrooms in rural areas, the "Čep za hendikep" project, initiatives to improve mental health in the community, etc. In addition to the mentioned activities, there is also support for amateur sports for younger categories, implementation of amateur cultural and artistic programs and support for inclusive music education programs, as well as other initiatives to support educational activities.

During 2024, the Bank continued its long-term support for the affirmation of Paralympic sports in Serbia. By waiving part of the amount from membership fees and transactions made with the help of the Visa Classic Paralympic card, the Bank made a key contribution to the operational and financial sustainability of the Paralympic Committee of Serbia, with around RSD 2.99 million collected during 2024.

BIB has strong volunteering culture. Since 2013 with the aim to promote the corporate volunteering values and social solidarity, the Bank launched the "Intesa from the Heart" Program in 2013. This coordinated approach includes individual and group volunteering projects and activities that the Bank carries out independently or in partnership with civil society organizations.

During 2024, the Bank organized and supported two volunteer activities in which 40 volunteers participated. The sum of volunteer hours of all volunteers was 230.

The Bank donated 200 kilograms of paprika to the organization "Evo ruka", founded by parents of children with developmental disabilities in order to improve the quality of life of their children and provide them with a secure future. In cooperation with this organization, a volunteer action of making ajvar out of donated vegetables, which the representatives of this organization would then sell in order to collect funds. Ten colleagues participated in the volunteer action.

With the aim of raising awareness about the importance of the organization "Dečje srce", as well as additional promotion of their work, we hosted members of the association in the HQ of our Bank, who had the opportunity to sell their products. Sales stands were set up in the restaurant, and colleagues were able to buy T-shirts, bags, aprons, mugs and other handmade products. During this day, the "Dečje srce" association generated income of more than 80.000 RSD.

Charity BIBazar 2024: In December 2024, the fifth traditional Charity BIBazar was held in the Bank's Head Offices in Belgrade and Novi Sad, several hundred of our colleagues directly financially supported organizations of families with children with developmental, physical or mental challenges, NGO's and local social enterprises, donating over 346,000 RSD (approximately 3000 EUR).

In November 2024, the Bank sponsored ten students from the University of Belgrade, namely student leaders in the field of sustainable development, circular economy and ESG, by providing tickets to the Sustainable Development Forum, a two-day conference supported by the University of Cambridge from the United Kingdom.

Dedicated to the development of the innovative spirit and financial awareness of young people in our country, through three cycles of financial education, 40 colleagues were involved in mentoring work with more than 200 high school students throughout Serbia.

Every year, each of eight countries of the FLITIN Network launch its national competition. This year as well, Banca Intesa Beograd in collaboration with Organization 'Junior Achievement' launched the open call for secondary school students and their dedicated themes of education for economic citizenship and sustainability. Within this initiative, over 120 high school students had the opportunity to recognize the ESG challenges in their local communities and offer innovative solutions with the aim of improving environmental sustainability and quality of life in local areas.

Innovative "Student Company program" allows high school students to experience managing their own company with real products and services. In addition, through this program, high school students had the opportunity to learn how to save. This program was part of regular curriculum of high schools in Serbia providing students to work with mentors on founding and developing their own company during one school year.

At the end of the 2024, six of our colleagues joined the "Financial Literacy" program. During the duration of the program, colleagues will be mentors to high school students, and this program aims to bring the world of banking and finance closer to young people, who during the program will have the opportunity to learn how to manage a household budget, invest wisely and secure their business.

During 2024, Banca Intesa Beograd actively participated in numerous initiatives organized by the Bank's strategic partners. Among them are partnerships with AmCham Serbia - the American Chamber of Commerce in Serbia and Confindustria Serbia - the representative office of the Confederation of Italian Industry in Serbia, all with the aim of working on projects to support and develop knowledge and expertise of the economy in the field of ESG.

The Bank was one of the key partners in the ESG Lab initiative launched by Confindustria Serbia. The aim of this initiative was to raise awareness and provide support on ESG topics among small and medium-sized enterprises in developing sustainable strategies, implementing ESG practices, as well as harmonizing with regulatory and market requirements related to ESG. Bank representatives participated in three ESG Lab workshops held during 2024, as well as in the ESG conference organized by Confindustria Serbia.

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The Bank also supported AmCham Serbia in the ESG Excellence Project in 2024, which aims to improve the integration of sustainable principles into the business operations of the Western Balkan countries. The project encourages companies to incorporate ESG principles into their business strategies, creating a favorable framework for the implementation of ESG policies. This project will be implemented by 2026. At the ESG Conference held in December 2024, AmCham presented the results of its first project activity: Research on the level of maturity and challenges faced by the economy when implementing ESG policies. Representatives of Banca

Intesa Beograd actively participated in the discussion at the aforementioned conference. These activities confirm the commitment of Banca Intesa Beograd to sustainable development, as well as to support companies in the implementation of ESG principles as a key element of modern business.

Financial inclusion

Financial inclusion is an important pillar of Banca Intesa's approach toward community. Accordingly, the Bank strives to make its products as accessible as possible, and to meet specific needs of as many social groups of customers as possible by constant innovation and improvement of products and services offer.

Economic empowerment of women has long been not only an issue of gender equality, but also a key precondition for sustainable economic growth and social progress, and therefore the creation of conditions for the development of women's entrepreneurship is an important task of the state and the private sector.

In 2024, Banca Intesa Beograd concluded already the 7th loan agreement in a row with the European Bank for Reconstruction and Development within the program aimed at supporting women's entrepreneurship. Through the aforementioned program, only in 2024 the Bank supported 499 different women leaded business ventures in the total amount of EUR 12.9 million.

Determined to continue with initiatives that have a broader social impact (emphasized ESG component), we expanded cooperation with the European Bank for Reconstruction and Development in order to additionally support sensitive market niches such as young entrepreneurs and women entrepreneurs.

Through the EBRD Youth in Business program, Banca Intesa has developed a platform intended for young entrepreneurs. Through this platform, based on a proven EBRD Woman in Business concept (available as of 2015), in addition to financial support through loans for working capital and investments, the Bank provides support to our clients through educational programs and networking. Banca Intesa, as the leading bank on the Serbian banking market, joined this EBRD program and already has placed 371 loans worth EUR 9.1 million as a support for young entrepreneurs.

In order to strengthen ESG component of the Bank's business, as well as the competitiveness in the RPG client market, at the end of 2023 the Bank has launched new credit products for RPG clients, targeting women and clients under 40 years RPG clients.

At the end of 2023, Banca Intesa Beograd introduced two new sustainable products to its offer. Loan for women in agriculture is intended exclusively for registered agricultural holdings owned by women. During 2024, 263 loans were placed, in the total amount of EUR 5.3 million. Also, at the end of last year, Loan for young farmers was launched, which are intended for farmer clients under the age of 40. In 2024, 224 clients used this product and EUR 3.8 million were released.

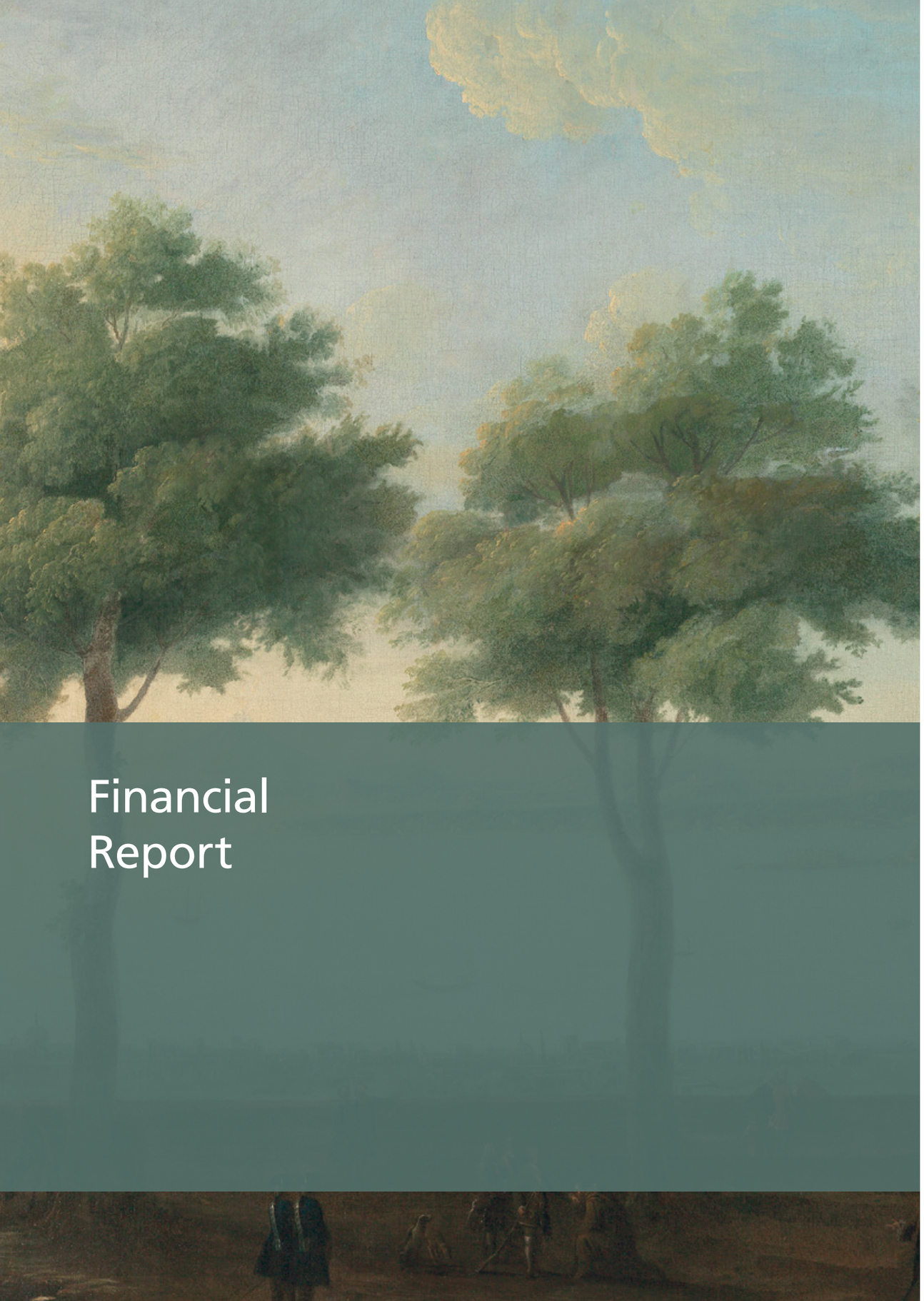
In the local labor market, working mothers have a great need for financial support, given that women are on average paid less for the same or similar jobs and positions compared to men. Accordingly, there is a need to continuously raise awareness about gender equality, inclusion, protection of vulnerable social groups and the importance of early childhood development.

As one of the Group's goals is the economic empowerment and financial inclusion of women, especially those from socially vulnerable groups, Banca Intesa accordingly has in its offer the mum@work product- Special offer for allowed overdraft on the payment account, as well as Subsidized housing loan for mothers who have acquired the right to participate in the purchase of real estate in accordance with the Law on Financial Support for Families with Children. The existing credit rules and conditions for approval of the allowed overdraft on the payment account have been applied with an additional benefit such as a significantly lower interest rate and without approval fee, as well as a fixed interest rate on an annual basis. The product aims to further empower women in overcoming financial challenges. Due to the clear social component and impact on financial independence, it is one of the first from the Bank's ESG product group.

For the same target group, during 2024, the Bank released EUR 2.1 million in the exchange rate for subsidized housing loans for mothers who acquired the right to participate in the purchase of real estate in accordance with the Law on Financial Support for Families with Children.

Senior Cash loans that were designed to meet the needs of pensioners aged 55 to 79, were available during 2024 as well. During the entire repayment period, clients are provided with life insurance, which is included in the loan price. The number of loans released during 2024 is 30,256. The total amount released to the exchange rate in 2024 is EUR 99.9 million.

Since June 2023, the Bank has included in its offer a Housing loan for young people up to the age of 35. Although not categorized as sustainable product, Housing loan for young people is special offer, which, in addition to a lower nominal interest rate, also includes a number of additional benefits for clients. In 2024, a total of 430 housing loans for young people were placed (volume: EUR 27.5 million).



Financial Report

INDEPENDENT AUDITORS' REPORT

To the Shareholders
of Banca Intesa a.d. Beograd

Opinion
We have audited the financial statements of Banca Intesa a.d. Beograd (the Bank), which comprise the balance sheet as at 31 December 2024, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of material accounting policies and other explanatory notes.

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

Basis for Opinion
We conducted our audit in accordance with Standards on Auditing applicable in the Republic of Serbia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the 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 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 included in the Bank's Annual Business Report
Other information consists of the information included in the Annual business report other than the financial statements and our auditor's report thereon. Management is responsible for the preparation of other information in accordance with the legal requirements of the Republic of Serbia.

Our opinion on the financial statements does not cover the Other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with Law on Accounting of Republic of Serbia, in particular, whether the other information complies with the Law on Accounting of Republic of Serbia in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:
1. the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and

2. the other information is prepared in accordance with requirements of the Law on Accounting of Republic of Serbia.

In addition, our responsibility is to report, based on the knowledge and understanding of the Bank obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management and Audit Committee for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Auditing Standards applicable in 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 financial statements.

As part of an audit in accordance with Auditing Standards applicable in Republic of Serbia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with Audit Committee 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.

Belgrade, 28 February 2025

Nikola Ribar
Authorized auditor
for Ernst & Young d.o.o. Beograd

SEPARATE BALANCE SHEET as at 31 December 2024

in RSD thousand	Note	December 31, 2024	December 31, 2023
ASSETS			
Cash and assets held with the central bank	15, 2.14	204,234,014	145,416,663
Receivables under derivatives	16, 2.10	78,654	80,353
Securities	16, 2.9	93,054,647	57,722,864
Loans and receivables from banks and other financial organisations	17, 2.8	127,328,795	157,125,902
Loans and receivables from clients	17, 2.8	579,590,626	534,022,332
Investments in associated companies and joint ventures	16, 2.7	1,199,472	1,199,472
Intangible investments	18, 2.15	3,685,009	3,994,303
Property, plant and equipment	19, 2.16	10,431,451	10,403,122
Deferred tax assets	14, 2.21	111,887	151,812
Non-current assets held for sale and discontinued operations		14,267	14,267
Other assets	20	9,529,509	15,897,063
TOTAL ASSETS		**1,029,258,331**	**926,028,153**
LIABILITIES			
Liabilities based on derivatives	**21, 2.10**	**8,731**	**1,586**
Deposits and other liabilities to banks, other financial organisations and central bank	22, 2.11	85,324,008	68,454,547
Deposits and other financial liabilities to clients	22, 2.11	786,004,408	709,686,211
Subordinated debts	22, 2.11	11,746,001	11,769,379
Provisions	23, 2.3	2,844,251	2,765,116
Current tax liabilities	14, 2.21	933,676	1,085,472
Other liabilities	24	17,960,515	21,447,641
TOTAL LIABILITIES		**904,821,590**	**815,209,952**
CAPITAL			
Share capital	25, 2.19	41,748,469	41,748,469
Retain earnings	25, 2.19	26,799,530	21,040,170
Reserves	25, 2.19	55,888,742	48,029,562
TOTAL CAPITAL		**124,436,741**	**110,818,201**
TOTAL LIABILITIES AND CAPITAL		**1,029,258,331**	**926,028,153**

In Belgrade, 28 February 2025

Nevena Novaković
Head of Accounting Department

Dragica Mihajlović,
Member of the Executive Board / CFO

Darko Popović
President of the Executive Board / CEO

SEPARATE INCOME STATEMENT in the period from 1 January to 31 December 2022

in RSD thousand	Note	31, 2024	31, 2023
Interest income	3, 2.4	56,151,567	46,871,922
Interest expenses	3, 2.4	(13,131,649)	(8,957,016)
Net interest gains		**43,019,918**	**37,914,906**
Income from fees and commissions	4, 2.5	27,820,767	26,181,184
Expenses on fees and commissions	4, 2.5	(10,956,656)	(11,958,751)
Net gains from fees and commissions		**16,864,111**	**14,222,433**
Net gains from change in fair value of financial instruments	5, 2.7	134,155	100,594
Net exchange rate gains and gains from agreed currency clause	7, 2.6	(602,729)	(2,295)
Net expenses on impairment of financial assets not measured at fair value through income statement	8, 2.7	(5,505,019)	(7,241,683)
Net gains / (losses) on derecognition of financial instruments carried at amortized cost	6, 2.7	(925)	29,554
Other operating income	9	400,116	247,067
Total net operating income		**54,309,627**	**45,270,576**
Salaries, salary compensations and other personal expenses	10, 2.20	(9,914,599)	(8,510,974)
Depreciation costs	11, 2.16	(2,546,165)	(2,482,631)
Other income	12	509,961	491,910
Other expenses	13	(11,924,261)	(10,914,896)
Profit before tax		**30,434,563**	**23,853,985**
Profit tax	14, 2.21	(3,635,033)	(2,815,106)
Profit after tax		**26,799,530**	**21,038,879**

In Belgrade, 28 February 2025

Nevena Novaković
Head of Accounting Department

Dragica Mihajlović,
Member of the Executive Board / CFO

Darko Popović
President of the Executive Board / CEO

SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME
in the period from 1 January to 31 December 2024

in RSD thousand	2024	2023
Profit for the period	**26,799,530**	**21,038,879**
Components of other comprehensive income which cannot be reclassified to profit or loss:		
Increase/ (decrease) in revaluation reserves based on intangible assets and fixed assets	-	510,346
Negative effects of change in value of equity instruments measured at fair value through other comprehensive income	(1,868)	(1,638)
Components of other comprehensive income that may be reclassified to profit or loss:		
Positive (negative) effects of change in value of debt instruments measured at fair value through other comprehensive income	583,706	1,278,257
Loss/ (income) from tax relating to the comprehensive income of the period	(87,556)	(268,290)
Total positive (negative) comprehensive income for the period	494,282	1,518,675
Total positive comprehensive income for the period	**27,293,812**	**22,557,554**

In Belgrade, 28 February 2025

Nevena Novaković
Head of Accounting Department

Dragica Mihajlović,
Member of the Executive Board / CFO

Darko Popović
President of the Executive Board / CEO

SEPARATE STATEMENT OF CHANGES IN EQUITY
in the period from 1 January to 31 December 2024

in RSD thousand	Share capital and other equity	Premium on issue of shares	Reserves from profit and other reserves	Revaluation reserves	Retain earnings	Total
Opening balance as of 1 January, 2023	**21,315,900**	**20,432,569**	**43,488,903**	**(195,520)**	**12,727,009**	**97,768,861**
Increase (decrease) in revaluation reserves based on intangible assets and fixed assets	-	-	-	433,794	-	433,794
Negative effects of change in value of equity instruments measured at fair value through other comprehensive income	-	-	-	(1,638)	-	(1,638)
Negative (positive) effects of change in value of debt instruments measured at fair value through other comprehensive income	-	-	-	1,086,519	-	1,086,519
Profit for the current year	-	-	-	-	21,038,879	21,038,879
Dividends paid				-	(9,509,504)	(9,509,504)
Distribution of profit	-	-	3,217,504	-	(3,217,504)	-
Other	-	-	-	-	1,290	1,290
Balance as of 31 December, 2023	**21,315,900**	**20,432,569**	**46,706,407**	**1,323,155**	**21,040,170**	**110,818,201**
Opening balance as of 1 January, 2024	**21,315,900**	**20,432,569**	**46,706,407**	**1,323,155**	**21,040,170**	**110,818,201**
Increase (decrease) in revaluation reserves based on intangible assets and fixed assets	-	-	-	-	-	-
Negative effects of change in value of equity instruments measured at fair value through other comprehensive income	-	-	-	(1,868)	-	(1,868)
Negative (positive) effects of change in value of debt instruments measured at fair value through other comprehensive income	-	-	-	496,150	-	496,150
Profit for the current year	-	-	-	-	26,799,530	26,799,530
Dividends paid				-	(13,675,272)	(13,675,272)
Distribution of profit	-	-	7,364,898	-	(7,364,898)	-
Other	-	-	-	-	-	-
Balance as of 31 December, 2024	**21,315,900**	**20,432,569**	**54,071,305**	**1,817,437**	**26,799,530**	**124,436,741**

In Belgrade, 28 February 2025

Nevena Novaković
Head of Accounting Department

Dragica Mihajlović,
Member of the Executive Board / CFO

Darko Popović
President of the Executive Board / CEO

SEPARATE CASH FLOW STATEMENT in the period from 1 January to 31 December 2024

in RSD thousands	2024	2023
Cash inflow from operating activities	82,303,700	72,096,012
Interest	53,171,745	44,879,066
Fees	27,818,422	26,183,221
Other operating income	1,305,285	1,028,588
Dividends and profit sharing	8,248	5,137
Cash outflow from operating activities	**(44,386,367)**	**(37,916,070)**
Interest	(12,307,586)	(7,052,435)
Fees	(10,844,915)	(11,929,832)
Gross salaries, salary compensations and other personal expenses	(9,578,159)	(8,350,959)
Taxes, contributions and other duties charged to expenses	(541,160)	(254,277)
Other operating expenses	(11,114,547)	(10,328,567)
Net cash inflow from operating activities before an increase or decrease in financial assets and financial liabilities	**37,917,333**	**34,179,942**
Inflow from financial assets and increase in financial liabilities	**90,055,447**	**49,067,438**
Inflow from receivables under securities and other financial assets not intended for investment	-	5,280,519
Inflow from deposits and other financial liabilities to banks, other financial organisations, central bank and clients	90,055,447	43,786,919
Outflow from financial assets and decrease in financial liabilities	**(134,648,101)**	**(23,757,517)**
Outflow from loans and receivables from banks, other financial organisations, central bank and clients	(100,123,562)	(23,757,517)
Outflow from securities and other financial assets not intended for investment	(34,524,539)	-
Net cash inflow / outflow from operating activities before profit tax	**(6,675,321)**	**59,489,863**
Profit tax paid	(3,834,458)	(2,252,230)
Dividends paid	(13,675,272)	(9,509,504)
Net cash inflow / outflow from operating activities	**(24,185,051)**	**47,728,129**
Cash inflow from investing activities	**132**	**14,027**
Sale of intangible investments, property, plant and equipment	132	14,027
Cash outflow from investing activities	**(1,004,822)**	**(1,010,296)**
Purchase of intangible investments, property, plant and equipment	(1,004,822)	(1,010,296)
Net cash inflow from investing activities	**(1,004,690)**	**(996,269)**

in RSD thousands	2024	2023
Cash inflow from financing activities	**28,283,297**	**64,501,938**
Cash inflow from subordinated liabilities	89,530	11,767,210
Loans taken	28,193,767	52,734,728
Cash outflow from financing activities	**(27,884,407)**	**(25,050,276)**
Cash outflow from subordinated liabilities	(105,410)	(49,840)
Loans taken	(27,075,014)	(24,378,572)
Other outflow from financing activities	(703,983)	(621,864)
Net cash outflow / inflow from financing activities	**398,890**	**39,451,662**
Total cash inflow	**200,642,576**	**185,679,415**
Total cash outflow	**(225,433,427)**	**(99,495,893)**
Total cash inflow / outflow	(24,790,851)	86,183,522
Cash and cash equivalents at the beginning of the year	**192,193,533**	**107,151,619**
Exchange rate gains	6,055,543	5,430,673
Exchanges rate losses	(5,799,657)	(6,572,281)
Cash and cash equivalents at end-period (Note15)	**167,658,568**	**192,193,533**

In Belgrade, 28 February 2025

Nevena Novaković

Head of Accounting Department

Dragica Mihajlović,

Member of the Executive Board / CFO

Darko Popović

President of the Executive Board / CEO

Notes to the Separate Financial Statements For the Year Ended 31 December 2024

1. CORPORATE INFORMATION

Banca Intesa Beograd a.d. Belgrade (hereinafter referred to as the "Bank") was established as a joint stock company, pursuant to the Memorandum on Association and Operations of Delta banka DD Belgrade dated 16 September 1991. On 19 September 1991, the National Bank of Yugoslavia issued a certificate and permission for the foundation of Delta banka DD Belgrade.

On 16 October 1991, the Bank was duly registered with the Commercial Court in Belgrade and subsequently commenced its operations.

Pursuant to the General Manager's Decision no. 18600 dated 7 November 2005, the Approval of National Bank of Serbia and the Decision of the Companies Register no. BD 98737/2005 dated 29 November 2005, the Bank changed its previous name into Banca Intesa a.d. Belgrade.

During the year ended 31 December 2007, the legal status change was carried out through a merger by absorption, whereby the acquirer was Banca Intesa a.d. Belgrade, and the acquired bank was Panonska banka a.d. Novi Sad. Upon registration of the procedure of merger by absorption with the Serbian Business Registers Agency, the Bank as the acquirer and the legal successor has continued to operate under its existing business name, while the acquired bank – Panonska banka a.d. Novi Sad ceased its operations without liquidation process, and its shares were withdrawn and cancelled.

During 2012, upon receipt of the previous approval of the National Bank of Serbia, the Bank's Assembly has adopted changes and amendments to the Memorandum of Association and the Articles of Association, by which it has harmonized its business and enactments with the provisions of the Law on Companies. The Serbian Business Registers Agency has registered these changes by rendering a Decision no. BD 85268/2012 dated 27 June 2012.

During 2015, upon receipt of the previous approval of the National Bank of Serbia, the Bank's Assembly has adopted changes and amendments to the Memorandum of Association and the Articles of Association, by which it has harmonized its business and enactments with the provisions of the Law on Banks. The Serbian Business Registers Agency has registered these changes by rendering a Decision no. BD 56475/2015 dated 26 June 2015.

Furthermore, in August 2015, shareholding structure of the Bank was changed and it reflects in the fact that the minority shareholder International Finance Corporation (IFC) sold its entire stake to majority shareholder Intesa Sanpaolo Holding International S.A. After this change the Bank had two shareholders, Intesa Sanpaolo Holding International S.A. and Intesa Sanpaolo S.p.A. Based on the previous change in the shareholding structure and upon the previous approval of the National Bank of Serbia, Bank's Assembly has adopted changes and amendments to the Memorandum of Association, which was registered with the Decision of the Serbian Business Registers Agency no. BD 2238/2016 dated 18 January 2016.

In December 2016, the shareholding structure of the Bank was changed once more and it reflects in the fact that the minority shareholder Intesa Sanpaolo S.p.A. sold its entire stake to majority shareholder Intesa Sanpaolo Holding International S.A. After this change the Bank has one shareholder and it is Intesa Sanpaolo Holding International S.A.

Based on the previous change of the shareholders structure of the Bank and upon receipt of the consent of the National Bank of Serbia, the Shareholders' Assembly has adopted changes and amendments of the Memorandum on Association. The change was registered at the Business Registers Agency under the decision no. BD 37271/2017 dated 5 May 2017.

The Bank is authorized by National Bank of Serbia and registered to perform the following operations: payment transactions, credit and deposit operations, issuance of payment cards; also, the Bank is registered for operations with securities, issuance of guarantees and other warranties. In accordance with articles of Law on banks, the Bank operates in accordance with principles of liquidity, security and profitability. In addition, the Bank is authorized for selling of investment units as well for representing insurance, with prior consent of National bank of Serbia.

As of 31 December 2024, the Bank operated through its Head Office located in Belgrade, Milentija Popovića 7b. The Bank network consists of associated organizational units as follows: 4 regional centres and 134 branches.

The Bank had 3.044 employees as of 31 December 2024 (31 December 2023: 3.079 employees).

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES

2.1. Basis for the preparation and presentation of the separate financial statements

The separate financial statements of the Bank for the year ended 31 December 2023 (hereinafter: the "financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRSs).

In accordance with the Law on Accounting, banks must keep their books of accounts and prepare financial statements in accordance with translated IFRSs, while, by the Law on Banks (article 50.2), it has been designated that, when compiling Annual Financial Statements, a bank should apply the IFRSs as of date which the competed authority has designed as the date of the application of these standards.

(a) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Bank as of 1 January 2024:

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and are applied retrospectively. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied within twelve months after the reporting period. The newly adopted IFRS and amendments to IFRS did not have a material impact on the Bank's accounting policies.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. Under the amendments, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. The amendments apply retrospectively to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The newly adopted IFRS and amendments to IFRS did not have a material impact on the Bank's accounting policies.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.1. Basis for the preparation and presentation of the separate financial statements (continued)

(a) Changes in accounting policies and disclosures (continued)

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures - Supplier Finance Arrangements (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The newly adopted IFRS and amendments to IFRS did not have a material impact on the Bank's accounting policies.

(b) Standards issued but not yet effective and not early adopted

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption of amendments related to the classification of financial assets and the related disclosures is permitted, with the option to apply the other amendments at a later date. The amendments clarify that a financial liability is derecognised on the 'settlement date', when the obligation is discharged, cancelled, expired, or otherwise qualifies for derecognition. They introduce an accounting policy option to derecognise liabilities settled via electronic payment systems before the settlement date, subject to specific conditions. They also provide guidance on assessing the contractual cash flow characteristics of financial assets with environmental, social, and governance (ESG)-linked features or other similar contingent features. Additionally, they clarify the treatment of non-recourse assets and contractually linked instruments and require additional disclosures under IFRS 7 for financial assets and liabilities with contingent event references (including ESG-linked) and equity instruments classified at fair value through other comprehensive income. The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.1. Basis for the preparation and presentation of the separate financial statements (continued)

(b) Standards issued but not yet effective and not early adopted

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. The amendments include clarifying the application of the 'own-use' requirements, permitting hedge accounting if contracts in scope of the amendments are used as hedging instruments, and introduce new disclosure requirements to enable investors to understand the impact of these contracts on a company's financial performance and cash flows. The clarifications regarding the 'own-use' requirements must be applied retrospectively, but the guidance permitting hedge accounting have to be applied prospectively to new hedging relationships designated on or after the date of initial application. The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- **IFRS 18 Presentation and Disclosure in Financial Statements**
  IFRS 18 introduces new requirements on presentation within the statement of profit or loss. It requires an entity to classify all income and expenses within its statement of profit or loss into one of the five categories: operating; investing; financing; income taxes; and discontinued operations. These categories are complemented by the requirements to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards. IFRS 18 is effective for reporting periods beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements. The standard has not yet been endorsed by the EU. In the following reporting periods, Management will analyse the requirements of this newly issued standard and assess its impact.

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures**
  IFRS 19 permits subsidiaries without public accountability to use reduced disclosure requirements if their parent company (either ultimate or intermediate) prepares publicly available consolidated financial statements in compliance with IFRS accounting standards. These subsidiaries must still apply the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards. IFRS 19 is effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The standard has not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- **Annual Improvements to IFRS Accounting Standards – Volume 11**
  The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards — Volume 11. An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. The Annual Improvements to IFRS Accounting Standards - Volume 11, includes amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. These amendments aim to clarify wording, correct minor unintended consequences, oversights, or conflicts between requirements in the standards. The standard has not been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.1. Basis for the preparation and presentation of the separate financial statements (continued)

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

The accompanying financial statements are separate financial statements, since they include unconsolidated captions of receivables, liabilities, operating results, changes in equity and cash flows of the Bank, excluding its subsidiaries – Intesa Leasing d.o.o. Belgrade and Intesa Invest, which are 100% owned by the Bank. The Bank recognizes its investment in this subsidiary at cost. Total asset of subsidiary Intesa Leasing is 3.98% (31.12.2023:3.56%), while total assets of subsidiary Intesa Invest is 0.05% (31.12.2023: 0.04%) of the total Bank`s assets as at 31 December 2024.

In accordance with the provisions of IFRS 10 "Consolidated financial statements", the Bank is exempted from preparation of consolidated financial statements, taking into consideration that the ultimate parent company, Intesa Sanpaolo S.p.A., regularly prepares and disclosed consolidated financial statements in accordance with IFRS adopted by EU. These financial statements are published on the official website of Intesa Sanpaolo Group: www.group.intesasanpaolo.com.

Although the Bank is obliged to prepare annual consolidated financial statements and submit them to the Business Registers Agency in accordance with the Law on accounting, still the Bank uses its right specified by Law on banks, article 55 paragraph 4, by which it does not include subsidiaries in annual audit of its consolidated financial statements, based on the consent of National bank of Serbia.

The Bank's financial statements are stated in thousands of Dinars, unless otherwise stated. The Dinar (RSD) is the functional and official reporting currency of the Bank. All transactions in currencies other than functional currency are considered transactions in foreign currency.

The accompanying financial statements have been prepared under the going concern principle, which implies that the Bank will continue its operations in the foreseeable future.

In the preparation of these financial statements, the Bank has adhered to the principal accounting policies further described in Note 2.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.2. Comparative data

Accounting policies and estimates relating to recognition and measurement of assets and liabilities, applied in the preparation of these financial statements, are consistent with those applied in the preparation of the annual financial statements of the Bank for the year31 December 2022.

2.3. Significant accounting estimates and judgments

Use of estimates

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

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

The estimates and assumptions that have a risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of financial assets

The Bank recognizes impairment for expected credit losses for financial assets that are measured at amortized cost as well as for debt financial assets that are measured at fair value through other comprehensive income, lease receivables, loan commitments and issued guarantees. Carrying value of financial instruments measured at amortized cost is decreased by the amount of impairment for expected credit losses.

Judgements and estimates that the Bank uses as input in the expected credit loss model, together with the assessment on significant increase of credit risk, are disclosed in the Note 28.1. Credit risk.

Classification of financial assets

The Bank assesses business model within the assets are held. Besides, the Bank assesses if contractual cash flows of financial assets are solely payments of principal and interest (Note 2.7.2.).

Useful lives of intangible assets, property, plant and equipment ("tangible assets")

The determination of the useful lives of intangible assets, property, plant and equipment is based on historical experience with similar assets as well as on any anticipated technological development and changes influenced by wide range of economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions that are basis for determination of useful life.

Due to the significant share of fixed assets in the total assets of the Bank, the impact of each change in these assumptions could materially affect the Bank's financial position, as well as the results of its operations.

Impairment of non-financial assets

At each reporting date the Bank's management reviews the carrying amounts of the Bank's intangible assets and property, plant and equipment presented in the financial statements. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment review requires from management to make judgment concerning the cash flows, growth rates and discount rates of the cash generating units under review.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.3. Significant accounting estimates and judgments (continued)

Provisions for litigations

The Bank is subject to a number of legal proceedings arising from its daily operations, which relate to commercial, contractual and labour disputes, which are resolved and considered in the course of regular business activity. The Bank regularly estimates the probability of negative outcomes to these matters, as well as the amounts of probable or reasonable estimated losses.

Reasonable estimates include judgments made by management, after considering information including notifications, settlements, estimates performed by the legal department, available facts, identification of other potentially responsible parties and their ability to contribute as well as prior experience.

A provision for litigation is recognized when it is probable that an obligation exists for which a reliable estimation can be made of the obligation after careful analysis of the individual matter (Note 23). The required provision may change in the future, due to new developments and as additional information becomes available. Commitments, as well as positions that do not meet the criteria for provision are disclosed, unless the possibility of transferring economic benefits is remote.

Deferred tax assets

Deferred tax assets are recognized for all unused tax credits to the extent that it is probable that expected future taxable profit will be available against which the unused tax credits can be utilized. The Bank's management necessarily performs significant estimate in order to determine the amount of deferred tax assets that can be recognized, based on the period of occurrence, the amount of future taxable profit and strategy of tax planning strategy (Note 14(c)).

Retirement and other post-employment benefits

The costs of defined employee benefits payable upon termination of employment, i.e. retirement in accordance with the fulfilled legal requirements are determined based on the actuarial valuation. The actuarial valuation includes an assessment of the discount rate, future movements in salaries, mortality rates and fluctuation of employees. As these plans are long-term, significant uncertainties influence the outcome of the estimation. Additional information are disclosed in Note 23.

Leasing

Incremental borrowing rate used as discount rate in valuation of lease payables' present value, is determined by analysing internal sources of information on borrowings and is adjusted to reflect contractual lease terms and type of leased asset.

Impact of climate risks on accounting estimates and judgements

The Bank, as its customers, is exposed to certain level of risks arising from climate changes, both physical risks as well as risk of transitioning to net-zero economy, i.e. decarbonized economy.

Most climate - related physical risks are expected to manifest over a term that is generally longer than the maturity of most outstanding exposures of the Bank.

The following items that are the subject of accounting estimates and judgements may be impacted by physical and transition risks:

Expected credit losses – the client of the Bank may be significantly exposed to climate risks either directly, through reduced profitability of company or through impairment of the asset, or indirectly, through non-compliance with the legal requirements or through increased reputational risk as a result of negative impact on the environment. Such risks may lead to deterioration of creditworthiness of clients, which could potentially result in increase in expected credit losses.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.3. Significant accounting estimates and judgments (continued)

Impact of climate risks on accounting estimates and judgements (continued)

Fair value measurement – the Bank's portfolio currently does not contain financial exposures measured at fair value which are exposed to the climate changes risk. If such exposures had existed, their fair value would have included the climate changes variable.

2.4. Interest income and interest expenses

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

Interest income and interest expense are recognized in profit and loss using effective interest rate, presenting the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset (amortized cost before decrease for expected credit losses), or
- The amortized cost of the financial liability

When calculating effective interest rate for financial instruments that are not POCI (purchased originated credit impaired), the Bank assesses future cash flows taking into consideration all contractual terms of financial instruments, but not including expected credit losses. For POCI loans, credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

Interest income is recognized for financial assets measured at amortized cost as well as for debt instruments measured through other comprehensive income. Interest expense are recognized for financial liabilities measures at amortized cost.

Loan origination fee, as part of effective interest rate, is recognized in interest income and interest expense. Loan origination fees are calculated and collected upfront, while related income is deferred and discounted using the effective interest rate method, over the life of the loan.

After objective evidence of impairment have been identified and impairment recognized, interest income on these receivables is calculated on the amortized cost basis and by applying effective interest rate, which has been used to discount future cash flows for determining impairment losses.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.5. Fee and commission income and fee and commission expenses

Fees and commissions income and expenses originating from providing or using the banking services are generally recognized on an accrual basis when the service has been provided.

Fees and commissions mostly comprise of fees for payment operations services, commission for foreign exchange transactions, issued guarantees and other banking services.

Fee and commission income relating to current accounts and financial instruments maintenance services are recognized over time, when the service is provided.

Income relating to transaction fees are recognized in the moment of transaction occurrence.

A contract with a customer that results in recognition of financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

2.6. Foreign currency translation

The items included in the Bank's financial statements are measured by using currency of the Bank's primary economic environment (functional currency). As disclosed in Note 2.1., the accompanying financial statements are stated in thousands of Dinars (RSD), which represents the functional and official reporting currency of the Bank.

Transactions denominated in foreign currency are translated into dinars at the official median exchange rate determined on the Interbank Foreign Currency Market, published by National Bank of Serbia, prevailing at the transaction date.

Assets and liabilities denominated in foreign currency at the balance sheet date are translated into dinars at the official median exchange rate determined on the Interbank Foreign Currency Market, published by National Bank of Serbia, prevailing at the balance sheet data (Note 31).

Foreign exchange gains or losses arising upon the translation of balance sheet items denominated in foreign currencies are credited or charged as appropriate, to the income statement, as foreign exchange gains or losses within Net foreign exchange gains/Net foreign exchange losses and effects of contracted foreign currency clause (Note 7).

Income and expenses incurred in realized transactions of purchase and sale of foreign currency and effective foreign currency with individuals and legal entities are recorded in the income statement Income / expenses from fees and commissions (Note 4).

Gains and losses arising on translation of financial assets and liabilities indexed with the contracted foreign currency clause are credited or charged as appropriate, to the income statement, and presented within Net foreign exchange gains/Net foreign exchange losses and effects of contracted foreign currency clause (Note 7).

Commitments and contingencies denominated in foreign currency are translated into dinars at the official median exchange rate prevailing at the balance sheet date.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.7. Financial instruments

2.7.1. Initial recognition of financial instruments

Financial instruments are initially measured at fair value, increased by transaction costs (except financial assets or financial liabilities measured at fair value through profit and loss), that are directly related to acquisition or issuance of financial asset or financial liability.

Financial assets and financial liabilities are recorded in the Bank's balance sheet in the moment when the Bank is contractually committed to the instrument. Acquisition or sale of financial assets is recorded as of the settlement date, presenting the date when asset is delivered to the counterparty.

In order to determine classification and measurement, all financial assets, except derivatives and equity investments, are analyzed by the Bank through the combination of business model managing the financial asset as well as characteristics of contractual cash flows.

2.7.2. Classification

Financial assets

At initial recognition, financial asset is classified in accordance with one of the following methods of measurement: at amortized cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit and loss (FVTPL).

Financial asset is measured at amortized cost if it meets both of the following conditions and is designated as at FVTPL:

- Asset is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified fates to cash flows that are solely payments of principal and interest

Debt instrument is measured as FVOCI only if it meets both the following conditions and is not designated as at FVTPL:

- The assets is held within the business model whose objective is achieved by both collecting contractual cash flows and selling contractual assets, and
- The contractual terms of the financial asset give rise on specified fates to cash flows that are solely payments of principal and interest

Debt instruments held with the aim to collect contractual cash flows and selling comprise treasury bills and the bonds of Republic of Serbia.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.7. Financial instruments (continued)

2.7.2. Classification (continued)

Financial assets (continued)

On initial recognition of an equity instrument that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value through OCI, at the level of particular equity instrument. As of 31 December 2023, the Bank opt for FVOCI accounting of equity investment, other than investment in subsidiaries, since these instruments are not held for trading. This choice is made based on the each particular instrument in the moment of initial recognition and cannot be recalled.

Besides, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measures at amortized cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

When contractual cash flows of debt instrument do not pass SPPI test (are not solely payments of principal and interest), such instruments will be classified at fair value through profit and loss (FTVPL). As of 31 December 2024, investment in ENEF II fund is classified in this way.

Business model assessment

Then Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level, because this better reflects the way the business is managed, and information is provided to management.

The information considered includes policies and strategies for the portfolio, as well as their application in practice. In particular, it is important if management strategy is focused on earning contractual interest revenue, matching duration of the financial assets to the duration of liabilities that are funding those assets or realizing cash flows through the sale of the assets. Also, the Bank considers information on how the performance of the portfolio is evaluated and reported, together with information on risks affecting the performance of the portfolio and how they are managed. Besides, the Bank considers frequency, volume and timing of financial assets sales in prior periods, the reasons for sales and plans for future sales of financial assets.

Financial assets that are managed with the aim of trading, and whose performances are assessed based on the fair value, are measured as FVTPL since they are neither held in portfolio with the purpose to collect contractual cash flows nor they are held with the double purpose of collecting the contractual cash flows and selling.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. " Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for the other basic lending risks (e.g. liquidity risk, administrative costs), as well as profit margin.

In assessing whether contractual cash flows are solely payment of principal and interest (SPPI), the Bank considers the contractual terms of the instrument and analyses if they contain contractual terms that could change the timing or amount of contractual cash flows, resulting in fair value measurement of the instrument. Main contractual terms that are considered in assessment are: leverage features, extension and prepayment terms, characteristics that limit the Bank's claim to cash flows to specified assets as well as features that modify consideration of time value of money, such as periodical reset of interest rates in case of financial assets with variable interest rate.

Reclassifications

Financial assets are reclassified only in case when the business model for managing financial assets is changed.
Reclassification is performed in line with the principles defined by IFRS.
Financial liabilities are not reclassified.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.7. Financial instruments (continued)

2.7.2. Classification (continued)

Financial liabilities

The Bank measured financial liabilities at amortized costs, except derivatives that are measured at FVTPL, where fair value adjustment is recognized in profit or loss.

2.7.3. Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when any of the following criteria are fulfilled:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
- either the Bank has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset;
- financial asset is written-off;
- Subsequent changes of contractual cash-flows of financial asset occurred, resulting in significant modification of cash flows of financial asset (Note 2.7.4.).

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

In case when financial asset is derecognized, cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit and loss in case of debt securities measured at FVOCI. However, in case of equity instruments measured at FVOCI, accumulated gain/loss recognized through other comprehensive income will not be recognized in profit and loss in the moment of derecognition but in equity.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is satisfied, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, while the difference in the respective carrying amounts is recognized in profit or loss.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.7. Financial instruments (continued)

2.7.3. Derecognition of financial assets and financial liabilities (continued)

The Bank ceases to recognize financial liability when the contractual terms are modified, while cash flows of modified liability are significantly changed. In that case, new financial liability is based on the modified terms and is recognized at fair value. Difference between carrying amount of financial liability and new financial liability with modified terms is recognized in profit and loss.

2.7.4. Modification of contractual cash flows

Financial assets

If contractual terms of financial asset are subsequently modified, the Bank evaluates whether the cash flows of the modified assets are substantially different. If so, then contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

Key criteria for significant modification are renegotiation of contracts with purpose to adjust to commercial terms, change in currency, change in debtor, negotiation of contractual clauses "pay if you can" or conversion debt to equity.

If the originally contracted cash flows of financial asset are subsequently contractually modified and such modification does not lead to derecognition of financial asset, the Bank recalculates gross carrying amount of financial asset as present value of renegotiated future cash flows, discounted at original effective interest rate and recognizes the amount, arising from adjustment with the new gross carrying amount, as modification gain or loss presented in position Net losses arising from impairment of financial assets not carried at fair value through profit and loss.

Abovementioned gains or losses are amortized during residual lifetime of modified financial asset. In accordance with IFRS9 requirements, in the subsequent periods the modification loss will be amortized through interest income by the end of loans' maturity.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.7. Financial instruments (continued)

2.7.5. Impairment of financial assets and provisions for risks

Financial liabilities

The Bank derecognizes financial liability when contractual terms are modified and the cash flows of the modified liability are substantially different. In this case, new financial liability is based on the modified terms and is recognized at fair value. The difference between the carrying amount of the financial liability and new financial liability with modified terms is recognized in profit and loss.

Recognition of expected credit losses

Bank calculates expected credit losses for financial assets measured at amortized cost or for debt securities measured at fair value through other comprehensive income (FVOCI). Carrying amount of financial instruments measured at amortized cost is decreased by the amount of expected credit losses.

Expected credit loss for financial assets measured at fair value through other comprehensive income (FVOCI) is recognized through other comprehensive income and income statement, and it should not decrease the carrying value of the asset in the balance sheet.

After the initial recognition, expected credit loss is calculated at every reporting date. Bank assesses, at each reporting date, the level of financial assets impairment for assets measured at amortized cost or at fair value through other comprehensive income (FVOCI). Bank's assessment is based on "forward-looking" expected credit loss (ECL) model.

Loss allowances is measured on either of the following bases:

- 12-month ECLs - these are ECLs that result from possible default events within the 12 months after the reporting date and applied to financial instruments that belonging to the stage impairment 1
- ECL during the whole life of the financial instrument ("Lifetime") - these are ECLs that result from all
- possible default events over the expected life of a financial instrument and applied to financial instruments that belonging to the stage impairment 2 and 3

Lifetime ECL measurement during the whole life of the financial instrument applies if the credit risk of a financial asset at the reporting date has increased significantly since its initial recognition, while in the opposite case 12-month ECL measurement applies.

Details regarding credit risk policy are presented in Note 28.1 Credit Risk.

Uncollectable receivables write-off

Financial assets' write-off / transferring to off-balance sheet is performed in accordance with the Procedure on Write-off of Uncollectable Receivables. The procedure relates to the write-off / transferring to off-balance sheet of receivables that meet the following criteria: delay in payment of receivable is more than 360 days; the Bank has failed to collect receivables despite the implementation of all activities of collection specified by its policies and procedures; judicial or extrajudicial procedures of settlement of receivables have been initiated; receivables are fully impaired. Exceptionally, receivables that do not fulfil the abovementioned requirements may be written-off / transferred to off-balance sheet if such decision is made by the competent authority, PAC (Problem Asset Committee), in accordance with the authorizations delegated by the Board of Directors.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.7. Financial instruments (continued)

2.7.6. Renegotiated loans

If the Bank estimates that the problems of debtors and their delay in payment is temporary and that, under adjusted agreed conditions, the client could fulfil obligations toward Bank regularly, the Bank seeks to restructure loans rather than to activate collaterals. This may involve extending repayment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Renegotiated loans are continuously reviewed and monitored, to ensure that all requirement are met and that future payments are likely to occur.

2.8. Loans and receivables from banks and other financial organizations and Loans and receivables from customers (hereinafter: Loans and receivables)

Loans and receivables include:

- Loans and receivables valued at amortized cost. Initial recognition of these loans and receivables is at fair value increased by direct transactional costs, while subsequently they are measured at amortized cost using effective interest rate method (Note 2.7.2) and
- Loans and receivables measured at fair value through profit or loss, in accordance with business model or cash flow characteristics

As of 31 December 2024, the Bank's portfolio does not include loans that meet the criteria to be valued at fair value through profit or loss.

2.9. Securities

Securities caption in the Statement of financial position includes:

- Debt securities measured at fair value through other comprehensive income (FVOCI)

For debt securities measured at FVOCI, gains or losses are recognized in OCI, except interest income, expected credit losses and foreign exchange differences that are recognized in profit and loss.

- Debt securities measured at amortized cost

For corporate bonds in RSD, which are classified as debt securities measured at amortized cost, interest income determined using the effective interest rate and expected credit losses are recorded through profit and loss.

When debt securities measured at FVOCI are derecognized, accumulated gain or loss previously recognized in OCI in equity is reclassified from equity to profit and losses.

- Equity investments measured at fair value through other comprehensive income, excluding investments in subsidiaries and associates

For equity investments that are accounted as FVOCI, changes in fair value after initial recognition are recognized in equity and are never recognized in profit and loss, not even on sale. Accumulated gains or losses recognized in other comprehensive income are transferred to retained earnings when equity investment is derecognized.
Equity investments that are accounted at FVOCI are not subject of impairment. Dividends on equity investments are accounted in profit and loss.

- Debt securities measures at fair value through profit and loss (FVTPL)

For debt securities measured at FVTPL, gains and losses from fair value adjustments are recorded through profit and loss and are not subject to impairment.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.9. Securities (continued)

Interest income on debt securities is calculated and recognized daily in the income statement.

- Shares measured at fair value through profit and loss (FVTPL)

For shares measured at FVTPL, gains and losses on fair value adjustments are recognized through profit and loss.

Dividend income in respect of investments in shares of other legal entities, and income from investments in equity instruments of other legal entities is recognized as income when the shareholder's right to receive payment is established.

2.10. Receivables from derivatives and Liabilities based on derivatives (hereinafter: derivatives)

The Bank has in its portfolio financial derivatives, for which foreign exchange rate is basic underlying variable. Derivatives used by the Bank are currency swap (FX swap) and currency forward (FX forward) contracts. For accounting purposes, derivatives are classified as financial instruments held for trading and are recorded in the balance sheet at fair value.

Derivatives are initially recognized when the Bank becomes a party to an agreement with the other contractual party (the agreement date). The notional amount of the derivative contract is recorded in the off-balance sheet, and initial positive or negative fair value of the derivative is recorded in the balance sheet as an asset or a liability. The initial recognition of fair value applies to cases when the market price for the same or a similar derivative on an organized market is available, and when the price differs from the price at which the Bank contracted the derivative. Hence, the derivatives contracted by the Bank with the customers operating in Serbia do not have initially recognized fair value, since there is no active market for similar derivatives in the country. When an active market for such derivatives develops, i.e. when the relevant market information becomes available, the Bank will recognize in the balance sheet (as asset or liability) and the income statement (initially positive or negative fair value) the difference between the market value of transactions and initial fair value of derivatives determined using valuation techniques.

In accordance with the existing accounting policy of the Bank, adjustments to fair value of financial instruments held for trading are recognized at the end of each month, and the effect of changes in fair value are recognized in the income statement as the increase or decrease of fair value. Derivatives are recognized as derivatives receivable or liabilities based on derivatives, depending on whether their fair value is positive or negative. Derivatives are derecognized at the moment of expiry of contracted rights and obligations arising from derivatives (exchange of cash flows), i.e. at termination date. At that moment, the ultimate effect fair value adjustment of currency financial derivatives (that the Bank currently solely as in derivatives portfolio) is recorded against realized foreign exchange differences, while all previously recognized changes in fair value (monthly recorded through unrealized foreign exchange gains/losses) are reversed.

Since there is neither an active market for derivatives in Serbia, nor a possibility for determining fair value of derivatives by reference to a quoted market price, the Bank uses the methodology of discounting future cash flows arising from derivatives in order to determine fair value. This methodology of calculation is generally accepted by market participants in countries that have developed markets with active trading in derivatives and the calculated fair value represents a reliable estimate of the fair value of derivatives that would be achieved on an active market.

The methodology mainly incorporates market factors (middle exchange rate, market interest rates and similar) to the best possible extent and is consistent with generally accepted methodologies for valuation of derivatives. At least once per month, the Bank performs back-testing and calibration of the implemented methodology for calculation of fair value by using market variables and alternative calculation methods.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.11. Deposits and other financial liabilities due to banks, other financial organizations and Central Bank and Deposits and other financial liabilities due to customers

Deposits and other financial liabilities due to banks, other financial organizations and central banks, as well as deposits and other financial liabilities due to customers are initially recognized at fair value decreased by transaction costs, except for financial liabilities at fair value through profit and loss. After initial recognition, mentioned financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Within this caption, borrowings are initially measured at fair value net of transaction costs incurred and are subsequently measured at amortized cost.

Borrowings are classified as current liabilities, unless the Bank has unconditional right to postpone the settlement of obligations for at least 12 months after the balance sheet date.

2.12. Other liabilities

Trade payables and other short-term operating liabilities are presented at nominal value.

2.13. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.14. Cash and balances with central bank

Cash and balances with central bank, in Balance sheet, are comprised of cash in dinars and in foreign currency, i.e. is cash at gyro and current accounts, cash on hand and other cash in dinars and foreign currency, gold and other precious metals, deposited liquid surpluses and obligatory reserves in foreign currency held at accounts with the National Bank of Serbia. Mentioned assets are highly liquid financial assets with contractual maturity up to 3 months and bear insignificant risk of their fair value change.

Cash and cash equivalents are measured at amortized cost in the balance sheet statement.

2.15. Intangible assets

Intangible assets consist of software, licenses and intangible assets under construction. Intangible assets are carried at cost less any accumulated amortization.

Licenses are initially recognized at cost. They have limited useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method in order to fully write off the cost of these assets over their estimated useful lives (from 5 to 10 years).

Computer software licenses are capitalized for costs incurred in acquiring and brining the specific software into use. Costs associated with software maintenance are recognized as an expense when incurred.

Costs that are directly associated with identifiable and unique software controlled by the Bank, and which will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the salaries of the team that developed the software, as well as appropriate portion of related overheads.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.15. Intangible assets (continued)

Amortization of intangible assets is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful lives, in all accounting periods, as follows:

	2024	2023
Licenses and similar rights	10% - 20%	10% - 20%
Software except Core Information System	20% - 50%	20% - 50%
Core information system	10% - 14.29%	10% - 14.29%

Compared to 2022, there were no changes in the estimated useful life of intangible assets.

Intangible assets include unamortized software in progress, since it is still not in use.

2.16. Property, plant, equipment and leased assets

(a) Property, plant and equipment

Fixed assets (property, plant and equipment) are tangible assets:
- that are held by the Bank for the own use in providing services within its registered business or for administrative purposes; and
- for which it is expected to be used more than one year period.

Property, plant and equipment are recognized as an asset:
- when it is probable that future economic benefits on the basis of such asset will inflow to the Bank, and
- when the cost of such asset can be reliably measured.

At initial recognition, property, plant and equipment are stated at cost.

Cost includes expenditure that is directly attributable to the acquisition of an asset.

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

Property, plant and equipment are subsequently measured at fair value using the revaluation model or at cost.

Revaluation is performed regularly, in a frequency sufficient for providing that the carrying amount does not differ significantly from the amount that would be obtained by applying the fair values model at the end of the reporting period.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.16. Property, plant, equipment and leased assets (continued)

(b) Leased assets

At inception of a contract, the Bank assesses whether a contract is, one contains, a lease. A contract is, or contains lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses definition of lease in IFRS 16. This policy is applied for contracts entered into (or changed) on or after 1 January 2019.

Bank acting as lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Bank recognizes a right-to-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches offices.

Besides, cost of right-to-use asset also includes:
- all payments on lease performed up to the first day of lease term, reduced by eventually received incentives in respect of leasing;
- all initial direct costs generated by lessee and
- estimate of costs that lessee will generate with dismantling and removal of the property in question, restoration of the location of the property or restoration of the property as it is specified in the lease agreement itself. Liability for related costs for lessee occurs at the first day of lease term, or as a consequence of leased asset usage during the particular period.

Right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Bank as lessee uses exemptions allowed by standard in a way that short-term lease (up to 1 year) and low-value lease (if the value of leased asset, when new, is below 5,000 EUR net of tax) are not recognized as right-of-use-assets, while all payments that occur in respect to such leases are recognized as expense for the period.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.16. Property, plant, equipment and leased assets (continued)

(b) Leased assets (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Future lease payments are discounted using the interest rate implicit if such rate is readily available. If rate is not easily determinable, the Bank uses incremental borrowing rate of lessee effective at the inception date of lease term.

Lease payments included in the measurement of the lease liability at commencement of lease comprise the following payments related to right-of-use assets during lease term, which are not settled by the commencement date:
- fixed payments, reduced by eventually received incentives in relation to lease;
- variable payments that depend on certain index or rate and which are initially measured using index or rate at the commencement date.
- amounts expected to be payable under residual value guarantee;
- the exercise price under a repurchase option that the Bank is reasonably certain to exercise;
- penalties for early termination of a lease, if lease term shows that the lessee used such option

After initial recognition, lease liabilities are subsequently measured in a way to:
- increase their carrying value, so that interest on lease liability is included
- decrease their carrying value by the amounts paid on leasing; and
- remeasure carrying value with the aim to include all eventual reassessments or changes in lease relevant for its reassessment

Interest on lease liabilities during the lease period will be equal to amount that brings constant periodical rate on the residual lease liability.

Lessee remeasures lease liability by discounting of revised lease payments at revised discount rate (for the remaining lease term) in case of one of the following:
- change in lease maturity
- change in the repurchase option of leased asset

Lease modifications

Lease modification is treated as separate lease when:
- such modification expands the lease scope, by adding the right to use of one or more assets, and at the same time
- rent is increased proportionately to stand-alone price of such expansion and all necessary adjustments of that stand-alone price, in order to reflect the circumstances of the particular contract

If modification of lease is not treated as separate lease, than with the effective date of such modification, the Bank applies standards and allocates compensation from modified contract, determines duration of modified lease term and remeasures lease liability by discounting revised lease payments at revised discount rate.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.16. Property, plant, equipment and leased assets (continued)

(b) Leased assets (continued)

In case of modification that are is treated as separate lease, lease liability is remeasured in a way to:
- decrease carrying value of right-to-use asset, in order to reflect partial or complete termination of lease for those modifications which decrease the scope of lease. Any gain or loss in respect to partial or full lease termination is recognized in income statement;
- adjust right-to-use asset for all other lease modifications

The Bank discloses right-to-use assets in position Property, plant and equipment and they relate to lease of real estate, vehicles, ICT equipment and other equipment, while disclosed lease liability within item other liabilities in financial statements.

(c) Depreciation

Depreciation was calculated using the straight-line method applied to the cost of property, plant and equipment, using the following prescribed annual rates in order to write them off over their useful lives, in all accounting periods:

	2024	2023
Buildings	3-%-5%	3% - 5%
Computer equipment	20%	20%
Furniture and other equipment	7% - 25%	7% - 25%

Depreciation of right-of-use assets is calculated at rates that correspond the type of particular leased asset.

In determining the basis for depreciation, the depreciable values of assets equal their cost or revalued amount are not decreased by residual value, since the Bank assesses the residual values of assets as nil.

Calculation of depreciation of property and equipment commences at the beginning of the month following the month when an asset is put into use. Depreciation charge is recognized as expense for the period when incurred.

The useful live of asset is reviewed periodically, and adjusted if necessary, at each balance sheet date. Change in the expected useful life of an asset is considered as a change in an accounting estimate.

Gains or losses from the disposal of property, plant and equipment are credited or debited in the income statement, included in other operating income or other expenses, respectively.

The calculation of depreciation for tax purposes is determined in accordance with the Law on Corporate Income Tax of the Republic of Serbia and the Rules on the Manner of Fixed Assets Classification in Groups and Depreciation for Tax Purposes, which gives rise to deferred taxes (Note 14(c)).

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.17. Impairment of non-financial assets

In accordance with the adopted accounting policy, at each balance sheet date, the Bank's management reviews the carrying amounts of the Bank's intangible assets, property, plant and equipment.

If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount, being the higher of an asset's fair value less costs to sell and value in use. Impairment losses, representing the difference between the carrying amount and the recoverable amount of tangible and intangible assets, are recognized in the income statement as required by IAS 36 "Impairment of Assets".

Non-financial assets (other thall) that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

2.18. Provisions and contingencies

Provisions are recognized when the Bank has a present obligation, legal or constructive, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

In order to be maintained, the best possible estimates are considered, determined and, if necessary, adjusted at each balance sheet date. When the outflow of the economic benefits is no longer probable in order to settle legal or constructive liabilities, provisions are derecognized in income. Provisions are taken into account in accordance with their type and they can be used only for the expenses they were initially recognized. Provisions are not recognized for future operating losses.

Contingent liabilities are not recognized in the financial statements. Contingent liabilities are disclosed in the notes to the financial statements (Note 29), unless the possibility of outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

2.19. Equity

Equity consists of share capital (ordinary shares), other capital, share premium, reserves from profit and retained earnings.

Dividends on ordinary shares are recognized as a liability in the period in which the decision on their payment has been made. Dividends for the year that are declared after the balance sheet date are disclosed as an event after the reporting period.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.20. Employee benefits

(a) Employee taxes and contributions for social security

In accordance with the regulations prevailing in the Republic of Serbia, the Bank is obliged to pay taxes and contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee and by the employer, in an amount calculated by applying specific rates prescribed by law.

The Bank is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. The Bank has no legal obligation to pay further benefits due to its employees by the Pension Fund of the Republic of Serbia upon their retirement.

(b) Termination benefits arising from restructuring

Termination benefits are payable when employment is terminated or employee is voluntarily retired, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Bank recognizes termination benefits when it is demonstrably committed to either: terminate the employment of current employees according to a detailed formal plan; or provide termination benefits as a result of an offer made to encourage voluntary redundancy in order to decrease number of employees.

(c) Other employee benefits - retirement benefits

In accordance with the Labor Law and Article 34 of the General Collective Agreement and with Executive Board Decision, the Bank is obligated to pay retirement benefits. The entitlement to these benefits usually depends on the employee remaining in service up to retirement age and/or the completion of a minimum service period. The expected costs of these benefits are accumulated over the period of employment.

Provision for retirement benefits and unused days of vacation are calculated by an independent actuary and are recognized in the balance sheet at the present value of discounted estimated future outflows (Note 23).

2.21. Taxes and contributions

(a) Income tax

Current income tax

Current income tax represents the amount that is calculated and paid in accordance with the effective Corporate Income Tax Law of the Republic of Serbia. During the year, the Bank pays income tax in monthly instalments, based on the prior year's Tax return. Final tax base used for calculating income tax at the prescribed rate of 15% is disclosed in the Tax return.

In order to determine the amount of taxable income, accounting profit is adjusted for certain permanent differences, as defined by the tax regulations through Tax balance, which is to be submitted within 180 days after the end of the period for which the tax liability is determined, except in the case of status changes:

- of status changes resulting with taxpayer termination, when tax return is submitted within 60 days from the date of status change
- Bankruptcy debtor or legal entity in liquidation, under which bankruptcy proceeding has been suspended due to sell of bankruptcy debtor as legal entity, or liquidation procedure has been terminated – tax return is submitted within 15 days from the date of the decision on termination of bankruptcy/liquidation proceedings validity.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.21. Taxes and contributions (continued)

(a) Income tax (continued)

Deferred income tax

Deferred income tax is recognized using the balance sheet method on temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rate enacted at the balance sheet date is used to determine the deferred income tax amount.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures when deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on the official tax rates and regulations that have been enacted or substantively enacted as of the balance sheet date.

Current and deferred taxes are recognized as income or expense and are included in the profit for the period.

Deferred income taxes related to items that are recorded directly in equity are also recorded in equity.

Transfer pricing

Up to the date of Bank's financial statements, Tax balance for 2024 has not been submitted, considering that deadline for its submission is 180 days from the date for which the tax is determined. Bank has calculated tax effects in accordance with provisions of corporate income tax law. Bank has not yet finished transfer pricing study, however, the management believes that there will not be material effects on 2024, since so far there were no or minimal corrections based on related parties transactions, and there was no significant changes of services types in 2024, compared to the previous year.

2. PREPARATION AND PRESENTATION BASIS OF THE SEPARATE FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES (continued)

2.21. Taxes and contributions (continued)

(b) Taxes and contributions not related to operating result

Taxes and contributions not related to operating result include property tax, value added tax, contributions on salaries charged to employer, as well as other taxes and contributions that are paid in accordance with the tax regulations of the Republic of Serbia and local tax regulations. These taxes and contributions are included within other expenses (Note 13).

2.22. Funds managed on behalf of third parties

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

3. INTEREST INCOME AND INTEREST EXPENSES

(a) Interest income and expenses by sector structure are presented as follows:w

		In RSD thousand
	2024	**2023**
Interest income		
– Central bank and other banks	4,503,299	4,243,797
– Corporate customers	15,966,094	15,035,370
– Retail customers	26,777,322	23,318,086
– Public sector	6,523,087	3,509,697
– Foreign banks and financial organizations	1,782,026	535,717
– Foreign entities	433,959	89,547
– Other customers	165,780	139,708
Total	**56,151,567**	**46,871,922**
Interest expenses		
– Central bank and other banks	(1,351,721)	(931,718)
– Corporate customers	(3,853,830)	(3,248,704)
– Retail customers	(3,021,200)	(1,714,655)
– Public sector	(519,674)	(697,169)
– Foreign banks and financial organizations	(1,603,043)	(1,678,263)
– Foreign entities	(2,315,451)	(555,058)
– Other customers	(466,730)	(131,449)
Total	(13,131,649)	(8,957,016)
Net interest income	**43,019,918**	**37,914,906**

Total interest income on impaired loans for the year ended 31 December 2024 amounts to RSD 2,395thousand (2023: RSD 1,926 thousand).

3. INTEREST INCOME AND INTEREST EXPENSES (continued)

(b) Interest income and expenses by type of financial instruments are presented as follows:

		In RSD thousand
	2024	**2023**
Interest income		
Loans	45,515,504	39,597,198
REPO transactions	3,181,495	2,773,172
Obligatory reserves	524,228	375,001
Deposits	2,125,326	1,370,516
Securities	3,952,442	2,166,332
Other placements	852,572	589,703
Total	**56,151,567**	**46,871,922**
Interest expenses	**(3,011,811)**	**(1,428,495)**
Loans	(871,109)	(489,679)
Subordinated loans	(9,123,369)	(6,937,085)
Deposits	(86,181)	(87,688)
Leasing	(39,179)	(14,069)
Other interest expenses	(13,131,649)	(8,957,016)
Total	**45,515,504**	**39,597,198**
Net interest income	**43,019,918**	**37,914,906**

(c) Interest income and expenses by measurement method are presented as follows:

		In RSD thousand
	2024	**2023**
Interest income		
Financial assets at amortized cost	52.652.260	45.187.721
Financial assets fair value through OCI	3.459.283	1.669.738
Financial assets fair value through profit and loss	40.024	14.463
Total	**56.151.567**	**46.871.922**
Interest expenses		
Financial assets at amortized cost	(13.092.470)	(8.942.947)
Financial assets fair value through profit and loss	(39.179)	(14.069)
Total	**(13.131.649)**	**(8.957.016)**
Net interest income	**43.019.918**	**37.914.906**

Interest income calculated using the effective interest method as of 31 December 2024 is RSD 56,151,568 thousand (2023: RSD 46,871,922 thousand).

4. FEE AND COMMISSION INCOME AND EXPENSES

In RSD thousand

	RETAIL		CUSTOMERS (except retail)		TOTAL	
	2024	2023	2024	2023	2024	2023
Fee and commission income						
Fee for banking services:						
– Domestic payment transaction services	1,125,455	1,083,309	2,300,667	2,235,280	3,426,122	3,318,588
– International payment transaction services	333,263	313,245	1,191,694	1,103,464	1,524,957	1,416,709
– Loan operations	140,148	118,007	329,419	311,005	469,568	429,012
– Cards operations	1,835,664	1,581,184	8,333,831	7,308,522	10,169,495	8,889,707
Total	**3,434,530**	**3,095,745**	**12,155,612**	**10,958,271**	**15,590,142**	**14,054,016**
Commissions related to issued guaranties and letter of credits	221,677	217,594	842,917	704,103	1,064,594	921,696
Current accounts maintenance	3,149,463	2,587,377	544,889	488,881	3,694,352	3,076,258
Fees slips, EDB and Telekom	68,084	81,275	-	-	68,084	81,275
Other fee and commission	383,902	295,488	419,063	341,611	802,965	637,099
Fees for the purchase and sale of foreign means of payment	2,093,145	1,687,298	4,507,485	5,723,541	6,600,630	7,410,839
Total	**9,350,801**	**7,964,777**	**18,469,966**	**18,216,407**	**27,820,767**	**26,181,184**
Fee and commission expenses						
Payment services fee:						
– Domestic	-	-	(297,925)	(263,104)	(297,925)	(263,104)
– International	-	-	(271,593)	(221,231)	(271,593)	(221,231)
National Bank of Serbia's fee and commission	-	-	(115,118)	(92,423)	(115,118)	(92,423)
Credit Bureau's fees	-	-	(142,096)	(132,530)	(142,096)	(132,530)
Cards operations fee	-	-	(7,893,769)	(6,835,664)	(7,893,769)	(6,835,664)
Other fees and commissions	(263)	(21)	(446,628)	(359,928)	(446,891)	(359,949)
Fees for the purchase and sale of foreign means of payment	(220,901)	(256,601)	(1,568,364)	(3,797,250)	(1,789,265)	(4,053,850)
Total	**(221,164)**	**(256,622)**	**(10,735,492)**	**(11,702,129)**	**(10,956,656)**	**(11,958,751)**
Net fee and commission income	**9,129,637**	**7,708,155**	**7,734,474**	**6,514,277**	**16,864,111**	**14,222,433**

5. NET GAINS/LOSSES FROM CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

In RSD thousand

	2024	2023
Gains from changes in value of:		
- currency swap	52,285	66,881
- interest rate swap	12,950	2,367
- forward	13,419	11,105
- financial instruments measured at fair value through profit and loss account- Securities	30,891	13,622
- gold and silver	36,556	17,945
- liabilities at arising from purchased shares-ISP	119	61
Total	**146,220**	**111,981**
Losses from changes in value of:		
- currency swap	(899)	(159)
- interest rate swap	(7,832)	(1,427
- gold and silver	(3,334)	(9,801)
Total	**(12,065)**	**(338,274)**
Net gains	**134,155**	**1,336,767**

6. NET GAINS/LOSSES ARISING FROM DERECOGNATION OF FINANCIAL INSTRUMENTS

Measured at amortized cost		In RSD thousand
	2024	**2023**
Gains arising from derecognition of:		
- financial instruments measured at amortized cost	7,617	29,554
Total	**7,617**	**29,554**
Losses arising from derecognition of:		
- financial instruments measured at amortized cost	(8,542)	-
Total	**(8,542)**	**-**
Net gains/(losses)	**(925)**	**29,554**

7. NET FOREIGN EXCHANGE GAINS AND EFFECTS OF CONTRACTED FOREIGN CURRENCY CLAUSE

		In RSD thousand
	2024	**2023**
Net foreign exchange gains	-	423,339
Net foreign exchange losses	(149,550)	-
Net negative effects of contracted foreign currency clause application	(453,179)	(425,634)
Net gains	**(602,729)**	**(2,295)**

8. NET GAINS/LOSSES ARISING FROM IMPAIRMENT OF FINANCIAL ASSETS NOT CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Overview by classes

	2024	2023
Revenue from reversal of impairment of financial assets at amortized cost	8,754,152	5,025,521
Revenue from reversal of provisions from off-balance sheet items	286,456	444,912
Revenues from collected written-off financial assets at amortized cost	853,925	577,463
Revenue from reversal of impairment of financial assets at fair value through OCI	157,716	229,293
Total	**10,052,249**	**6,277,189**
Impairment losses of financial assets at amortized cost	(13,502,626)	(9,068,812)
Provisions losses from off-balance sheet items	(374,748)	(385,486)
Written-off uncollectible financial assets at amortized cost	(63,855)	(74,492)
Impairment losses on financial assets at fair value through OCI	(188,877)	(120,867)
Modification losses of financial assets at amortized value	(1,427,162)	(3,869,215)
Total	**(15,557,268)**	**(13,518,872)**
Net impairment loss	**(5,505,019)**	**(7,241,683)**

On 20 December 2024, the National Bank of Serbia issued Decision on temporary limitation of interest rates on loan contracts signed with client – individual person, published in Official Gazette RSD number 102 from 23 December. Decision is applied in the period from 1 January until 31 December 2025.

Decision stipulates that interest rate, for existing and new housing loans with a variable interest rate, should not be applied at value higher than 5%, while for new housing loans with a fixed interest rate this rate should not be agreed at a value higher than 5%.

Since mentioned bylaw results in change in contractual terms of housing loans with variable interest rate as of 31 December 2024, i.e. their modification which is not significant from accounting perspective since does not lead to derecognition of financial asset, the Bank recorded modification loss that decreased amortized cost of related loans in the amount RSD 1,427,162 thousand according to IFRS9 requirements.

8. NET GAINS/LOSSES ARISING FROM IMPAIRMENT OF FINANCIAL ASSETS NOT CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(a) Overview by classes (continued)

The amount of modification will be amortized through interest income starting from January 2025 up to December 2025, or to the date of full repayment of the loan, if it is shorter.

In addition to the mentioned limitation of interest rates for housing loans, limitation is also prescribed on interest rates for cash and consumer loans with a variable interest rate, so that the nominal interest rate for those loans approved in dinars should not be applied at a value higher than 14.75%, while for loans in foreign currency it should not be applied at a value higher than 7.05%. Given that this category of loans in the Bank is predominantly placed with fixed interest rates, it is not subject to the calculation of modifications.

Modified financial assets

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

	In thousands RSD
	2020
Financial assets modified since initial recognition	
Gross carrying amount of financial assets previously modified for which loss allowance has changed during the period to an amount equal to 12 month ECL from lifetime	6,227,844

The gross book value of financial assets which were modified in 2020, while the expected credit losses were valued at Lifetime ECL, as on 31st December 2024, is RSD 10,167,891 thousand. Out of that amount, RSD 5,465,048 thousand refers to the receivables for which the expected losses are valued on 31st December 2024 and onwards for the entire Lifetime of the financial instrument.

8. NET GAINS/LOSSES ARISING FROM IMPAIRMENT OF FINANCIAL ASSETS NOT CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(a) Overview by classes (continued)

Modified financial assets (continued)

	In thousands RSD
	2024
Financial assets modified since initial recognition	
Gross carrying amount of financial assets previously modified for which loss allowance has changed during the period to an amount equal to 12-month ECL from lifetime	1,427,162

The gross book value of financial assets which were modified in 2024, while the expected credit losses were valued at Lifetime ECL, as on 31st December 2024, is RSD 100,459,499 thousand. Out of that amount, RSD 1,969,260 thousand refers to the receivables for which the expected losses are valued on 31st December 2024 and onwards for the entire Lifetime of the financial instrument.

b) Movements in the allowance for impairment of financial assets and provisions for credit risk-weighted off-balance sheet items

Movements in the allowance for impairment of balance-sheet items and provisions during the years ended 31 December 2024 and 2023 were as follows:

Movements in the allowance for impairment and provisions in 2024	**In RSD thousand**
Opening balance – 1st January 2024	**22,401,532**
Charge for the year	13,877,374
Reversal of impairment losses and release of provisions during the year	(5,470,432)
Increase in provisions due to exchange rate changes	13,348
Reversal of provisions due to exchange rate changes	(26,616)
Transfer to off-balance sheet items	(2,817,786)
Sale (transfer) of receivables	(174,333)
Reversal of provisions due to passage of time (unwinding)	(2,395)
Closing balance - 31 December 2024	**24,230,516**

Off-balance exposure that are written-off during 2024 amount 2.818 million dinars as of 31 December 2024 and are still subject of collection techniques.

8. NET GAINS/LOSSES ARISING FROM IMPAIRMENT OF FINANCIAL ASSETS NOT CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

b) Movements in the allowance for impairment of financial assets and provisions for credit risk-weighted off-balance sheet items (continued)

Movements in the allowance for impairment and provisions in 2023	**In RSD thousand**
Opening balance – 1st January 2023	**20.290.127**
Charge for the year	9.454.298
Reversal of impairment losses and release of provisions during the year	(6,623,278)
Increase in provisions due to exchange rate changes	12.036
Reversal of provisions due to exchange rate changes	(19.293)
Transfer to off-balance sheet items	(1.824.597)
Sale (transfer) of receivables	(38.681)
Reversal of provisions due to passage of time (unwinding)	(1.926)
Closing balance - 31 December 2023	**22.401.532**

9. OTHER OPERATING INCOME

	In RSD thousand	
	2024	**2023**
Property rental income	28,540	27,704
Reimbursed expenses	1,142	6,316
Income from dividends and equity interests	8,248	5,137
Income from fees from Credit biro	35,374	32,706
Income from IT services from foreign banks	36,191	33,996
Other income	290,621	141,208
Total	**400,116**	**247,067**

10. SALARIES, COMPENSATIONS AND OTHER PERSONAL EXPENSES

	In RSD thousand	
	2024	**2023**
Net salaries	6,073,744	5,247,667
Tax on employee benefits	740,877	643,282
Contributions on employee benefits	2,857,558	2,480,058
Expenses for temporary and occasional work	62,513	56,324
Other personal expenses	75,620	60,855
Provisions for retirement benefits and other employee benefits	104,287	22,788
Total	**9,914,599**	**8,510,974**

11. DEPRECIATION AND AMORTIZATION

		In RSD thousand
	2024	**2023**
Depreciation and amortization:		
– Amortization of intangible assets (Note 18)	1,071,956	1,080,854
– Depreciation of fixed assets (Note 19)	1,474,209	1,401,777
Total	**2,546,165**	**2,482,631**

12. OTHER INCOME

		In RSD thousand
	2024	**2023**
Release of unused provisions of liabilities	403,482	420,732
Gains from sales of fixed assets	-	5,944
Income from changes in the value of fixed assets	-	5,362
Gains from use of write-offs assets and variable lease payments	2,260	57
Income from variable lease payments	910	579
Surpluses	8,399	9,793
Collected reported insurance damage	11,752	-
Other income	83,158	49,443
Total	**509,961**	**491,910**

13. OTHER EXPENSES

	2024	2023
Material, energy and spare parts	574,728	532,899
IT costs	2,997,347	2,641,145
Maintenance of software	680,144	578,729
Professional services	454,579	246,821
Advertising, marketing and entertainment expenses	544,742	453,090
Mail and telecommunication expenses	453,019	378,851
Insurance premiums	3,099,787	2,791,672
Maintenance of property, plant and equipment	334,702	357,967
Rental cost	66,033	88,951
Fees and commissions	317,706	357,822
Taxes and contributions	85,798	95,716
IFRS 16 tax expenses	156,061	138,063
Physical-technical security	235,132	221,264
General and administrative expenses	501,877	416,827
Expenses for provisions for liabilities	541,115	863,723
Expenses from changes in the value of fixed assets and intangible assets	-	12,531
Losses from write-off property with right of use and variable lease payments	23,504	15,670
Other expenses	857,987	723,155
Total	**11,924,261**	**10,914,896**

14. INCOME TAXES

(a) Components of income taxes

The components of income taxes are:

	In RSD thousand	
	2024	**2023**
Current income tax	3,682,663	2,832,246
Income from deferred tax assets and reduction of deferred tax liabilities	(108,537)	(52,503)
Expenses from reduction of deferred tax assets and creation of deferred tax liabilities	60,907	35,363
Total income tax expense	**3,635,033**	**2,815,106**

b) Numerical reconciliation of income tax recognized in the income statement and profit for the year before tax multiplied by the prescribed income tax rate

	In RSD thousand	
	2024	**2023**
Profit before tax	**30,434,564**	**23,853,984**
Income tax at the rate of 15%	**4,565,185**	**3,578,098**
Tax effects of expense reconciliation	116,507	(18,008)
Tax effects of revenue reconciliation	(999,029)	(727,852)
Temporary differences on the basis of:		
Depreciation differences recognized for tax and statutory reporting	(35,612)	35,154
Other Payment to employees	(5)	41
Unpaid and paid taxes and similar tax duties	(10,972)	(711)
Changes within real estate properties	-	(1,712)
Created and used provisions for liabilities and charges	(1,041)	(49,912)
Other adjustments	-	8
Current income tax stated in the income statement	**3,635,033**	**2,815,106**
Effective tax rate	***11.94%***	***11.80%***

For the purpose of determining legal obligations arising from income tax for the period 1 January - 31 December 2024, the Bank has adjusted expenditure and income reported in the income statement in accordance with the legal provisions.

The most significant amount is tax exemption of interest income generated from debt securities issued by the Republic, local governments and the National Bank of Serbia, and they are excluded from the tax base in the total amounting to RSD 6,269,491 thousand, which resulted in a tax effect in the amount of RSD 940,423 thousand, for 2024 (31 December, 2023, tax base: RSD 4,442,909 thousand; tax effect RSD 666,436 thousand).

14.INCOME TAXES (continued)

(c) Deferred Tax Assets and Liabilities

In accordance with IAS 12, ˝Income Tax˝, deferred tax assets and liabilities relate to taxable temporary differences between carrying amounts of tangible and intangible assets and their tax bases, temporary differences based on unpaid taxes that will be recognized in subsequent period, as well as for other temporary differences.

The Bank netted deferred tax assets and liabilities in Balance sheet.

Components of deferred tax assets / (liabilities):

In RSD thousand	**31.12.2024**	**31.12.2023**
DTL based on the difference between the net accounting and tax value of fixed assets	(166,158)	(201,770)
DTA in respect to payment to employees and provision	34,611	18,963
Temporary differences based on unpaid and paid taxes and similar tax duties	24,716	13.744
DTA based on provisions	284,989	299,591
DTA based on real estate property impairment	11,888	11,888
DTA based on impairment of other assets	402	402
Deferred tax liabilities based on gains/losses from debt instruments - FV OCI	(78,562)	8,994
Net balance of deferred tax assets / (liabilities)	**111,886**	**151,812**

Movements in deferred tax assets (liabilities) were as follows:

2024.	**Balance as of 1 January**	**Recognized to income statement**	**Recognized to OCI**	**Balance as of 31 December**
				In RSD thousand
DTL based on the difference between the net accounting and tax value of fixed assets	(201,770)	35,612	-	(166.158)
DTA in respect to payment to employees and provision	18,963	15,648	-	34.611
Temporary differences based on unpaid and paid taxes and similar tax duties	13,774	10,972	-	24.716
DTA based on provisions	299,591	(14,602)	-	284.989
DTA based on real estate property impairment	11,888	-	-	11.888
DTA based on impairment of other assets	402	-	-	402
Deferred tax liabilities based on gains/losses from debt instruments - FV OCI	8,994	-	(87,556)	(78,562)
Total	**151,812**	**47,630**	**(87,556)**	**111,886**

14.INCOME TAXES (continued)

(c) Deferred Tax Assets (continued)

Movements in deferred tax assets were as follows:

2023.	**Balance as of 1 January**	**Recognized to income statement**	**Recognized to OCI**	**Balance as of 31 December**
				In RSD thousand
DTL based on the difference between the net accounting and tax value of fixed assets	(90,064)	(35,154)	(76,552)	(201,770)
DTA in respect to payment to employees and provision	15,586	3,377	-	18,963
Temporary differences based on unpaid and paid taxes and similar tax duties	13,033	711	-	13,744
DTA based on provisions	253,097	46,494	-	299,591
DTA based on real estate property impairment	10,176	1,712	-	11,888
DTA based on impairment of other assets	402	-	-	402
Deferred tax liabilities based on gains/losses from debt instruments - FV OCI	200,732	-	(191,738)	8,994
Total	**402,962**	**17,140**	**(268,290)**	**151,812**

14. INCOME TAXES (continued)

(d) Final current tax liability

Bank has finally calculated current tax liability reported in the balance sheet at 31 December 2024 amount to RSD 933.675 thousand (31 December 2023: RSD 1,085,472 thousand, current tax assets), and has been created by decreasing the amount of current income tax liability by the amount of prepaid income taxes for 2024, paid during 2024.

15. CASH AND BALANCES WITH CENTRAL BANK

(a) Cash and balances with central bank

In RSD thousand	2024	2023
Gyro account	90,706,561	74,365,329
Cash on hand	24,712,169	17,675,248
Accruals on cash and cash equivalents with Central Bank	6,250	46,243
	115,424,980	92,086,820
In foreign currency		
Cash on hand	10,040,221	12,654,437
Other monetary assets	20,848	22,209
Obligatory reserves with the National Bank of Serbia	78,618,156	40,556,609
	88,679,225	53,233,255
Gold and precious metals	129,809	96,588
Balance as of 31 December	**204,234,014**	**145,416,663**

15. CASH AND BALANCES WITH CENTRAL BANK (continued)

b) Overview of the differences between cash stated in the Statement of Cash Flows and Balance Sheet as of 31 December 2024 and 2023:

In RSD thousand

	Balance sheet	Cash flows*	Difference
In RSD			
Gyro account	90,706,560	90,706,560	-
Cash on hand	24,712,169	24,712,169	-
Accruals on cash and cash equivalents with Central Bank	6,250	-	6,250
Total	115,424,979	115,418,729	6,250
In foreign currency			
Cash on hand	10,040,221	10,040,221	-
Other monetary assets	20,848	20,848	-
Obligatory reserve with the NBS	78,618,157	-	78,618,156
Foreign currency accounts (Balance-sheet item Loans and receivables from banks and other financial organizations/customers)	-	42,036,859	(42,036,859)
Cheques in foreign currency (Balance-sheet item Loans and receivables from banks and other financial organizations/customers)	-	12,102	(12,102)
Total	**88,679,226**	**52,110,030**	**36,569,195**
Gold and other precious metals	129,809	129,809	-
Balance as of 31 December	**204,234,014**	**167,658,568**	**36,575,445**

	Balance sheet	Cash flows*	Difference
In RSD			
Gyro account	74,365,329	74,365,329	-
Cash on hand	17,675,249	17,675,249	-
Accruals on cash and cash equivalents with Central Bank	46,243	-	46,243
Total	92,086,821	92,040,578	46,243
In foreign currency			
Cash on hand	12,654,437	12,654,437	-
Other monetary assets	22,209	22,209	-
Obligatory reserve with the NBS	40,556,608	-	40,556,608
Foreign currency accounts (Balance-sheet item Loans and receivables from banks and other financial organizations/customers)	-	87,357,938	(87,357,938)
Cheques in foreign currency (Balance-sheet item Loans and receivables from banks and other financial organizations/customers)	-	21,782	(21,782)
Total	**53,233,254**	**100,056,366**	**(46,823,112)**
Gold and other precious metals	96,588	96,588	-
Balance as of 31 December	**145,416,663**	**192,193,532**	**(46,776,869)**

15. CASH AND BALANCES WITH CENTRAL BANK (continued)

(c) Changes on financing activities, received loans

In RSD thousand

	2024	2023
Opening balance 1 January	**63,617,988**	**35,261,833**
Inflow from borrowings	8,204,616	35.160.508
Outflow from borrowings	(6,882,311)	(6.776.432)
Exchange Rate Effect	(36,409)	(27.921)
Closing balance - 31 December	**64,903,884**	**63,617,988**

16.FINANCIAL ASSETS CLASSIFICATION

a) Receivables from derivatives

	In RSD thousand	
	2024	**2023**
In RSD		
Financial derivatives- FX swap	65,704	77,986
Financial derivatives-interest rate swap	12,950	2,367
Balance as of 31 December	**78,654**	**80,353**

Nominal values regarding financial derivatives are disclosed within Note 28.1 Credit risk, Derivative financial instruments part and refers to Currency (FX) Swap and Forward.

b) Investments in subsidiaries and securitites

					In RSD thousand
					2024
	Securities carried at fair value through Profit and Loss	**Securities carried at fair value through OCI**	**Securities carried at amortized cost**	**Investments in subsidiaries**	**Total**
– Shares and equity investment	149,923	8,221	-	1,199,472	1,357,616
– Debt securities	223,753	84,197,936	-	-	84,421,689
- Accrued interest on debt securities	-	2,616,081	-	-	2,616,081
-Corporate bonds	-	-	5,858,733	-	5,858,733
Balance as of 31 December	**373,676**	**86,822,238**	**5,858,733**	**1,199,472**	**94,254,119**

					In RSD thousand
					2023
	Securities carried at fair value through Profit and Loss	**Securities carried at fair value through OCI**	**Securities carried at amortized cost**	**Investments in subsidiaries**	**Total**
– Shares and equity investment	81,761	10,089	-	1,199,472	1,291,322
– Debt securities	-	50,300,550	-	-	50,300,550
- Accrued interest on debt securities	-	1,624,877	-	-	1,624,877
-Corporate bonds	-	-	5,705,587	-	5,705,587
Balance as of 31 December	**81,761**	**51,935,516**	**5,705,587**	**1,199,472**	**58,922,336**

16.FINANCIAL ASSETS CLASSIFICATION (continued)

c) Securities and investments per share

		In RSD thousand
	2024	**2023**
Investment in subsidiaries		
– Intesa Leasing d.o.o., Beograd share 100%	962,496	962,496
– Intesa Invest, Beograd share 100%	236,976	236,976
Total	**1,199,472**	**1,199,472**
Debt securities carried at fair value through profit and loss		
Intesa Sanpaolo SPA	149,923	81,761
Enterprise Expansion Platform RAIF – ENEF II Western Balkans (a)	223,753	-
Total	373,676	81,761
Debt securities carried at fair value through OCI		
Bonds of the Ministry of finance of the Republic of Serbia	75,723,994	51,925,427
European Union bonds	4,076,047	-
Bonds of the Republic of France	7,013,976	-
Other	8,221	10,089
Total	**86,822,238**	**51,935,516**
Debt securities carried at amortized cost		
Corporate bonds	5,875,000	5,875,000
Allowance for impairment	(16,267)	(169,413)
Total	**5,858,733**	**5,705,587**
Balance as of 31 December	**94,254,119**	**58,922,336**

a) At the session on March 8, 2024, The Shareholders' assembly made the decision on the investment in shares of Enterprise Expansion Platform RAIF – ENEF II Western Balkans (hereinafter: Compartment).It is closed alternative investment fund in the form of limited liability company founded with the aim to support companies with high development potential in the Wester Balkans region, with special focus on small and middle enterprises and their sustainable development.

The Bank committed to invest up to 7 million EUR in purchase of shares of Compartment, while not exceeding 10% of total commitment of all investors in the Compartment.

Since the Bank is senior investor in the fund, engaged amount of liability of the Bank will be partially protected since the shares subscribed by EBRD on behalf of EU and KfW, that act as subordinated investors, will be treated as a tranche for the first loss coverage.

Up to 31 December 2024, the Bank purchased 1,963,043 shares at unit value 1 EUR, in total amount 1,963,043 EUR. Since the duration of this fund is limited in time, up to 30 September 2034, this investment cannot be classified as equity instrument from accounting perspective, but rather as debt instrument. Given that contractual cash flows of this investment do not pass SPPI test, the investment is classified at fair value through profit and loss (FTPL).

17. LOANS AND RECEIVABLES FROM BANKS, CUSTOMERS AND OTHER FINANCIAL ORGANIZATIONS

a) Loans and receivables from banks and other financial organizations

	In RSD thousand	
	2024	**2023**
In RSD		
Loans under reverse repo transactions	50,000,000	60,000,000
Liquidity and current assets loans	9,601,898	5,332,674
Other loans	7,470	7,542
Receivables based on factoring without the right of recourse and reverse factoring	44,206	84,608
Other placements (a)	1,522,390	1,757,930
Deferred income on receivables carried at amortized cost using the effective interest rate	(3,696)	(701)
Accrued interest calculated on the basis of loans, deposits and other placements	22,256	14,528
Total in RSD	**61,194,524**	**67,196,581**
In foreign currency		
Foreign currency accounts	42,038,572	87,362,338
Cheques	12,101	21,782
Other loans	3,632	3,103
Other non-purpose deposits	20,605,052	-
Special-purpose deposits	4,681	4,687
Other purpose deposits	255,092	255,439
Other placements (a)	2,801,262	2,316,592
Accrued interest calculated on the basis of loans, deposits and other placements	440,413	1,055
Total in foreign currency	**66,160,805**	**89,964,996**
Gross loans and receivables	**127,355,329**	**157,161,577**
Less: Allowance for impairment		
– in RSD	(23,969)	(31,212)
– in foreign currency	(2,565)	(4,463)
	(26,534)	**(35,675)**
Balance as of 31 December	**127,328,795**	**157,125,902**

Other placements in as at 31 December 2024 in amount of RSD 1,522,390 thousand (31 December 2023: RSD 1,757,930 thousand) and in foreign currency as at 31 December 2024 RSD 2,801,262 2,316,592 (31 December 2023: RSD 2,316,592 thousand) refers to the purchase and sale of foreign currency.

17. LOANS AND RECEIVABLES FROM BANKS, CUSTOMERS AND OTHER FINANCIAL ORGANIZATIONS (continued)

b) Loans and receivables from customers

	2024	**2023**
In RSD		
Current account loans	5,200,302	5,451,905
Consumer loans	5,805,109	3,944,141
Liquidity and current assets loans	153,184,750	150,373,958
Loans for export	-	11,717
Investment loans	137,425,211	130,711,225
Mortgage loans	137,768,682	123,790,344
Cash loans	103,873,161	90,302,269
Other loans	9,924,852	17,561,253
Receivables based on purchased placements - forfeiting	21,875	284,764
Receivables based on factoring without the right of recourse and reverse factoring	22,413,244	8,354,359
Receivables based on factoring with the right of recourse	949,395	938,368
Placements based on acceptances, endorsements and payments made under guarantees	16,549	17,559
Placements on ceded receivables on other grounds	1,755,611	1,829,182
Accrued income on receivables carried at amortized cost using the effective interest rate	(997,832)	(1,000,096)
Accrued interest income calculated on the basis of loans, deposits and other placements	3,050,652	3,003,317
Accrued other income calculated on the basis of loans, deposits and other placements	7	2
Total in RSD	**580,391,568**	**535,574,267**
In foreign currency		
Loans for payment of import of goods and services in foreign currency	18,692,322	15,889,473
Other loans	3,067,283	2,812,602
Receivables from factoring without recourse factoring and reverse	423,379	505,099
Accrued income on receivables carried at amortized cost using the effective interest rate	(632)	
Accrued interest calculated on the basis of loans, deposits and other placements	69,999	69,385
Total in foreign currency	**22,252,351**	**19,276,559**
Gross loans and receivables	**602,643,919**	**554,850,826**
Less: Allowance for impairment		
– in RSD	(20,883,189)	(20,296,768)
– in foreign currency	(2,170,104)	(531,726)
	(23,053,293)	**(20,828,494)**
Balance as of 31 December	**579,590,626**	**534,022,332**

17. LOANS AND RECEIVABLES FROM BANKS, CUSTOMERS AND OTHER FINANCIAL ORGANIZATIONS (continued)

c) Overview by type of client

In RSD thousand

	2024			2023		
	Short-term (up to one year)	Long-term (more than one year)	Total	Short-term (up to one year)	Long-term (more than one year)	Total
In RSD						
– Central bank, banks and other financial sector and insurance	51,592,152	9,602,372	61,194,524	62,442,934	4,753,646	67,196,580
– Corporate customers	64,171,384	163,283,730	227,455,114	52,093,596	176,951,624	229,045,220
– Retail customers	5,116,154	284,118,451	289,234,605	2,939,422	257,979,997	260,919,419
– Public sector	6,684,493	53,130,223	59,814,716	793,957	41,347,580	42,141,537
– Foreign entities	13	256,285	256,298	21,454	281,572	303,026
– Other customers-non-profit institutions	304	12,345	12,649	269	12,529	12,798
– Other customers non-budgeted legal entities and institutions	49,005	1,613,262	1,662,267	50,476	1,225,624	1,276,100
– Other customers- companies and other legal entities in bankruptcy	1,676,423	279,496	1,955,919	1,725,720	150,448	1,876,168
Total in RSD	**129,289,928**	**512,296,164**	**641,586,092**	**120,067,828**	**482,703,020**	**602,770,848**
In foreign currency						
– Central bank, banks and other financial sector and insurance	1,408,859	3,632	1,412,491	1,762,292	3,103	1,765,395
– Corporate customers	645,899	18,387,629	19,033,528	475,352	15,652,439	16,127,791
– Retail customers	57,085	1,411,368	1,468,453	40,226	1,183,202	1,223,428
– Public sector	-	1,394	1,394	612	55,471	56,083
– Foreign banks and financial organizations	64,748,313	-	64,748,313	88,199,601	-	88,199,601
– Foreign entities	340,774	1,403,954	1,744,728	1,863,455	2,892	1,866,347
– Other customers-non-profit institutions	8	2,302	2,310	7	1,475	1,482
– Other customers non-budgeted legal entities and institutions	-	1,290	1,290	-	1,421	1,421
– Other customers- companies and other legal entities in bankruptcy	614	34	648	7	-	7
Total in foreign currency	**67,201,552**	**21,211,603**	**88,413,155**	**92,341,552**	**16,900,003**	**109,241,555**
Gross loans and receivables	**196,491,480**	**533,507,767**	**729,999,247**	**212,409,380**	**499,603,023**	**712,012,403**
Less: Allowance for impairment - banks and other financial organizations	(25,231)	(1,302)	(26,533)	(33,917)	(1,758)	(35,675)
Less: Allowance for impairment- customers	(2,342,184)	(20,711,109)	(23,053,293)	(2,397,969)	(18,430,525)	(20,828,494)
	(2,367,415)	(20,712,411)	(23,079,826)	(2,431,886)	(18,432,283)	(20,864,169)
As of 31 December	**194,124,065**	**512,795,356**	**706,919,421**	**209,977,494**	**481,170,740**	**691,148,234**

17. LOANS AND RECEIVABLES FROM BANKS, CUSTOMERS AND OTHER FINANCIAL ORGANIZATIONS (continued)

Short-term loans have been granted to companies for funding business activities within the following sectors: trade and services, manufacturing, construction, agriculture and food industry, as for the other purposes, with interest rates ranging at the moment of disbursement from 3.49% and 10.57% per annum on RSD loans, and from 1.75% and 15.77% per annum on loans with the foreign currency clause and foreign currency loans.

Interest rates on the long-term loans to legal entities in RSD range at the moment of disbursement from 4.76% and 9.86%, and on RSD long-term loans with the foreign currency clause, as well as on foreign currency loans, from 1.45% and 10.54% per annum.

Short-term loans to retail customers, have been approved with interest rates ranging from 10.45% to 18.95% per annum for loans with no currency clause.

Short-term loans to small business customers, have been approved with interest rates ranging from 6.10% to 16.00% per annum for loans with no currency clause, and from 2,50% to 12,00% per annum for loans with the foreign currency clause.

Interest rates on overdrafts on retail current accounts range from 23.88% to 29.85% per annum and for small corporate customers from 7.00% to 24.00% per annum.

Short-term loans to registered agriculture farmers have been approved with interest rates ranging from 6.10% to 16.00% per annum for loans with no currency clause, and from 5.77% to 12.00% per annum for loans with the foreign currency clause.

Long-term loans to retail customers have been granted as non-purpose loans, consumer goods purchase loans, renovation, adaptation and the purchase of the residential and business space for the period from 13 months to 30 years with interest rates ranging from 5.61% to 10.19% per annum for loans with the foreign currency clause, as well as from 5.86% to 18.95% for the loans with no currency clause.

Long-term loans to small businesses have been granted as non-purpose loans, consumer goods purchase loans, for the period from 13 to 36 months with interest rate ranging from 5.90% to 16.00% per annum on loans without the foreign currency clause and from 2.40% to 12.00% per annum on loans with the foreign currency clause, while long-term investment loans for adaptation and the purchase of the residential and business space for the period from 13 months to 10 years with interest rates ranging from 2.40% + 3M EURIBOR do 7.70%+3M EURIBOR per annum for loans with the foreign currency clause.

Long-term loans to registered agriculture farmers have been granted as purpose loans (loans for fixed assets) and non-purpose loans (for the period from 12 months to maximum 36 months), and for working capital. Loans with a term of repayment over 36 months approved on special purpose have been approved with interest rates ranging from 4.65%+6M EURIBOR do 9.00%+6M EURIBOR, for loans with the foreign currency clause, i.e. from 7.80% +3M BELIBOR do 9.00% +3M BELIBOR for loans with no currency clause. Special purpose loans with a repayment term of 36 to 60 months were also approved with a fixed interest rate ranging from 4.86% do 11.00%. The interest rate for loans with a repayment term of 12 to 36 months ranged from 3.50% to 12,00% per year with a currency clause, i.e. from 6.10% to 12.00% without a currency clause, while variable interest rates on loans with the specified repayment term ranged from 8.00%+3M BELIBOR do 13.00%+3M BELIBOR for dinar loans with no currency clause.

18.INTANGIBLE ASSETS

In RSD thousand	Licenses	Software	Intangible assets under construction	Total
COST				
Balance as of 1 January 2023	**482,612**	**8,416,854**	**198,050**	**9,097,516**
Additions during the year			472,804	472,804
Transfers		395,408	(395,408)	-
Disposals and write offs		(242,418)		(242,418)
Balance as of 31 December 2023	**482,612**	**8,569,844**	**275,446**	**9,327,902**
Additions during the year			764,321	764,321
Transfers		620,100	(620,100)	-
Disposals and write offs		(241,180)		(241,180)
Balance as of 31 December 2024	**482,612**	**8,948,763**	**419,667**	**9,851,042**
ACCUMULATED AMORTIZATION				
Balance as of 1 January 2023	**482,612**	**4,012,203**	**-**	**4,494,815**
Amortization charge (Note 11)	-	1,080,854		1,080,854
Disposals and write offs	-	(242,070)		(242,070)
Balance as of 31 December 2023	**482,612**	**4,850,987**	**-**	**5,333,599**
Amortization charge (Note 11)	-	1,071,956		1,071,956
Disposals and write offs	-	(239,522)		(239,522)
Balance as of 31 December 2024	**482,612**	**5,683,421**	**-**	**6,166,033**
Carrying value as of:				
– 31 December 2024	**-**	**3,265,342**	**419,667**	**3,685,009**
– 31 December 2023	**-**	**3,718,857**	**275,446**	**3,994,303**

The largest part of the investment in software in 2023 relates to software Digital integration RSD 104,248.

19. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

(a) Property, plant and equipment

In RSD thousand

	Land and buildings	Equipment and equipment under finance lease	Leasehold improvements	Construction in progress	Right of use assets	Total property, plant and equipment
COST/REVALUATION						
Balance as of 1 January 2023	**6,879,943**	**4,062,682**	**1,158,271**	**154,239**	**3,973,470**	**16,228,605**
Additions during the year				1,310,840		1,310,840
Transfers from construction in progress	120,860	501,046	118,043	(1,407,547)	667,598	-
Disposals and write offs		(417,633)			(186,785)	(604,418)
Effects of fair value appraisal as of 31 December 2023	(230,558)					(230,558)
Balance as of 31 December 2023	**6,770,245**	**4,146,094**	**1,276,314**	**57,532**	**4,454,283**	**16,704,468**
Balance as of 1 January 2024	**6,770,245**	**4,146,095**	**1,276,314**	**57,532**	**4,454,283**	**16,704,469**
Additions during the year				1,517,166		1,517,166
Transfers from construction in progress	66,917	303,583	180,163	(1,547,911)	997,248	-
Disposals and write offs		(242,731)	(125,595)		(234,263)	(602,589)
Balance as of 31 December 2024	**6,837,162**	**4,206,947**	**1,330,882**	**26,787**	**5,217,268**	**17,619,046**
ACCUMULATED DEPRECIATION						
Balance as of 1 January 2023	**488,503**	**2,864,119**	**859,519**	**-**	**2,020,072**	**6,232,213**
Depreciation charge (Note 11)	246,522	392,169	131,772		631,314	1,401,777
Disposals and write/offs		(414,406)			(183,213)	(597,619)
Effects of fair value appraisal as of 31 December 2023	(735,025)					(735,025)
Balance as of 31 December 2023	**-**	**2,841,882**	**991,291**	**-**	**2,468,173**	**6,301,346**
Depreciation charge (Note 11)	243,404	410,004	118,388		702,412	1,474,208
Disposals and write/offs		(241,960)	(125,405)		(220,594)	(587,959)
Balance as of 31 December 2024	**243,404**	**3,009,926**	**984,274**	**-**	**2,949,991**	**7,187,595**
Carrying value as of:						
– 31 December 2024	**6,593,758**	**1,197,021**	**346,608**	**26,787**	**2,267,277**	**10,431,451**
– 31 December 2023	**6,770,245**	**1,304,213**	**285,023**	**57,532**	**1,986,110**	**10,403,122**

Net effect of the changes on the carrying amount of buildings based on the fair value assessment as at 31 December 2023 in amount of RSD 504,467 thousand recorded as a positive changes based on decrease accumulated depreciation in the amount of RSD 735,025 thousand and negative changes based on decrease of costs in amount of RSD 230,558 thousand .

19. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (continued)

(a) Property, plant and equipment (continued)

As of 31 December 2024, the Bank has title deeds for property it owns and has no buildings pledged as collateral.

In accordance with the accounting policies changes from 2017 (passage from the cost model to the redetermination of value for measurement subsequent to initial disclosure of functional property; passage from accounting at cost to accounting at fair value for investment property), Parent bank has engaged the authorized appraisal company to assess fair value of the properties, at the level of the Intesa Sanpaolo Group, including Banca Intesa a.d. Beograd.

On 31 December 2024, the authorized appraiser carried out the assessment of the properties fair value that Banca Intesa ad Beograd uses for its own business and has concluded that market prices of real estates did not significantly oscillate (more than+/-10%) compared to the actual prices as of December 31, 2023, so that new assessment are not recorded as of December 31, 2024.

If the Bank continued to apply cost model for real estate valuation, net present value would amount to RSD 4.423.873 thousand, at December 31, 2024 (31 December 2023: RSD 4.623.555 thousand).

(b) Right of use assets

Bank leases certain number of real estates for its branches, offices and other business premises.

Lease contracts are typically concluded to the period of 5 years, with possibility of its renewal by the will of both contracting parties, as well as with the possibility to be terminated by the Lessee, with a contracted notice period of 30 or 60 days for most contracts.

Bank has also leased certain number of cars, with contract period of 5 years, as well as two lease of an equipment (server) contract with useful life period of two years.

Related to the lease contract for POS terminals and accompanying devices, ATM devices and printers the Bank used the portfolio approach (grouping of multiple leased assets of the same characteristics that met the condition to be identified as an asset), when recognizing the right of use asset.

Information about right of use assets, amounts recognized in the income statement and cash flow are shown as follows:

19. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (continued)

(b) Right of use assets (continued)

In RSD thousand

	Automobile	Real estate	Equipment	Total
COST				
Balance as of 1 January 2023	**268,673**	**2,869,620**	**835,177**	**3,973,470**
Additions during the year	130,711	403,534	133,354	667,599
Disposals during the year	(89,378)	(85,840)	(11568)	(186,786)
Balance as of 31 December 2023	**310,006**	**3,187,314**	**956,963**	4,454,283
Additions during the year	194,139	610,235	192,874	997,248
Disposals during the year	(119,450)	(114,813)		(234,263)
Balance as of 31 December 2024	**384,695**	**3,682,736**	**1,149,837**	**5,217,268**
ACCUMULATED DEPRECIATION				
Balance as of 1 January 2023	**177,580**	**1,652,970**	**189,522**	**2,020,072**
Depreciation charge (Note 11)	54,705	406,633	169976	631,314
Contracts ending and disposals	(88,640)	(83,005)	(11,568)	(183,213)
Balance as of 31 December 2023	**143,645**	**1,976,598**	**347,930**	2,468,173
Depreciation charge (Note 11)	61,314	400,936	240,162	702,412
Contracts ending and disposals	(111,245)	(109,349)		(220,594)
Balance as of 31 December 2024	**93,714**	**2,268,185**	**588,092**	**2,949,991**
Carrying value as of:				
– 31 December 2024	**290,981**	**1,414,551**	**561,745**	**2,267,277**
– 31 December 2023	**166,361**	**1,210,716**	**609,033**	**1,986,110**

Amount recognized in profit and loss

Leases under the IFRS 16

In RSD thousand

	2024	2023
Interest on lease liabilities (Note 3b)	86,181	87,688
Expenses relating short-term leases (exempt from the IFRS16, Note 13)	29,245	42,931
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets (exempt from the IFRS16, Note 13)	36,788	55,030
Tax expenses – IFRS 16 (Note 13)	156,061	138,063
Net effects (gain) relating to variable payments and right of use assets disposals (Note 12 and 13)	(20,333)	(15,034)
Total amount recognized in profit and loss	**287,942**	**308,678**

Amounts recognized in statement of cash flows

In RSD thousand

	2024	2023
Total cash outflow for leases IFRS 16	694,451	619,725

20.OTHER ASSETS

	In RSD thousand	
	2024	**2023**
Trade receivables	184	209
Receivables from employees	3,611	3,694
Receivables for overpaid taxes, except income tax	11,359	1,997
Advances paid	130,411	117,703
Other receivables from operating activities (a)	6,706,047	14,649,800
Assets received through collection of receivables	154,962	151,262
Other assets (b)	1,665,675	568,041
Fee and commission receivables related to other assets:		
– in RSD	336,619	372,257
– in foreign currency	83,646	49,807
Accrued interest expenses:		
– in RSD	694,796	539,988
Accrued other expenses:		
– in RSD	159,748	181,132
Total other assets	9,947,059	16,635,890
Less: Allowance for impairment	(417,549)	(738,827)
Balance as of 31 December	**9,529,509**	**15,897,063**

Other receivables from operating activities in amount of RSD 6.706.047 thousand as of 31 December 2024 (31 December 2023: RSD 14.649.800 thousand) mostly relate to receivables in RSD with respect to payment cards from other cards issuers -, and debit cards in the amount of RSD 5.100.858 thousand (31 December 2023: RSD 13.417.583 thousand).

Other assets as at 31 December 2024 in amount of RSD 1.665.675 thousand (31 December 2023: 568.041 thousand) mostly consist of transient account for payment cash on ATM which as at 31 December 2024 in amount of RSD 1.475.899 thousand (31 December 2023: RSD 563.076 thousand) mostly consist of transient account for payment cash on ATS.

21. LIABILITIES BASED ON DERIVATIVES

	In RSD thousand	
	2024	**2023**
Liabilities based on derivatives - swap	899	159
Liabilities based on derivatives-interest rate swap	7,832	1,427
Balance as of 31 December	**8,731**	**1,586**

22. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK

(a) Deposits and other liabilities due to banks, other financial organizations and Central Bank

	In RSD thousand	
	2024	**2023**
In RSD		
Transaction deposits	2,864,987	1,790,372
Deposits underlying granted loans	10,364	4,296
Special-purpose deposits	623,612	367,301
Other deposits	21,796,293	13,855,895
Received loans	417,857	585,000
Interest payable	264,415	237,463
Accrued expenses for liabilities at amortized value, by applying the effective interest rate method	(3,304)	(4,304)
Fee and commission payable	19	19
Total in RSD	**25,974,243**	**16,836,042**
In foreign currency		
Transaction deposits	1,385,104	404,173
Deposits underlying granted loans	1,638	1,640
Special-purpose deposits	662,154	338,052
Other deposits	13,305,135	9,552,919
Received loans (a)	39,043,591	37,655,304
Other financial liabilities (b)	4,713,961	3,456,160
Interest payable	463,985	448,190
Accrued expenses for liabilities at amortized value, by applying the effective interest rate method	(225,803)	(237,933)
Total in foreign currency	**59,349,765**	**51,618,505**
Balance as of 31 December	**85,324,008**	**68,454,547**

(a) During 2024 received loans in foreign currency increased in the amount of RSD 1,388,287 thousand (31 December 2023 RSD 2,683,609 thousand) due to new credit lines withdrawn from international financial institutions

(b) Other financial liabilities in amount of RSD 4,713,961 thousand as of 31 December 2024 (31 December 2023 RSD 3,456,160 3,427,431 thousand) mostly related to liabilities for outstanding payments received from foreign country in foreign currency in amount of RSD 4.710.805 thousand (31 December 2023 RSD 3,448,323 thousand).

22. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK (continued)

b) Deposits and other liabilities due to customers

	In RSD thousand	
	2024	**2023**
In RSD		
Transaction deposits	263,109,169	231,707,815
Savings deposits	16,221,830	12,168,720
Deposits underlying granted loans	794,468	1,777,598
Special-purpose deposits	11,091,504	10,103,597
Other deposits	50,498,805	45,501,056
Deposits and loans due within one day (overnight)	8,421,843	3,454,383
Interest payable	771,863	1,015,119
Total in RSD	**350,909,482**	**305,728,288**
In foreign currency		
Transaction deposits	276,944,028	267,161,907
Savings deposits	93,206,608	79,172,315
Deposits underlying granted loans	4,080,965	5,863,391
Special-purpose deposits	3,092,803	2,839,111
Other deposits	29,893,702	21,623,081
Received loans (a)	25,860,293	25,962,684
Interest payable	2,016,527	1,335,434
Total in foreign currency	**435,094,926**	**403,957,923**
Balance as of 31 December	**786,004,408**	**709,686,211**

22. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK (continued)

(c) Deposits and other liabilities to banks, customers, other financial organizations and Central Bank by contractual maturity

	2024			2023		In RSD thousand
	Short-term (up to one year)	Long-term (more than one year)	Total	Short-term (up to one year)	Long-term (more than one year)	Total
In RSD						
Transaction deposits	265,974,155	-	265,974,155	233,498,186	-	233,498,186
Saving deposits	14,666,893	1,554,937	16,221,830	9,714,527	2,454,193	12,168,720
Deposits related to granted loans	154,832	650,000	804,832	389,585	1,392,309	1,781,894
Special-purpose deposits	10,957,098	758,018	11,715,116	9,772,713	698,185	10,470,898
Other deposits	71,746,321	548,778	72,295,099	55,497,477	3,859,475	59,356,952
Overnight deposits and loans	8,421,843	-	8,421,843	3,454,383	-	3,454,383
Received loans	-	417,857	417,857	-	585,000	585,000
Interest payable	1,036,278	-	1,036,278	1,252,582	-	1,252,582
Accrued expenses for liabilities at amortized value, by applying the effective interest rate method	-	(3,304)	(3,304)	-	(4,304)	(4,304)
Fee and commission payable	19	-	19	19	-	19
Total in RSD	**372,957,439**	**3,926,286**	**376,883,725**	**313,579,472**	**8,984,858**	**322,564,330**
In foreign currency						
Transaction deposits	278,329,132	-	278,329,132	267,566,080	-	267,566,080
Saving deposits	78,658,370	14,548,238	93,206,608	60,191,637	18,980,678	79,172,315
Deposits related to granted loans	1,014,796	3,067,807	4,082,603	1,402,849	4,462,182	5,865,031
Special-purpose deposits	3,277,541	477,416	3,754,957	2,804,690	372,473	3,177,163
Other deposits	39,956,112	3,242,725	43,198,837	21,470,775	9,705,224	31,175,999
Received loans	-	64,903,884	64,903,884	-	63,617,988	63,617,988
Other financial liabilities	4,713,961	-	4,713,961	3,456,161	-	3,456,161
Interest payable	2,480,512	-	2,480,512	1,783,623	1	1,783,624
Accrued expenses for liabilities at amortized value, by applying the effective interest rate method	-	(225,803)	(225,803)	-	(237,933)	(237,933)
Total in foreign currency	**408,430,424**	**86,014,267**	**494,444,691**	**358,675,815**	**96,900,613**	**455,576,428**
Balance as of 31 December	**781,387,863**	**89,940,553**	**871,328,416**	**672,255,287**	**105,885,471**	**778,140,758**

22. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK (continued)

d) Deposits and other liabilities to banks, customers, other financial organizations and Central Bank by type of customers

	2024			2023		In RSD thousand
	Short-term (up to one year)	Long-term (more than one year)	Total	Short-term (up to one year)	Long-term (more than one year)	Total
In RSD						
– Central bank, banks and other financial sector and insurance	25,089,879	210,117	25,299,996	13,593,287	2,253,464	15,846,751
– Holding companies	-	-	-	19	-	19
– Corporate customers	160,973,794	1,517,149	162,490,943	147,298,783	3,598,321	150,897,104
– Retail customers	152,143,645	1,567,749	153,711,394	127,925,663	2,497,732	130,423,395
– Public sector	11,828,671	2,202	11,830,873	7,483,935	2,205	7,486,140
– Foreign banks and financial organizations	259,695	414,553	674,248	408,595	580,696	989,291
– Foreign entities	527,890	2,588	530,478	430,057	12,574	442,631
– Other customers – non-profit institutions	9,243,731	-	9,243,731	7,930,434	-	7,930,434
– Other customers – banks in bankruptcy	1,527,419	1,427	1,528,846	1,712,836	29,366	1,742,202
– Other customers non-budgeted legal entities and institutions	1,893,166	-	1,893,166	346,306	-	346,306
– Other customers- companies and other legal entities in bankruptcy	8,002,570	210,500	8,213,070	5,397,570	10,500	5,408,070
– Other customers- entrepreneurs in bankruptcy	2	-	2	9	-	9
– Other customers –other financial organization in bankruptcy	43,283	-	43,283	13,095	-	13,095
– Other customers – public sector in bankruptcy	1,423,695	-	1,423,695	1,038,883	-	1,038,883
Total in RSD	**372,957,440**	**3,926,285**	**376,883,725**	**313,579,472**	**8,984,858**	**322,564,330**
In foreign currency						
– Central bank, banks and other financial sector and insurance	15,019,099	587,883	15,606,982	8,869,068	1,643,244	10,512,312
– Corporate customers	90,313,404	4,701,007	95,014,411	74,660,935	11,083,907	85,744,842
– Retail customers	288,746,065	15,784,053	304,530,118	262,767,690	20,384,130	283,151,820
– Public sector	1,613,337	117,994	1,731,331	1,190,434	298,540	1,488,974
– Foreign banks and financial organizations	4,924,995	38,817,787	43,742,782	3,688,823	37,417,371	41,106,194
– Foreign entities	4,951,483	25,985,885	30,937,368	4,941,196	25,991,048	30,932,244
– Other customers - non-profit institutions	2,374,516	15,095	2,389,611	1,989,344	32,691	2,022,035
– Other customers - non-budgeted legal entities and institutions	405,657	585	406,242	315,359	45,698	361,057
– Other customers- companies and other legal entities in bankruptcy	81,867	3,979	85,846	252,966	3,984	256,950
Total in foreign currency	**408,430,423**	**86,014,268**	**494,444,691**	**358,675,815**	**96,900,613**	**455,576,428**
Balance as of 31 December	**781,387,863**	**89,940,553**	**871,328,416**	**672,255,287**	**105,885,471**	**778,140,758**

22.DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK (continued)

On term deposits in RSD and foreign currency (new deposits), the Bank pays interest at rates ranging up to 7.50% per annum (interest rate at the moment of contracting),, depending on the maturity period and the currency.

On special-purpose deposits of natural persons the Bank does not pay interest. On new special-purpose deposits of customers Bank pays interest at rates ranging up to 5.00% per annum (interest rates at the moment of contracting), depending on currency.

On short-term retail deposits in RSD the interest is paid at rates ranging from 0 % to 2.60% per annum, depending on the maturity period, Interest rates on short-term retail deposits in foreign currency range from 0% to 1.60 % per annum, depending on the maturity period and the currency.

On short-term small business client deposits in RSD the interest is paid at rates ranging from 0.55 % to 5.80% per annum, depending on the maturity period, Interest rates on short-term small business deposits in foreign currency range from 1.85% to 3.50% per annum, depending on the maturity period and the currency.

Long-term retail deposits in foreign currency are deposited at interest rates ranging from 0.01% to 2.00% per annum, depending on the maturity period and the currency. Long-term retail deposits in RSD are deposited at interest rates ranging from 2.00% to 3.00% per annum, depending on the maturity period.

(e) Subordinated debt

The balance and structure of subordinated liabilities as of December 31, 2024 and December 31, 2023 is shown in the following tables:

	In RSD thousand	
	2024	**2023**
In foreign currency		
Liabilities in foreign currency for subordinated loans	11,701,490	11,717,370
Accruals for liabilities based on interest and other accrued expenses on subordinated liabilities	44,511	52,009
Balance as of 31 December	**11,746,001**	**11,769,379**

Name of client	**Currency**	**Subordinated loan**	**Maturity**
Intesa Sanpaolo Holding International S.A. Luksemburg	EUR	100,000,000.00	09.06.2033.
Balance as of 31 December	**EUR**	**100,000,000.00**	

Based on the Decision of the National Bank of Serbia as of June 28, 2023 subordinated liability is included in the calculation of regulatory capital (Note 28.9).

23.PROVISIONS

	In RSD thousand	
	2024	**2023**
Provisions for off-balance sheet items (a)	718,112	630,362
Provisions for employee benefits:		
– restructuring (b)	433,455	124,757
– long-term retirement benefits and unused days of vacation (c)	421,208	316,921
Provisions for litigations (Note 29)	1,271,476	1,693,076
Balance as of 31 December	**2,844,251**	**2,765,116**

	In RSD thousand	
	2024	**2023**
Movements in provisions for off-balance sheet items		
Opening balance	630,362	689,968
Release of provisions	(286,456)	(444,912)
Release of provisions - exchange rate	(932)	(887)
Increase of provisions	374,748	385,486
Increase of provisions – exchange rate	391	706
Balance as of 31 December	**718,112**	**630,362**
Movements in provisions for restructuring		
Opening balance	124,757	86,352
Release of provisions directly from provisions	(55,166)	(66,301)
Increase of provisions	363,864	104,706
Balance as of 31 December	**433,455**	**124,757**
Movements in provisions for employee retirement benefits and unused days of vacation		
Opening balance	316,921	294,133
Increase of provisions	104,287	22,788
Balance as of 31 December	**421,208**	**316,921**
Movements in provisions for litigations		
Opening balance	1,693,076	1.549.992
Release of provisions through profit and loss	(403,482)	(420,733)
Release of provisions directly from provisions	(195,368)	(195,200)
Increase of provisions	177,250	759,017
Balance as of 31 December (Notes 29)	**1,271,476**	**1,693,076**

23.PROVISIONS (continued)

(a) According to the Bank's internal policy, provisioning for off-balance sheet items exposed to risk is performed in the same manner as for balance sheet assets, i,e, off-balance sheet items are classified into recoverability categories based on the estimation of the recoverable amount of receivables when it comes to outflow of resources and probability of outflow of resources,

(b) The project of considering and analysing efficiency of business processes, which may lead to restructuring and decrease in number of employees (redundancies), which started, but is still not fully completed, therefore, the Bank made provisions in the same manner as in previous years, based on estimated number of employees that potentially could be redundant, For the purpose of estimate, available laws and regulations, as well as internal acts have been observed (Labour Law and Collective agreement),

(c) Long-term provision for retirement benefits has been recognized on the basis of an independent actuary's calculation at the balance sheet date in the amount of present value of estimated future cash outflows, The present value of estimated future cash outflows is calculated using the discount rate of 6.20% per annum, which reflects the long-term rate of return on high quality debt securities, Republic of Serbia bonds and treasury bonds of the Ministry of Finance Republic of Serbia,

The provision was determined in accordance with the Bank's Collective Agreement, using the assumption of average salary increase rate of 7.06% per annum over the period for which the provision has been formed,

The provision for unused days of vacation is calculated on the basis of an independent actuary's report at the balance sheet date, In accordance with article 114 of the Labour Law in Republic of Serbia, during vacation an employee is entitled to compensation in the amount of average salary for the last twelve months, When calculating the provision for unused vacation days, the following factors are significant:

- average gross salary in the Bank, and
- number of unused days of vacation.

24.OTHER LIABILITIES

		In RSD thousand
	2024	**2023**
Net salaries and compensations	721,041	605,591
Taxes, VAT, contributions and other duties payable, excluding income tax payable	521,061	446,842
Vendor liabilities	1,224,054	873,347
Advances received	223,300	168,097
Other liabilities (a)	6,456,650	11,180,114
	9,146,106	13,273,991
Accruals and deferred income		
Accrued liabilities for other expenses:		
– in RSD	75	95
Deferred interest income:		
– in RSD	1,048	65,336
Other deferred income:		
– in RSD	109,863	81,624
Other deferrals (b)		
– in RSD	4,302,200	3,415,229
– in foreign currency	1,863,325	2,433,180
	6,276,511	**5,995,464**
Lease liabilities	2,361,807	2,076,354
Total	**17,784,424**	**21,345,809**
Other tax liabilities	176,091	101,832
Balance as of 31 December	**17,960,515**	**21,447,641**

(a) Other liabilities in 2024 and 2023 mostly consist of payment for credit card obligations and liabilities in RSD for calculated payment orders - payment cards.

(b) Other accruals in foreign currency in 2024 and 2023 mostly consist of accruals accounts balances – buy or sales of foreign currency.

24.OTHER LIABILITIES (continued)

Liabilities from long-term real-estate, vehicles and equipment leases in accordance with IFRS 16, as of December 31, 2024 and 2023 are shown as follows:

	2024		2023	
Minimal lease payments	**Present value**	**Contractual undiscounted cash flows**	**Present value**	**Contractual undiscounted cash flows**
Up to 1 year	730,531	813,694	596,073	680,839
From 1 to 5 years	1,469,936	1,591,637	1,385,146	1,499,454
Over 5 years	161,340	176,748	95,135	103,083
Balance as of 31 December	**2,361,807**	**2,582,079**	**2,076,354**	**2,283,376**

Changes on liabilities in accordance IFRS 16, are shown as folow:

In RSD thousand	**2024**	**2023**
	2.076.354	**2,032,438**
Increase during the year	997.249	667,598
Decrease during the year	(15.116)	(2,506)
Payments	(780.632)	(707,413)
Interest	86.181	87,688
Changes in the value of liabilities - exchange rate difference	(2.229)	(1,451)
Balance as of 31 December	**2.361.807**	**2,076,354**

25.EQUITY

(a) Equity structure

The Bank's equity as of 31 December 2024 consists of shares capital, share premium, reserves, revaluation reserves and current and previous year profit.

Structure of the Bank's equity is presented in table below:

		In RSD thousand
	2024	**2023**
Share capital – ordinary shares	21,315,900	21,315,900
Share premium	20,432,569	20,432,569
Reserves from profit	54,071,306	46,706,407
Fair value reserves of securities	434,821	(59,460)
Revaluation reserves arising from changes in fair value of buildings	1,382,615	1,382,615
Retained earnings	-	1,291
Current year profit	26,799,530	21,038,879
Balance as of 31 December	**124,436,741**	**110,818,201**

/i/ Share capital

As of 31December 2024, the Bank's registered share capital consists of 213,159 ordinary shares with nominal value of RSD 100 thousand per share.

The Bank's shareholder as of 31 December 2024 and 2023 is presented in the table below:

Shareholder	**Number of shares**	**Nominal share value (RSD thousand)**	**Share in %**
Intesa Sanpaolo Holding International S,A,, Luxembourg	213,159	21,315,900	100,00
Total	**213,159**	**21,315,900**	**100,00**

The amount of paid dividend during the period as well as related dividend per share are presented as follows:

/ii/ Share premium

Share premium amounting to of RSD 20,432,569 thousand as of 31 December 2024 (31 December 2023: RSD 20,432,569 thousand) is the result of the Bank's status change, i.e., the merger of Panonska banka a,d, Novi Sad in the amount of RSD 2,989,941 thousand in 2007, as well as the result of the 4th, 5th and 6th issues of ordinary shares without public offer for the purpose of share capital increase.

/iii/ Reserves

		In RSD thousand
	2024	**2023**
Other reserves from profit	54,071,306	46,706,407
Losses from the change in the value of equity instruments	(10,364)	(8,496)
Gains/losses from the change in the value of debt instruments	445,185	(50,964)
Revaluation reserves arising from changes in fair value of buildings	1,382,615	1,382,615
Total	**55,888,742**	**48,029,562**

25.EQUITY (continued)

b) Performance indicators – compliance with legal requirements

The Bank is required to reconcile the scope and the structure of its operations and risk placements with performance indicators prescribed by the Law on Banks and relevant decisions of the National Bank of Serbia passed on the basis of the aforementioned Law.

As of 31December 2024, the Bank was in compliance with all prescribed performance indicators.

Performance indicators[1]	**Prescribed**		**Realized**
		31 December 2024	**31 December 2023**
Regulatory capital	Minimum EUR 10 million	EUR 900 millions	EUR 830 millions
Minimum ratio of the adequacy of the basic share capital specified by the bank	Minimum 5.68%	17.69%	17.07%
Minimum ratio of the adequacy of the basic capital specified by the bank	Minimum 7.58%	17.69%	17.07%
Minimum ratio of the adequacy of the capital specified by the bank	Minimum 10.10%	19.90%	19.41%
Permanent investments indicator	Maximum 60.00%	9.91%	10.70%
Indicator of large and the largest permissible loans	Maximum 400.00%	90.88%	124.92%
Liquidity ratio	Minimum 0.8	2.17	2.24
Acid-test ratio (quick ratio)	Minimum 0.5	1.66	1.65
Liquidity coverage ratio – LCR	Minimum 1.0	2.144	4.11
Net stable funding ratio - NSFR	Minimum 1,0	1.83	-
Foreign currency risk indicator	Maximum 20.00%	1.20%	0.46%
Exposure to a single entity or to a group of related parties	Maximum 25.00%	18.56%	22.56%
Bank's investment in non-financial legal entity	Maximum 10.00%	0.01%	0.01%
Risk concentration ratio	Maximum 30.00%	1.80%	6.10%

1 The indicators can be considered as a draft, because the deadline for submitting the reports as of December 31, 2024 to the Central bank of Serbia is March 5, 2025. There are no expected significant changes.

26.OFF-BALANCE SHEET ITEMS

(a) Classification of off-balance sheet items by the classification category

		In RSD thousand
	Off-balance sheet items to be exposed to credit risk 2024,	**Provisions for Off-balance sheet items to be exposed to credit risk**
Guarantees and other irrevocable commitments	127,908,338	534,663
Other off-balance sheet items	122,195,969	183,450
Balance as of 31 December	**250,104,307**	**718,112**

		In RSD thousand
	Off-balance sheet items to be exposed to credit risk 2023.	**Provisions for Off-balance sheet items to be exposed to credit risk**
Guarantees and other irrevocable commitments	106,396,076	(501,928)
Other off-balance sheet items	102,647,850	(128,434)
Balance as of 31 December	**209,043,926**	**(630,362)**

(b) Guarantees and other irrevocable commitments

		In RSD thousand
	2024	**2023**
Financial guarantees:		
– in RSD	12,379,282	13,032,872
– in foreign currency	13,072,971	12,515,877
	25,452,253	**25,548,749**
Commercial guarantees:		
– in RSD	21,383,817	14,960,092
– in foreign currency	29,709,052	20,665,571
	51,092,869	35,625,663
Uncovered letters of credit in foreign currency	603,494	460,438
Sureties and Acceptances	-	-
Sureties*	176,790	177,030
Irrevocable commitments for undisbursed loans	48,927,300	43,659,126
Other irrevocable commitments	1,655,632	925,070
	51,363,216	45,221,664
Balance as of 31 December	**127,908,338**	**106,396,076**

(c) Other off-balance sheet items

		In RSD thousand
	2024	2023
Revocable commitments for undisbursed loans	122,195,969	102,647,850
Balance as of 31 December	**122,195,969**	**102,647,850**

27. RELATED PARTY DISCLOSURES

A number of banking transactions are entered into with the shareholder and other related parties in the ordinary course of business. The Bank realizes business transactions with its shareholder and other related party. The Bank enters into business relationship with Parent company and other members of Intesa Sanpaolo Group. Outstanding balances of receivables and liabilities as of 31 December 2023 and 2022, as well as income and expenses for the years then ended, resulting from transactions with the shareholder and other Bank's related parties within Intesa Sanpaolo Group, stated in RSD thousand, are presented as follows:

2024	Intesa Sanpaolo S.p.A., England,Germany, Shanghai, Hong Kong,The Netherlands	Privredna banka d.d., Zagreb,Croatia	Intesa Leasing d.o.o.,Belgrade	Vseobecna Uverova banka A.S., Slovakia	Banka Koper d.d., Slovenia
Loans and receivables from banks and other financial organisations	19.388.865	203.722	9.612.942	76.776	126.304
Receivables from derivatives	41.404	-	-	-	-
Other assets	5.184	-	24.959	-	-
Total assets	**19.435.453**	**203.722**	**9.637.901**	**76.776**	**126.304**
Deposits and other liabilities due to banks, other financial organisations, Central bank and customers	1.071.261	4.525	8.268.999	-	-
Receivables from derivatives	8.607	-	-	-	-
Other assets	238.264	553	-	-	-
Subordinated liabilities	-	-	-	-	-
Total liabilities	**1.318.132**	**5.078**	**8.268.999**	**-**	**-**
Interest income	933.067	-	325.469	-	-
Fee and commission income	32.159	6	17.062	905	-
Net profit from changes in fair value of financial instruments	32.796	-	-	-	-
Other income	9.941	3.441	27.841	-	3.723
Total income	**1.007.963**	**3.447**	**370.372**	**905**	**3.723**
Interest expense	(73.370)	-	(123.130)	-	-
Fee and commission expenses	(183.265)	(923)	-	-	(35)
Other expenses	(438.321)	(9.393)	-	-	-
Total expenses	**(694.956)**	**(10.316)**	**(123.130)**	**-**	**(35)**
Off-balance sheet items - derivatives FX SWAPs	36.087.180	-	-	-	-
Off-balance sheet items - derivatives interest rate SWAPs	1.591.230	-	-	-	-
Off-balance sheet items - guarantees	245.316	-	977.910	222.702	-
Total off-balance sheet items	**37.923.726**	**-**	**977.910**	**222.702**	**-**

27. RELATED PARTY DISCLOSURES (continued)

2024	Intesa Sanpaolo Banka Bosnia and Herzegovina	Intesa Sanpaolo Holding International S.A., Luxemburg	Branch of ISP International Value Service doo Beograd	Intesa Sanpaolo Romania S.A. Commercial Bank	Intesa Sanpaolo Albania SH.A.	CIB Bank, Hungary
Loans and receivables from banks and other financial organisations	9.047	-	367	-	-	-
Receivables from derivatives	-	-	-	-	-	-
Other assets	-	-	1.009	-	-	10.312
Total assets	**9.047**	**-**	**1.376**	**-**	**-**	**10.312**
Deposits and other liabilities due to banks, other financial organisations, Central bank and customers	13.123	25.789.551	262.610	-	-	-
Receivables from derivatives	-	-	-	-	-	-
Other assets	-	-	492.021	-	-	-
Subordinated liabilities	-	11.746.001	-	-	-	-
Total liabilities	**13.123**	**37.535.552**	**754.631**	**-**	**-**	**-**
Interest income	-	-	-	-	-	-
Fee and commission income	15	45	914	-	-	-
Net profit from changes in fair value of financial instruments	-	-	-	-	-	-
Other income	3.441	-	10.069	790	4.676	10.179
Total income	**3.456**	**45**	**10.983**	**790**	**4.676**	**10.179**
Interest expense	-	(2.297.135)	-	-	-	-
Fee and commission expenses	(12)	-	-	-	-	(126)
Other expenses	-	-	(1.948.248)	(4.011)	-	(3.473)
Total expenses	**(12)**	**(2.297.135)**	**(1.948.248)**	**(4.011)**	**-**	**(3.599)**
Off-balance sheet items - derivatives FX SWAPs	-	-	-	-	-	-
Off-balance sheet items - derivatives interest rate SWAPs	-	-	-	-	-	-
Off-balance sheet items - guarantees	-	-	-	-	-	-
Total off-balance sheet items	**-**	**-**	**-**	**-**	**-**	**-**

27. RELATED PARTY DISCLOSURES (continued)

2023	Intesa Sanpaolo S.p.A., Italy,USA, England,Germany, Shanghai, Hong Kong	Privredna banka d.d., Zagreb,Croatia	Intesa Leasing d.o.o.,Belgrade	Vseobecna Uverova banka A.S., Slovakia	Banka Koper d.d., Slovenia
Loans and receivables from banks and other financial organisations	19.672.366	74.988	5.027.288	62.309	74.068
Receivables from derivatives	66.880	-	-	-	-
Other assets	5.413	-	24.454	-	-
Total assets	**19.744.659**	**74.988**	**5.051.742**	**62.309**	**74.068**
Deposits and other liabilities due to banks, other financial organisations, Central bank and customers	1.245.764	215.373	4.956.917	-	-
Obligations of derivatives intended for risk protection	1.586	-	-	-	-
Other liabilites	74.682	615	-	-	-
Subordinated liabilities	-	-	-	-	-
Total liabilities	**1.322.032**	**215.988**	**4.956.917**	**-**	**-**
Interest income	453.897	-	117.430	-	-
Fee and commission income	32.014	7	18.908	47	-
Net profit from changes in fair value of financial instruments	65.294	-	-	-	-
Other income	16.830	1.006	26.076	-	-
Total income	**568.035**	**1.013**	**162.414**	**47**	**-**
Interest expense	(368.755)	-	(116.444)	-	-
Fee and commission expenses	(176.112)	(800)	-	-	(18)
Other expenses	(305.320)	(7.496)	-	-	-
Total expenses	**(850.186)**	**(8.297)**	**(116.444)**	**-**	**(18)**
Off-balance sheet items - derivatives FX SWAPs	35.685.951	-	-	-	-
Off-balance sheet items - derivatives interest rate SWAPs	312.463	-	-	-	-
Off-balance sheet items - guarantees	424.457	-	1.632.062	15.165	-
Total off-balance sheet items	**36.422.872**	**-**	**1.632.062**	**15.165**	**-**

27. RELATED PARTY DISCLOSURES (continued)

2023	Intesa Sanpaolo Banka Bosnia and Herzegovina	Intesa Sanpaolo Holding International S.A., Luxemburg	Ogranak ISP International Value Service doo Belgrade	Intesa Sanpaolo Romania S.A. Commercial Bank	Intesa Sanpaolo Albania SH.A.	CIB Bank, Hungary
Loans and receivables from banks and other financial organisations	19.779	-	341	-	-	-
Receivables from derivatives	-	-	-	-	-	-
Other assets	-	-	1.009	-	3.356	-
Total assets	**19.779**	**-**	**1.350**	**-**	**3.356**	**-**
Deposits and other liabilities due to banks, other financial organisations, Central bank and customers	9.361	25.835.311	192.228	-	-	-
Obligations of derivatives intended for risk protection	-	-	-	-	-	-
Other liabilites	-	-	95.204	-	-	-
Subordinated liabilities	-	11.769.378	-	-	-	-
Total liabilities	**9.361**	**37.604.689**	**287.432**	**-**	**-**	**-**
Interest income	-	-	-	-	-	-
Fee and commission income	19	45	759	-	-	-
Net profit from changes in fair value of financial instruments	-	-	-	-	-	-
Other income	-	-	10.084	-	8.118	-
Total income	**19**	**45**	**10.843**	**-**	**8.118**	**-**
Interest expense	-	(546.340)	-	-	-	-
Fee and commission expenses	(25)	-	-	-	-	-
Other expenses	-	-	(1.840.991)	(2.934)	-	(2.967)
Total expenses	**(25)**	**(546.340)**	**(1.840.991)**	**(2.934)**	**-**	**(2.967)**
Off-balance sheet items - derivatives FX SWAPs	-	-	-	-	-	-
Off-balance sheet items - derivatives interest rate SWAPs	-	-	-	-	-	-
Off-balance sheet items - guarantees	-	-	-	-	-	-
Total off-balance sheet items	**-**	**-**	**-**			

27. RELATED PARTY DISCLOSURES (continued)

The above stated receivables and liabilities at the balance sheet date, as well as income and expenses arising from transactions with the related parties from the Intesa Sanpaolo Group, are the result of ordinary business activities.

Interest on the Bank's receivables and payables is calculated at the usual rates.

Gross salaries and other benefits of the Executive Board's members and other key management personnel of the Bank, including the Board of Directors' members, during 2024 and 2023, are presented as follows:

		In RSD thousand
	2024	**2023**
Remunerations to the members of the Executive Board, Board of Directors and other key management of the Bank	285,280	227,030
Total	**285,280**	**227,030**

(a) Loans and receivables from the members of the Executive Board and the Board of Directors and other key management personnel of the Bank, are presented as follows:

		In RSD thousand
	2024	**2023**
Loans	13,730	34,122
Total allowances for impairment	(2)	(28)
Balance as of 31 December	**13.728**	**34,094**

28. RISK MANAGEMENT

Risk is an inherent part of the Bank's activities and cannot be eliminated completely. It is important to manage risks in such a way that they can be reduced to limits acceptable for all interested parties: shareholders, creditors, depositors, regulators. Risk management is the process of permanent identification, assessment, measurement, monitoring and controlling of the Bank's exposure to risks. An important part of risk management is reporting and mitigating risk. An adequate system of risk management is a critical element in ensuring the Bank's stability and profitability of its operations.

The Bank is exposed to the following major risks: credit risk, liquidity risk, interest rate risk, foreign currency risk, operational risk, risk of exposure toward a single entity or a group of related entities (concentration risk), risk of permanent investments, risk related to the country of origin of the entity to which the Bank is exposed and other risks.

The Board of Directors and the Executive Board are responsible for implementation of an adequate risk management system and for its consistent application.

The Bank's Board of Directors adopts the procedures for identification, measurement and assessment of risks, and is responsible for implementing a unique risk management system and supervision over that system.

The Bank's Executive Board is responsible for identifying, assessing and measuring risks the Bank is exposed to in its operations, and applies the principles of risk management approved by the Bank's Board of Directors. The Executive Board approves internal acts which define risk management and proposes strategies and policies for risk management to Audit Committee and Board of Directors.

28. RISK MANAGEMENT (continued)

The Committee for monitoring business activities (Audit Committee) analyses and adopts proposals of policies and procedures with respect to risk management and internal controls, which are submitted to the Board of Directors for consideration and adoption. Furthermore, the Committee analyses and monitors the application and adequate implementation of adopted policies and procedures for risk management, and recommends new ways for their improvement, if necessary.

The Risk Management Department has been established in the Bank in order to implement a special and unique system for risk management, as well as to enable functional and organizational segregation of risk management activities from regular business activities. This department is directly responsible to the CRO.

The Bank has developed the comprehensive risk management system by introducing policies and procedures, as well as limits for risk levels acceptable for the Bank.

The Bank's organizational parts authorized for risk management constantly monitor changes in regulations, while analysing their influence on the risks at entity level of the Bank. They take necessary measures to make the Bank's business activities and procedures fully compliant with new procedures within the scope of controlled risk. In addition, introduction of new services is followed by necessary market and economic analysis in order to optimize the relation between income and the provision for estimated risks.

28.1. Credit risk

Credit risk is the possibility of occurrence of negative effects on the bank's financial results and capital due to non-fulfilment of the debtor's obligations to banks.

Through its internal acts, policies and procedures, the Bank has implemented an adequate system of credit risk management, thus reducing credit risk to an acceptable level. The Bank manages credit risk through setting credit risk limits, establishing acceptable credit limits for individual customers or for groups of customers.

Credit risk is managed by the Bank at a counterparty specific level, group of related parties, and at total credit portfolio level. For the purpose of implementing the policy of optimal credit risk exposure, the Bank evaluates creditworthiness of each client, both at the moment of loan application, as well as through subsequent regular and continuous performance analysis.

Analysis of the client's creditworthiness, timely settlement of liabilities in the past, value of collateral at customer level and at transaction level, is performed within the Credit Management Department.

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Maximal exposure to credit risk

Maximal exposure to credit risk by the type of client as of 31 December 2024 and 2023 are presented as follows:

In RSD thousand

December 31st 2024	Balance sheet assets to be exposed to credit risk	Allowances for impairment for balance sheet assets to be exposed to credit risk	Balance sheet assets not to be exposed to credit risk	Balance sheet as of 2024
Cash and balances with Central Bank	169,351,814	-	34,882,200	204,234,014
Receivables from derivatives	-	-	78,654	78,654
Securities	93,070,914	(16,267)	-	93,054,647
Loans and receivables from banks and other financial organizations	127,355,329	(26,533)	-	127,328,796
Loans and receivables from banks	*117,295,760*	*(25,053)*	-	*117,270,708*
Loans and receivables from other financial organizations	*10,059,569*	*(1,480)*	-	*10,058,089*
Loans and receivables from customers	602,643,920	(23,053,294)	-	579,590,626
Investments in subsidiaries	-	-	1,199,472	1,199,472
Intangible assets	-	-	3,685,009	3,685,009
Property, plants and equipment	-	-	10,431,451	10,431,451
Deferred tax assets	-	-	111,887	111,887
Non-current assets held for sale and discontinued operations	-	-	14,267	14,267
Other assets	8,959,817	(416,310)	986,003	9,529,510
	1,001,381,794	(23,512,404)	51,388,943	1,029,258,333
Total Balance assets				
Off-Balance receivables from banks	1,792,541	(2,823)	-	1,789,718
Off-Balance receivables from customers	248,311,767	(715,289)	-	247,596,478
Total Off-Balance assets	**250,104,307**	**(718,112)**	**-**	**249,386,195**
Total assets	**1,251,486,101**	**(24,230,516)**	**51,388,943**	**1.278.644.528**

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Maximal exposure to credit risk (continued)

In RSD thousand

December 31st 2023	Balance sheet assets to be exposed to credit risk	Allowances for impairment for balance sheet assets to be exposed to credit risk	Balance sheet assets not to be exposed to credit risk	Balance sheet as of 2023
Cash and balances with Central Bank	114,990,389	-	30,426,274	145,416,663
Receivables from derivatives	-	0	80,353	80,353
Securities	57,892,277	(169,413)	-	57,722,864
Loans and receivables from banks and other financial organizations	157,161,577	(35,675)	-	157,125,902
Loans and receivables from banks	151,440,490	(33,428)	-	151,407,062
Loans and receivables from other financial organizations	5,721,087	(2,247)	-	5,718,840
Loans and receivables from customers	554,850,826	(20,828,494)	-	534,022,332
Investments in subsidiaries	-	-	1,199,472	1,199,472
Intangible assets	-	-	3,994,303	3,994,303
Property, plants and equipment	-	-	10,403,121	10,403,121
Deferred tax assets	-	-	151,812	151,812
Non-current assets held for sale and discontinued operations	-	-	14,267	14,267
Other assets	16,079,571	(737,588)	555,081	15,897,064
Total Balance assets	**900,974,640**	**(21,771,170)**	**46,824,683**	**926,028,153**
Off-Balance receivables from banks	2,604,961	(485)	-	2,604,476
Off-Balance receivables from customers	206,438,965	(629,877)	-	205,809,088
Total Off-Balance assets	**209,043,926**	**(630,362)**	**-**	**208,413,564-**
Total assets	**1,110,018,566**	**(22,401,532)**	**46,824,683**	**1.134.441.717**

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Maximal exposure to credit risk (continued)

Classification of off-balance sheet items is shown in Note 26.

Permanent monitoring of a client's internal rating, the level of risk with respect to each client, the necessary amount of reserve for risk coverage, concentration risk (large exposures), portfolio credit risk, the level of capital necessary for coverage of all credit risks is performed by the Risk Management Department.

The Bank established a special organizational unit, the Delinquency Management Department, in order to manage receivables with a problem in collectability in a timely manner.

The Credit Management Department, the Risk Management Department and the Delinquency Management Department are independent units in the Bank.

Principles prescribed by the National Bank of Serbia, as well as the Bank's internal procedures are applied in these analyses in order to anticipate potential risks that can arise in terms of a client's inability to settle liabilities when they fall due and according to contracted terms.

In that sense, an assessment of the level of required reserves level for potential losses, both at the moment of approval of certain loan, as well as through a continuous, portfolio analysis on a monthly level, are carried out. The analysis entails measuring the adequacy of provision/reserves according to client type, risk type, according to sub-portfolios and total portfolio of the Bank.

Decision making on exposure to credit risk is performed based on proposals provided by the Credit Management Department. The terms for approval of each corporate loan are determined individually, depending on the client type, purpose of loan, estimated creditworthiness and current market position. Types of collateral that accompany each loan are also determined according to a client's creditworthiness analysis, type of credit risk exposure, term of placement, as well as the amount of a particular loan. Conditions for loan approvals to retail clients and entrepreneurs are determined by defining standard conditions for different types of products.

Risk price for standard types of products is calculated according to the analysis of credit costs which the Bank had in the past and historical probability of getting into default status per the same or similar type of product. Risk price for the SME and Corporate segment is calculated on the basis of the client's internal rating or historically adjusted probability of getting into default status per each rating category.

Considering the importance of credit risk, dispersion of authorizations was carried out in respect of the decision making process related to loan approval activities. This dispersion is provided with prescribed limits up to which an authorized person or management body can make loan approval decisions. Organizational parts making decisions with respect to loan approvals, with different levels of authorizations, are as follows: branch managers, regional managers, Credit Management Department, Credit Board, Credit Committee, Executive Board and Board of Directors. For credit exposures exceeding the determined limit, approval of the Parent Bank is necessary.

The Bank manages credit risk by setting up limits with respect to period, amount and results of an individual customer's creditworthiness, through diversification of loans to a larger number of customers and contracting foreign exchange clauses and index-linking to a consumer price index in order to maintain the real value of loans.

Furthermore, the Bank manages credit risk through assessment and analysis of received collaterals, by providing allowances for impairment of financial assets, provisions for off-balance sheet items, reserves for estimated credit losses, as well as by determining the adequate price of a loan which covers the credit risk of a particular placement.

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

In addition to a clients' creditworthiness, risk limits are also set based on different types of collateral. Risk exposure toward a single debtor, including banks, is limited and includes balance sheet and off-balance sheet items exposures. Total risk exposure to a single customer (or a group of related parties) regarding exposure limits, is considered thoroughly and analysed before executing a transaction.

Decision making about credit risk exposure is performed on the basis of considering the proposal made by Credit Management Department.

Loan concentration risk

Loan concentration risk is the risk arising, directly or indirectly, from the Bank's exposure to the same or similar source or type of risk. The Bank controls loan concentration risk by limiting the exposure, which enables the diversification of the loan portfolio. In order to monitor more efficiently concentration risk, the Bank has determined three categories of limits: specific limits ("Top of the House"), credit risk propensity limits, general limits and regulatory limits.

Derivative financial instruments

Derivative financial instruments result in the Bank's exposure to credit risk when the fair value of such instruments is positive for the Bank. Credit exposure arising from derivatives is calculated using the current exposure method, i.e. the sum of the positive fair value of the contract and the nominal value of the derivative multiplied by a coefficient which depends on the type and maturity of the financial derivative, as prescribed by the National Bank of Serbia. The credit risk of derivatives is limited by determining maximum credit exposure arising from a derivative for each individual customer.

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Derivative financial instruments (continued)

In accordance with the above mentioned, as of 31 December 2024 and 31 December 2023 the Bank has the following exposures to counterparties:

	Nominal value	Total exposure
Total 2024	**52,146,661**	**584,209**
Currency (FX) Swap	**45,384,902**	**506,134**
By currency:		
EUR	29,838,800	331,138
GBP	1,552,296	16,522
CHF	4,233,806	47,622
RSD	9,760,000	110,852
Interest rate Swap	3,182,460	28,863
By currency:		
EUR	**3,182,460**	**28,863**
Currency (FX) Forward	**3,579,299**	**49,212**
By currency:		
EUR	3,477,635	47,566
USD	101,664	1,646

In RSD thousand	**Nominal value**	**Total exposure**
Total 2023	**39,250,287**	**469,732**
Currency (FX) Swap	**35,616,641**	**423,047**
By currency:		
EUR	33,318,450	395,989
AUD	434,432	4,344
GBP	1,863,759	22,714
Interest rate Swap	**624,926**	**5,492**
By currency:		
EUR	624,926	5,492
Currency (FX) Forward	**3,008,720**	**41,193**
By currency:		
EUR	2,888,729	38,460
USD	119,991	2,733

Stated amounts represent credit exposure on derivatives, calculated as the sum of the positive fair value of the contract and the nominal value of the derivative, multiplied by a coefficient prescribed by the National Bank Serbia.

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Derivative financial instruments (continued)

The Bank calculates capital requirements for credit valuation adjustment (CVA), in accordance with the new Decision on Capital Adequacy of Banks published by the National Bank of Serbia.

Adjustment of credit exposure, calculated only for derivative instruments, represents an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty. This adjustment reflects the market value of the credit risk of that counterparty to the Bank.

During 2024 the exposure to the CVA risk was negligible. As of 31 December 2024, the Bank has the following exposure to the CVA risk:

		In RSD thousand
		Total exposure
	2024	2023
Total	70,118	45,123
Currency (FX) Forward	49,212	13,470
Interest rate Swap	20,906	3,930

Credit-related risks

The Bank issues guarantees and letters of credit to its clients, based on which the Bank commits to make payments on behalf of third parties. In this way the Bank is exposed to risks similar to credit risks, which can be mitigated by the same control processes and policies applied for credit risk.

Collaterals and other instruments of credit risk protection

The amount and type of the collateral required depends on an assessment of credit risk of each customer. Terms of collateral with respect to each placement are determined by the analysis of a customer's creditworthiness, type of exposure to the credit risk, placement's maturity, as well as the amount itself.

Contractual authorization, as well as bills of exchange are provided by customers as standard collaterals while, depending on the assessment, additional collaterals may be required, such as real estate mortgages, movable property pledges, partial or entire coverage of placements with deposits, state guarantees, guarantees issued by another bank or a legal entity, pledging of securities, or joint loan contracting with another legal entity which then becomes the joint debtor.

In cases of real estate mortgages or movable property pledges, the Bank always obtains valuation of the assets, carried out by an authorized appraiser, in order to minimize potential risk. Decisions on placements to retail clients and small business (entrepreneurs) are mostly based on appraisal of standardized, previously defined conditions, using a scoring model, with additional analysis by credit analysts.

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Assessment of impairment of financial assets

Bank applies expected credit losses model for valuating financial assets measured at amortized cost or fair value through other comprehensive income (FVOCI), except equity instruments. Banks performs this valuation on individual and collective basis.

- **Individual assessment of impairment**

The Bank performs an individual assessment of impairment i.e. impairment financial assets for each individually materially significant exposure (exposure the amount over EUR 250,000) if it is in the status of default (materially significant amount overdue more than 90 days, i.e. if there is objective evidence that the loan has been impaired) and if it belongs to the credit risk class "Unlikely to Pay" and "Doubtful".

The level of impairment of loans is determined based on the projection of expected cash flows which shall be collected pursuant to contracts with clients, taking into consideration the assessment of financial position and creditworthiness of the client, the realizable value of collateral, as well as the timing of the expected cash flows from realization of collaterals, etc. In order to calculate expected credit loss different scenarios have been introduced (weighted by different probabilities) to assess future cash flows, with additional correction which take into consideration assessed macroeconomic impact (add-on).

Projected cash flows are discounted to their present value using the effective interest rate. Impairment loss is measured as the difference between the carrying amount of a loan and its estimated recoverable amount, being the present value of expected future cash flows. Individual assessment of the impairment of placements is performed at least semi-annually.

If new information becomes available that, as estimated by credit analysts, have an effect on the client's creditworthiness and the value of collateral, as well as the certainty of settling the liabilities toward the Bank, an extraordinary assessment of the impairment of a loan is performed.

- **Collective assessment of impairment**

The Bank has defined the criteria for classifying financial instruments into corresponding impairment stages (Stage 1, 2 and 3), depending on the level of increase in credit risk since initial recognition. The subject of the classification are financial instruments that are measured at amortized cost, as well as financial instruments valued at fair value through other comprehensive income (FVOCI).

Stage 2 relates to exposures with a significant increase in credit risk (compared to the moment of initial recognition). The criteria defined by the Bank for detecting a significant increase in credit risk are:

1.) Days past due over 30 days,
2.) Forborne status,
3.) Significant increase in PD (Probability of Default)
4.) PM (Proactive Management) status - the classification in stage 2 is activated when the client receives an orange, red or light blue early warning signal (EWS) for a period of at least two consecutive months. If these EWS signals no longer exist, clients will remain classified in stage 2 for the next 3 months.

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Assessment of impairment of financial assets (continued)

- **Collective assessment of impairment (continued)**

Stage 3 consists of loans, where objective or subjective evidence that the loan has been impaired exists. Objective evidence of impairment implies a continuous delay in payment of more than 90 days in a materially significant amount. The relative materiality threshold is 1% of total balance sheet exposure, while the absolute threshold differs depending on the exposure class (RSD 10,000 for debtors in the retail exposure class, and RSD 50,000 for other debtors). Subjective proof of the existence of default status i s based on Bank's assessment that the client will not be able to fully settle its obligations to the Bank, without considering collection from the collateral realization. The subjective assessment of the default status is based on quantitative and qualitative, internal and externally obtained information about the debtor (for example: number of days of current account blocking, bankruptcy / liquidation, sue and other adverse events and negative signs identified in the subjective assessment that indicate a significant deterioration of the client's financial condition and inability to settle liabilities completely).

When the client ceases to meet all the criteria for obtaining the status of default, the Probation Period begins, which lasts at least 90 days. During this period, the regularity in setting the client's obligations and his financial situation is monitored, in order to determine the absence of any trigger/event for obtaining the status of default. Only after the expiration of the Probation Period Bank can reconsider the reclassification of the client to the Performing status.

In order to respond in a timely manner to the expected negative effects of the current economic crisis and uncertainties caused by the war in Ukraine as well as sanctions against Russia and Belarus, strong inflationary pressures and the energy crisis, and for the sake of prudent credit portfolio management, the Bank has conducted additional analyses and established additional evaluation criteria impact of this crisis on expected credit losses. Based on the assessment of the impact of the crisis on various industries and clients, therefore, it is justified to resort to a cautious and conservative approach when assessing the quality of the credit portfolio and the adequacy of provisions for credit losses.

In the case of legal entities, the bank analysed the impact of the crisis on the financial position of clients based on the estimated decline in turnover in the industries from which the clients originate. Based on the estimated decline in industry revenues, the financial position of clients and their debt servicing capacity was assessed. In the case of private individuals, two criteria have been established to identify clients particularly sensitive to the crisis. The first criterion is the level of indebtedness. The second criterion is the industry, ie the primary business activity of the legal entity in which a private individual is employed.

For all clients, legal entities and individuals who are assessed as sensitive to the crisis based on the criteria defined above, the rating is downgraded by one to two rating categories, for the purposes of calculating the expected credit loss and staging. The application of these rules led to the growth of balance assets classified in stage 2 as of 31 December 2024 in the amount of RSD 36,266,889 thousand and off-balance sheet assets in stage 2 as of 31 December 2024 in the amount of RSD 6,807,843 thousand.

Different impairment stages result in different ways of calculating the expected credit losses:
- Stage 1 exposures the 12-month expected credit losses are calculated
- Stage 2 and Stage 3 exposures - "lifetime" expected credit losses

Bank has developed an internal methodology and calculated the risk parameters (EAD, PD, LGD) for purpose of calculating Expected Credit Losses in accordance with IFRS 9. The discount rate used in the calculation is the effective interest rate of the individual contract.

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Assessment of impairment of financial assets (continued)

- **Collective assessment of impairment (continued)**

In the context of calculating the lifetime expected credit losses, the Bank has developed a methodology for determining EAD (Exposure at Default) for all periods until the final maturity of a financial instrument. For amortizing products for which repayment plans are available, the future EAD is determined on the basis of repayment plans. For other products, EAD on the reporting date is used, with the credit conversion factors applied. Credit conversion factors, depending on the type of products and segments, can be regulatory or internally calculated on the basis of historical data on usage of available limits.

As the basis for calculating the "lifetime" PD parameter, the existing (Basel II) PD models have been used. The models have been adjusted in accordance with the requirements of IFRS 9:
- transition from TTC (Through the cycle) to PIT (Point in time) concept,
- introduction of coefficients (as PD corrections) that reflect the macroeconomic impact on the parameter for future periods, using three scenarios (baseline, best, adverse),
- *"lifetime"* projection (Markovian approach is used).

For segments not covered by PD models, the historical default rates have been used as approximation, with additional (above mentioned) adjustments.

For clients/exposures subject to collective assessment, the LGD (Loss Given Default) parameter is calculated on the basis of average historical loss rates for defined segments, whereby obtained values are additionally corrected by coefficients representing a measure of the estimated macroeconomic impact on LGD for future periods. For the purpose of macroeconomic adjustment of the LGD parameter, three scenarios are used (baseline, best, adverse). The discounting of the LGD thus obtained is carried out using the effective interest rate of the individual contract.

The Bank incorporates forward-looking information both into the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of Expected Credit Losses.

Inclusion of forward-looking information has been performed through the adjustment of PD and LGD values in order to consider the expectations of its change linked to macroeconomic environments that can occur in the future years with respect to reporting date.

The macroeconomic conditioning of PD is thus carried out by stress coefficients obtained by obtained through internal macroeconomic models. Internal PD rate as of 30 September 2024 was used as a foundation upon which the change of PDs was calculated based on stress parameters.

The table below shows the conditional default rates applied to the migration matrix to include elements relating to future events for the next 3 years from the reporting date:

			Conditioning								
			Adverse			Baseline			Najbolji		
Stress test model	**Model**	**30.09. 2024**	**t**	**t+1**	**t+2**	**t**	**t+1**	**t+2**	**t**	**t+1**	**t+2**
Corporate	SME&LC	*2.05%*	*1.72%*	*1.58%*	*1.35%*	*1.62%*	*1.35%*	*1.06%*	*1.53%*	*1.12%*	*0.78%*
	SME Retail	*5.26%*	*5.58%*	*5.48%*	*5.46%*	*5.29%*	*5.28%*	*5.26%*	*4.95%*	*5.02%*	*5.09%*
	CORPORATE-OTHER	*2.05%*	*1.72%*	*1.58%*	*1.35%*	*1.62%*	*1.35%*	*1.06%*	*1.53%*	*1.12%*	*0.78%*
Retail	RETAIL - OTHER	*5.26%*	*5.58%*	*5.48%*	*5.46%*	*5.29%*	*5.28%*	*5.26%*	*4.95%*	*5.02%*	*5.09%*
	Individuals	*2.07%*	*1.89%*	*1.86%*	*1.68%*	*1.84%*	*1.72%*	*1.48%*	*1.80%*	*1.72.%*	*1.25%*

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Assessment of impairment of financial assets (continued)

The macro-conditioning of LGD has been carried out by using internal macroeconomic models for segment Corporate and SME Retail, while EBA Stress Test Coefficients are used for segment Retail and SL in the absence of internally developed stress satellite models. Since EBA releases only Baseline and Adverse coefficients, Best scenario coefficients have been calculated internally on the basis of Group's methodology defined for that purpose. The forward-looking elements are calculated for the next 3 years of the residual maturity with respect to the reporting date so that Baseline risk parameters are adjusted with Add-on which considers all three scenarios. EBA coefficients for Rest of the World have been used for macroeconomic conditioning of LGDs (for segment that are not covered by internal developed macroeconomic models), since the coefficients are not available for the state of Serbia. The value of the coefficients varies depending on the exposure segment.

The table below shows EBA coefficients used for macroeconomic conditioning of LGD values as well as the value of the additional component (Add on) obtained on the basis of all three scenarios:

	Adverse scenario			Baseline scenario			Worst scenario		
LGD segment	**t**	**t+1**	**t+2**	**t**	**t+1**	**t+2**	**t**	**t+1**	**t+2**
OVERDRAFT PERFORMING	0.68	0.68	0.68	0.99	0.99	0.99	1.35	1.35	1.35
OVERDRAFT NON PERFORMING	0.89	0.89	0.89	1.00	1.00	1.00	1.12	1.12	1.12
CREDIT CARDS PERFORMING	0.68	0.68	0.68	0.99	0.99	0.99	1.35	1.35	1.35
CREDIT CARDS NON PERFORMING	0.79	0.79	0.79	1.00	1.00	1.00	1.22	1.22	1.22
CONSUMER LOANS PERFORMING	0.78	0.78	0.78	0.99	0.99	0.99	1.22	1.22	1.22
CONSUMER LOANS NON PERFORMING	0.88	0.88	0.88	1.00	1.00	1.00	1.12	1.12	1.12
MORTGAGE LOANS PERFORMING	0.31	0.31	0.31	0.82	0.82	0.82	1.58	1.58	1.58
MORTGAGE LOANS NON PERFORMING	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
SPECIALIZED LENDING	0.55	0.55	0.55	1.00	1.00	1.00	1.56	1.56	1.56

The table below shows the coefficients, obtained on the basis of internally developed macroeconomic models, used for macroeconomic conditioning of LGD values as well as the value of the additional component (Add on) obtained on the basis of all three scenarios:

	Adverse scenario			Baseline scenario			Worst scenario		
LGD segment	t	t+1	t+2	t	t+1	t+2	t	t+1	t+2
SMELC PERFORMING	0.79	0.76	0.77	0.85	0.88	0.92	0.92	0.98	1.02
SMELC NON PERFORMING	0.85	0.85	0.85	0.93	0.93	0.93	0.98	0.98	0.98
SME RETAIL PERFORMING	0.95	0.94	0.94	0.96	0.97	0.98	0.98	1.00	1.00
SME RETAIL NON PERFORMING	0.95	0.95	0.95	0.97	0.97	0.97	0.99	0.99	0.99

For exposures belonging to the segment "Low Default Portfolio" (states, local governments and banks), the parameters obtained internal models of Parent Bank, since the Bank in this part of the portfolio does not have enough historical data to make them herself charged.

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Assessment of impairment of financial assets (continued)

In response to the crisis caused by the Covid-19 virus pandemic, the Bank implemented a set of measures adopted by the National Bank of Serbia with the aim of supporting citizens and the economy as well as preserving the stability of the financial system of the Republic of Serbia in the pandemic situation. Some of these measures included the obligation of commercial banks to offer their clients - individuals, farmers, entrepreneurs and companies a delay in repayment (moratorium).

The repayment delay was implemented during 2021 on the basis of the following decisions of the National Bank of Serbia:

- Decision on temporary measures for banks with the aim of facilitating the access to financing private individuals ("Official Gazette of RS" , No. 108/2020 and 119/2021)
- Decision on temporary measures for banks with the aim of adequate Credit Risk Management in the COVID-19 pandemic conditions ("Official Gazette of RS" No 150/2020 and 21/2021)

The following table shows the structure of the Bank's portfolio (gross exposures) to which the measures defined by the aforementioned decisions of the National Bank of Serbia were applied, as repayment delays (Moratorium 3), as of 31 December 2024:

In thousands of dinars	Gross exposure	Allowances for impairment	Net exposure
Gross exposures with agreed moratorium			
Private individuals	**3,870,098**	**1,379,203**	**2,490,895**
Performing	2,201,832	133,143	2,068,689
Past Due	236,743	98,428	138,315
Unl,to Pay	222,918	115,116	107,802
Doubtful	1,208,605	1,032,516	176,089
Commercial entities	**266,362**	**120,216**	**146,146**
Performing	107,037	1,196	105,841
Past Due	6,406	3,579	2,827
Unl,to Pay	492	407	85
Doubtful	152,427	115,034	37,393
Total	**4,136,460**	**1,499,419**	**2,637,041**

The following table shows the structure of the Bank's portfolio (gross exposures) to which the measures defined by the aforementioned decisions of the National Bank of Serbia were applied, as repayment delays (Moratorium 3), as of 31 December 2023:

In thousands of dinars	Gross exposure	Allowances for impairment	Net exposure
Gross exposures with agreed moratorium			
Private individuals	**4,586,558**	**1,340,297**	**3,246,261**
Performing	2,805,345	136,409	2,668,936
Past Due	334,485	148,749	185,736
Unl,to Pay	216,225	113,775	102,450
Doubtful	1,230,503	941,364	289,139
Commercial entities	**465,727**	**210,814**	**254,913**
Performing	207,349	13,305	194,044
Past Due	390	224	166
Unl,to Pay	15,457	10,117	5,340
Doubtful	242,531	187,168	55,363
Total	**5,052,285**	**1,551,111**	**3,501,174**

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Assessment of impairment of financial assets (continued)

On 14 December 2020 the National Bank of Serbia has adopted a Decision on temporary measures for banks in order to adequately manage credit risk in the conditions of the COVID-19 pandemic ("Official Gazette of RS", No. 150/2020). This decision prescribes new measures and activities that banks are obliged to apply in order to adequately manage credit risk in the conditions of the COVID-19 pandemic, while enabling new repayment reliefs However, on December 31st 2020 the Bank did not have the implemented repayment reliefs defined by this decision, having in mind the short period of time between the decision adoption and the end of the calendar year.In that respect the Bank allowed reliefs during the period between January 1st and May 30th 2021.

As an additional incentive for measures to mitigate the negative effects of the pandemic, the Government of the Republic of Serbia passed on April 16th 2020. Decision on establishing a guarantee scheme as a measure of support to the economy to mitigate the consequences of the COVID-19 pandemic caused by the SARS-CoV-2 virus ("Official Gazette of RS", No. 57/2020, 62/20-dr. Regulation and 65/20-dr. regulation). The National Assembly of the Republic of Serbia is on December 17th 2020. adopted the Law on Determining the Guarantee Scheme as a Measure of Support to the Economy for Mitigating the Consequences of the COVID-19 Pandemic SARS-COV-2 (Official Gazette of the RS, No. 153/2020), which repealed the decision, thus supporting the economy continues to operate under the auspices of this Law. Afterwards, on April 22nd 2021 the National Assembly of the Republic of Serbia adopted the new Law on determining another guarantee scheme as a measure of additional support to economy due to prolonged negative effect of the COVID-19 pandemic caused by the SARS COV-2 virus ("Offical Gazette of RS", No 40/2021 and 129/2021). According to this Law the measures of support to economy were extended by June 30th 2022 (hereinafter: the guarantee scheme 2). Under the guarantee scheme, the Republic of Serbia has undertaken the obligation as a guarantor to settle future uncollected receivables of banks arising from loans approved for the purpose of financing liquidity and working capital of commercial entities, all with the aim of mitigating the negative economic and financial consequences of the pandemic.

Under the guarantee scheme, commercial banks provide loans to the commercial entities with a repayment period of no more than 36 months, including a grace period of 9 to 12 months. Under the guarantee scheme 2 the repayment period of maximum 60 months was envisaged with the grace period from 18 to 24 months. The maximum loan amount is an amount equal to less than two amounts:

- 25% for guarantee scheme 1 or 30% for guarantee scheme 2 of the loan client's income from 2019 according to the financial statements to the Business Registers Agency for statistical purposes for that year, or
- the amount of EUR 3,000,000

The maximum allowed amount of the Individual Guarantee provided by the State under the Law is calculated as the product of the insured portfolio of an individual bank, the coverage rate (80%) and the maximum guarantee rate (30% for guarantee scheme 1 or 32% for guarantee scheme 2). The maximum total amount of the guarantee at the level of the insured portfolio of the banking sector of the Republic of Serbia is EUR 480,000,000 for guarantee scheme 1 or EUR 128,000,000 for guarantee scheme 2.

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Assessment of impairment of financial assets (continued)

The following table shows the structure of the Bank's portfolio (gross exposures) disbursed from the guarantee scheme with the Republic of Serbia, as of 31 December 2024 and 31 December 2023.

In thousands of dinars 31 December 2024	Gross Exposure	Allowances for Impairment	Net Exposure
Performing	630,691	21,876	608,815
Past Due	0	0	0
Unl,to Pay	2,271	1,391	880
Doubtful	32,120	24,806	7,314
TOTAL	**665,082**	**48,073**	**617,009**

In thousands of dinars 31 December 2023	Gross Exposure	Allowances for Impairment	Net Exposure
Gross exposures from the guarantee scheme			
Performing	5,390,753	126,351	5,264,402
Past Due	6,012	3,403	2,609
Unl,to Pay	124,302	62,941	61,361
Doubtful	466,437	427,803	38,634
TOTAL	**5,987,504**	**620,498**	**5,367,006**

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

a) Portfolio quality

The Bank manages the quality of its financial assets using the internal classification of placements, which is in compliance with the standards of the Parent Bank.

The following tables present the quality of the portfolio (gross balance exposure and off-balance sheet exposure) as of 31 December 2024 and 2023 based on the Bank's rating system:

				Balance sheet assets to be classified *			Off-Balance Sheet				
	Loans to Customers			Loans to Banks			Items to be Classified				
In thousands RSD	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Total 2024.***	**Total 2023.***
Class:											
Performing	532.331.614	77.998.862	-	286.647.575	-	-	33.493.080	16.135.231	-	1.146.606.362	1.040.250.286
Past Due	-	-	2.878.441	-	-	-	-	-	49.386	2.927.827	3.706.981
Unlikely to Pay	-	-	4.742.991	-	-	-	-	-	311.272	5.054.262	4.081.025
Doubtful	-	-	9.586.398	-	-	-	-	-	115.338	9.701.736	9.962.998
Total	**532.331.614**	**77.998.862**	**17.207.830**	**286.647.575**	**-**	**-**	**233.493.080**	**16.135.231**	**475.995**	**1.164.290.187**	**1.058.001.290**

	Allowances for impairment and provision customers			Allowances for impairment and provision banks				
In thousands RSD	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Total 2024.***	**Total 2023.***
Class:								
Performing	3.405.248	8.499.573	-	27.876	-	-	11.932.697	10.331.461
Past Due	-	-	1.266.436	-	-	-	1.266.436	1.841.845
Unlikely to Pay	-	-	3.276.697	-	-	-	3.276.697	2.379.096
Doubtful	-	-	7.754.686	-	-	-	7.754.686	7.849.130
Total	**3.405.248**	**8.499.573**	**12.297.819**	**27.876**	**-**	**-**	**24.230.516**	**22.401.532**

**Total assets exposed to credit risk does not include securities relating to the bonds of the Republic of Serbia that are entirely classified as level 1.*
Categories Past due, Unlikely to pay and Doubtful are non-performing receivables (impaired receivables)

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

The following tables present the portfolio structure as od 31 December 2024 and 31 December 2023 based on type of receivables and number of days in default (gross balance exposure and off-balance sheet exposure):

In RSD thousand	**Large Corporate**			**SME and Entrepreneurs**			**Mortgage loans to natural persons**		
31 December 2024	**Gross exposure**	**Allowances of impairment and provision**	**Coverage ratio**	**Gross exposure**	**Allowances of impairment and provision**	**Coverage ratio**	**Gross exposure**	**Allowances of impairment and provision**	**Coverage ratio**
Up to 90 days of default	424,985	323,121	76%	1.102.376	675,297	61%	958,642	353,590	37%
Over 90 days of default	207,500	184,237	89%	3,729,005	2,885,215	77%	1,609,740	950,989	59%
TOTAL	**632,485**	**507,358**	**80%**	**4,381,381**	**3,560,513**	**74%**	**2,568,382**	**1,304,579**	**51%**

In RSD thousand	**Other loans to natural persons**			**TOTAL**		
31 December 2024	**Gross exposure**	**Allowances of impairment and provision**	**Coverage ratio**	**Gross exposure**	**Allowances of impairment and provision**	**Coverage ratio**
Up to 90 days of default	3,562,906	1,813,150	51%	6,048,909	3,165,158	52%
Over 90 days of default	5,612,676	4,808,959	86%	11,158,920	8,829,401	79%
TOTAL	**9,175,582**	**6,622,109**	**72%**	**17,207,830**	**11,994,560**	**70%**

In RSD thousand	**Large Corporate**			**SME and Entrepreneurs**			**Mortgage loans to natural persons**		
31 December 2023	**Gross exposure**	**Allowances of impairment and provision**	**Coverage ratio**	**Gross exposure**	**Allowances of impairment and provision**	**Coverage ratio**	**Gross exposure**	**Allowances of impairment and provision**	**Coverage ratio**
Up to 90 days of default	459,111	141,804	31%	689,011	390,363	57%	758,454	284,159	37%
Over 90 days of default	582,393	534,786	92%	3,345,569	2,631,914	79%	2,154,900	1,216,111	56%
TOTAL	**1,041,504**	**676,589**	**65%**	**3,034,581**	**3,022,276**	**75%**	**2,913,354**	**1,500,270**	**51%**

In RSD thousand	**Other loans to natural persons**			**TOTAL**		
31 December 2023	**Gross exposure**	**Allowances of impairment and provision**	**Coverage ratio**	**Gross exposure**	**Allowances of impairment and provision**	**Coverage ratio**
Up to 90 days of default	2,674,381	1,183,633	44%	4,580,957	1,999,958	49%
Over 90 days of default	6,490,601	5,343,324	82%	12,573,464	9,726,135	79%
TOTAL	**9,164,982**	**6,526,957**	**71%**	**17,154,421**	**11,726,093**	**68%**

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

The following tables present the quality of the portfolio as of 31 December 2024 based on type of receivables:

				In RSD thousand
Cash and balances with the central bank	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Bank account	90,733,658	-	-	90,733,658
Mandatory reserve with the NBS	78,618,156	-	-	78,618,156
Total	**169,351,814**	**-**	**-**	**169,351,814**
Securities				
Bonds of the Republic of Serbia	86,536,652	-	-	86,536,652
Other securities	6,534,262			6,534,262
Total	**93,070,914**	**-**	**-**	**93,070,914**
Loans to Customers				
Balance sheet assets to be classified	305,954,940	35,309,557	5,463,866	346,728,363
Off-balance sheet items to be classified	192,626,588	13,464,355	278,975	206,369,917
Total	**498,581,528**	**48,773,912**	**5,742,840**	**553,098,280**
Loans to Retail				
Balance sheet assets to be classified	226,376,674	42,689,304	11,743,964	280,809,942
Off-balance sheet items to be classified	39,441,578	2,303,250	197,021	41,941,849
Total	**265,818,252**	**44,992,555**	**11,940,985**	**322,751,791**
Loans to Banks				
Balance sheet assets to be classified	286,647,575	-	-	286,647,575
Off-balance sheet items to be classified	1,424,914	367,627	-	1,792,541
Total	**288,072,488**	**367,627**	**-**	**288,440,115**

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

The following table presents the quality of the portfolio for performing clients (gross balance exposure and off-balance sheet exposure) based on the Bank's internal rating as of 31 December 2024:

	Loans to Customers		Loans to banks		Balance sheet assets to be classified Total	Off balance sheet items to be classified		
In thousands RSD	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**		**Stage 1**	**Stage 2**	**Total**
Rating								
A	131,590,075	234,669	-	-	131,824,744	128,574,791	46,700	260,446,235
B	273,171,925	21,123,292	-	-	294,295,217	89,256,239	9,861,085	393,412,541
C	19,390,252	55,874,645	-	-	75,264,898	4,841,128	5,849,233	85,955,259
Satisfactory	-	-	-	-	-	-	-	-
Good	-	-	-	-	-	-	-	-
Strong	-	-	-	-	-	-	-	-
Weak	-	-	-	-	-		-	-
Not covered by models	48,254,881	766,255	190,302,538	-	239,323,674	8,028,745	239,586	247,592,005
I		0	43,533,741	-	43,533,741	547,147	120,000	44,200,887
M	117,710	-	1,405,005	-	1,522,714	951	-	1,523,665
R	-	-	-	-	-	11,701	18,627	30,328
S	59,806,771	-	51,406,292	-	111,213,063	2,232,378	-	113,445,441
								-
Total	**532,331,614**	**77,998,862**	**286,647,575**	**-**	**896,978,050**	**233,493,080**	**16,135,231**	**1,146,606,362**

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Overview of stock and movement in the allowance for impairment and provisions in 2024 by type of financial instrument:

	Loans and receivables			In RSD thousand
Movement in the allowance for impairment and provisions in 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance - 01.01.2024.	**3,138,257**	**7,193,267**	**12,070,008**	**22,401,531**
Transfer to stage 1	2,779,669	(2,609,365)	(170,304)	-
Transfer to stage 2	(206,613)	572,396	(365,783)	-
Transfer to stage 3	(28,766)	(469,360)	498,126	-
Re-measurement	(3,434,256)	2,848,873	2,109,006	1,523,623
New production *	1,749,931	2,219,766	1,967,788	5,937,485
Collection	(567,459)	(1,253,642)	(818,902)	(2,640,003)
Transfer to off balance	-	-	(2,817,786)	(2,817,786)
Sale of receivables	-	-	(174,333)	(174,333)
Closing balance - 31.12.2024.	**3,430,763**	**8,501,935**	**12,070,008**	**24,230,516**

	Securities (FVOCI)**			In RSD thousand
Movement in the allowance for impairment and provisions in 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance - 01.01.2024.	**215,447**	**169,657**	**-**	**385,104**
Transfer to stage 2	169,657	(169,657)	-	-
Re-measurement			-	-
	(317,824)	-	-	(317,824)
New production	225,819	-	-	225,819
Collection	(30,427)		-	(30,427)
Closing balance - 31.12.2024.	**262,672**	**-**	**-**	**262,672**

	Banks			In RSD thousand
Movement in the allowance for impairment and provisions in 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total 2024**
Opening balance - 01.01.2024	**33,903**	**10**	**-**	**33,913**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(14)	14	-	-
Transfer to stage 3	-	-	-	-
Re-measurement	(2,672)	2,338	-	(334)
New production	23,345		-	23,345
Collection	(29,048)	-		(29,048)
	-	-	-	-
	-	-	-	-
Closing balance - 31.12.2024	**25,514**	**2,362**	**-**	**27,876**

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

	Retail			
Movement in the allowance for impairment and provisions in 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total 2024**
Opening balance - 01.01.2024	**911,780**	**3,348,468**	**8,179,074**	**12,439,322**
Transfer to stage 1	1,212,862	(1,044,626)	(168,236)	-
Transfer to stage 2	(127,922)	493,611	(365,689)	-
Transfer to stage 3	(20,711)	(359,234)	379,945	-
Re-measurement	(1,080,660)	1,649,688	1,654,833	2,223,862
New production	690,154	1,590,122	795,975	3,076,251
Collection	(204,620)	(642,148)	-	(846,767)
Transfer to off balance	-	-	(2,439,823)	(2,439,823)
	-	-	-	-
Closing balance - 31.12.2024	**1,380,884**	**5,035,882**	**8,036,079**	**14,452,844**

	Corporate			
Movement in the allowance for impairment and provisions in 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total 2024**
Opening balance - 01.01.2024.	**2.192.573**	**3.844.789**	**3.890.934**	**9.928.296**
Transfer to stage 1	1.566.807	(1.564.739)	(2.068)	-
Transfer to stage 2	(78.677)	78.772	(95)	-
Transfer to stage 3	(8.055)	(110.126)	118.181	-
Re-measurement	(2.350.924)	1.196.846	454.172	(699.906)
New production	1.036.433	629.644	1.171.813	2.837.890
Collection	(333.792)	(611.495)	(818.902)	(1.764.188)
Transfer to off balance	-	-	(377.963)	(377.963)
Sale of receivables	-	-	(174.333)	(174.333)
Closing balance - 31.12.2024.	**2.024.365**	**3.463.692**	**4.261.740**	**9.749.796**

* New production is the classification under the level of 31 December 2024, and not during the initial approval

In 2024 and 2023, there are no financial assets that are credit-impaired, and where the contractual terms have been significantly changed so that the recognition of the original asset ceases and the recognition of the new financial asset occurs (POCI).

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Overview of stock and movement in the allowance for impairment and provisions in 2023 by type of financial instrument:

	Loans and receivables			In RSD thousand
Movement in the allowance for impairment and provisions in 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance - 01.01.2023.	**2,373,541**	**7,694,576**	**10,222,010**	**20,290,126**
Transfer to stage 1	1,259,518	(1,140,597)	(118,921)	-
Transfer to stage 2	(288,608)	503,556	(214,948)	-
Transfer to stage 3	(30,511)	(470,376)	500,887	-
Re-measurement	(1,123,886)	641,852	2,540,579	2,058,545
New production *	1,587,177	1,627,164	2,610,470	5,824,811
Collection	(638,974)	(1,662,908)	(1,606,790)	(3,908,672)
Transfer to off balance	-	-	(1,824,598)	(1,824,598)
Sale of receivables	-	-	(38,681)	(38,681)
Closing balance - 31.12.2023.	**3,138,257**	**7,193,267**	**12,070,008**	**22,401,531**

	Securities (FVOCI and AC)**			In RSD thousand
Movement in the allowance for impairment and provisions in 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance - 01.01.2023.	**347,537**	**-**	**-**	**347,537**
Transfer to stage 2	(23,626)	23,626		-
Re-measurement	(80,088)	146,031	-	65,943
			-	-
New production	179,357	-	-	179,357
Collection	(207,995)		-	(207,995)
Closing balance - 31.12.2023.	**215,185**	**169,657**	**-**	**384,842**

* New production is the classification under the level of 31 December 2023, and not during the initial approval

**In accordance with IFRS 9, the effect of allowance of impairment of debt securities measured through FVOCI recognized through comprehensive income and profit and loss, and they do not reduce carrying amount of debts securities in balance sheet, therefore there is a mismatch with value adjustments in the table of maximum exposure to credit risk 31 December 2023 where presented the allowance for impairment based on debts securities measured at amortized cost.

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

Overview of stock and movement in the allowance for impairment and provisions in 2023 by client type:

	Banks			In RSD thousand
Movement in the allowance for impairment and provisions in 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total 2023**
Opening balance - 01.01.2023	**143,225**		**-**	**143,225**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(4)	4	-	-
Transfer to stage 3	-	-	-	-
Re-measurement	2,040	6	-	2,046
New production	29,061		-	29,061
Collection	(140,419)	-		(140,419)
	-	-	-	-
	-	-	-	-
Closing balance - 31.12.2023	**33,903**	**10**	**-**	**33,913**

	Retail			
Movement in the allowance for impairment and provisions in 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total 2023**
Opening balance - 01.01.2023.	**810,410**	**3,833,263**	**6,704,622**	**8,775,011**
Transfer to stage 1	779,540	(662,210)	(117,330)	-
Transfer to stage 2	(134,040)	343,901	(209,861)	-
Transfer to stage 3	(27,410)	(444,427)	471,837	-
Re-measurement	(779,972)	(63,031)	2,054,086	869,011
New production	426,971	979,660	1,234,264	3,154,856
Collection	(163,719)	(638,688)	(356,616)	(2,609,231)
Transfer to off balance	-	-	(1,601,928)	(222,670)
	-	-	-	(38,681)
Closing balance - 31.12.2023.	**911,780**	**3,348,468**	**8,179,074**	**9,928,296**

* New production is the classification under the level of 31 December 2023, and not during the initial approval

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

	Corporate			
Movement in the allowance for impairment and provisions in 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total 2023**
Opening balance - 01.01.2023.	**1,396,311**	**3,861,313**	**3,517,387**	**8,775,011**
Transfer to stage 1	479,977	(478,386)	(1,591)	-
Transfer to stage 2	(154,564)	159,651	(5,087)	-
Transfer to stage 3	(3,101)	(25,949)	29,050	-
Re-measurement	(322,359)	704,875	486,495	869,011
New production	1,131,145	647,505	1,376,206	3,154,856
Collection	(334,836)	(1,024,220)	(1,250,175)	(2,609,231)
Transfer to off balance	-	-	(222,670)	(222,670)
Sale of receivables	-	-	(38,681)	(38,681)
Closing balance - 31.12.2023.	**2,192,573**	**3,844,789**	**3,890,934**	**9,928,296**

* New production is the classification under the level of 31 December 2024 and 31 December 2023, and not during the initial approval

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

*a) Maximum exposure to credit risk**

Analysis of the Bank's maximum exposure to credit risk, by geographical locations, before taking into account collaterals and other hedging funds, as of 31 December 2024 and 2023 is presented in the table below:

	Balance sheet assets to be classified*		Off-balance sheet items to be classified**		In RSD thousand Total ** 2024
	Loans to customers	***Loans to banks***	***Loans to customers***	***Loans to banks***	***Loans to customers and banks***
Serbia	625,369,937	222,167,129	247,773,055	398,048	1,095,708,170
Europe	2,131,563	50,654,935	532,700	1,251,601	54,570,799
America	28,853	13,350,925	4,289	142,891	13,526,958
Rest of the world	7,952	474,586	1,722	0	484,260
Total	**627,538,305**	**286,647,575**	**248,311,767**	**1,792,541**	**1,164,290,187**

	Balance sheet assets to be classified*		Off-balance sheet items to be classified**		In RSD thousand Total ** 2023
	Loans to customers	***Loans to banks***	***Loans to customers***	***Loans to banks***	***Loans to customers and banks***
Serbia	580,260,039	178,511,895	205,810,966	582,200	965,165,101
Europe	2,227,565	65,905,194	621,986	1,070,797	69,825,541
America	31,557	21,547,283	4,506	4,958	21,588,303
Rest of the world	7,323	466,508	1,507	947,006	1,422,344
Total	**582,526,484**	**266,430,879**	**206,438,965**	**2,604,961**	**1,058,001,290**

*Exposure relating to the Republic of Serbia bonds was excluded.

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

a) Maximum exposure to credit risk (continued)*

Analysis of the Bank's exposure to credit risk by industry sectors as of 31 December 2024 and 2023 is presented in the table below:

	Balance sheet assets to be exposed to credit risk*	Off-balance sheet items to be exposed to credit risk**	In RSD thousand Total 2024
Industry	**331,691,656**	**205,776,343**	**537,467,998**
Trade	88,137,298	61,494,117	149,631,415
Transportation and communication	22,047,759	15,427,008	37,474,767
Construction	21,457,306	61,350,723	82,808,029
Services, tourism and accommodation services	37,726,748	12,007,632	49,734,379
Food and beverage production	22,803,169	10,496,936	33,300,105
Permanent goods production	51,538,086	30,098,239	81,636,325
Agriculture, hunting, fishing and forestry	11,767,843	2,610,064	14,377,908
Other	76,213,447	12,291,623	88,505,070
Banks	**286,647,575**	**1,792,541**	**288,440,115**
Local government	**15,036,707**	**593,575**	**15,630,282**
Retail loans	**280,809,942**	**41,941,849**	**322,751,791**
Mortgage loans	137,441,427	0	137,441,427
Other	143,368,515	41,941,849	185,310,364
TOTAL	**914,185,880**	**250,104,307**	**1,164,290,187**

**Exposure relating to the Republic of Serbia bonds was excluded*

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

b) Portfolio quality

	Balance sheet assets to be exposed to credit risk*	Off-balance sheet items to be exposed to credit risk**	In RSD thousandTotal 2023
Industry	**319,751,304**	**168,433,377**	**488,184,681**
Trade	82,831,392	46,228,921	129,060,312
Transportation and communication	26,684,836	12,590,099	39,274,935
Construction	18,479,233	49,648,804	68,128,037
Services, tourism and accommodation services	31,614,689	12,219,632	43,834,322
Food and beverage production	23,660,479	7,481,970	31,142,449
Permanent goods production	45,687,816	22,446,962	68,134,777
Agriculture, hunting, fishing and forestry	13,986,821	4,982,771	18,969,593
Other	76,806,038	12,834,218	89,640,256
Banks	**266,430,879**	**2,604,961**	**269,035,840**
Local government	**10,265,361**	**233,482**	**10,498,843**
Retail loans	**252,509,819**	**37,772,106**	**290,281,925**
Mortgage loans	123,497,754		123,497,754
Other	129,012,065	37,772,106	166,784,171
TOTAL	**848,957,363**	**209,043,926**	**1,058,001,290**

**Exposure relating to the Republic of Serbia bonds was excluded*

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

b) Portfolio quality (continued)

Ageing analysis of unimpaired loans and receivables from customers

The ageing analysis of loans and receivables from customers past due, but not impaired, as well as loans and receivables not yet due and impaired receivables, as of 31 December 2024 and 2023 is presented as follows:

	Loans to customers and banks			In RSD thousand Total 2024
	Stage 1	***Stage 2***	***Stage 3***	
Receivables undue:	805,179,832	69,833,807	2,730,325	877,743,964
Receivables overdue:	13,799,356	8,165,055	14,477,505	36,441,916
01-30 days	13,799,356	7,023,721	2,026,205	22,849,283
31-60 days	-	827,421	846,107	1,673,528
61-90 days	-	313,913	446,272	760,185
>90 days	-	-	11,158,920	11,158,920
Total	**818,979,188**	**77,998, 862**	**17,207,830**	**914,185,880**

	Loans to customers and banks			In RSD thousand Total 2023
	Stage 1	***Stage 2***	***Stage 3***	
Receivables undue:	709,819,763	101,360,682	2,640,719	813,821,164
Receivables overdue:	11,033,627	9,588,870	14,513,702	35,136,199
01-30 days	11,033,627	7,873,828	1,088,867	19,996,322
31-60 days	-	1,121,528	277,012	1,398,540
61-90 days	-	593,514	574,358	1,167,873
>90 days	-	-	12,573,464	12,573,464
Total	**720,853,390**	**110,949,552**	**17,154,421**	**848,957,363**

*We apply the new definition of default applied in 2019, (Detailed explanation in item 28.1)

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

b) Portfolio quality (continued)

Collateral analysis

Analysis of portfolio (balance sheet and off-balance sheet items), by the collateral type, as of 31 December 2024 and 2023 is presented below:

	Balance sheet assets to be exposed to credit risk*	Off-balance sheet items to be exposed to credit risk**	In RSD thousand Total 2024.
Corporate loans:	*331,691,656*	*205,776,343*	*537,467,998*
Secured by government	11,280,889	-	11,280,889
Secured by guaranteed	4,021,817	-	4,021,817
Secured by mortgage	26,363,459	879,883	27,243,343
Secured by deposit	2,171,963	1,703,416	3,875,379
Unsecured	287,853,527	203,193,044	491,046,570
Loans to banks:	*286,647,575*	*1,792,541*	*288,440,115*
Secured	-	-	-
Unsecured	286,647,575	1,792,541	288,440,115
Loans to local government	*15,036,707*	*593,575*	*15,630,282*
Secured	-	-	-
Unsecured	15,036,707	593,575	15,630,282
Retail loans:	*280,809,942*	*41,941,849*	*322,751,791*
Secured by residential mortgage	119,080,402	-	119,080,402
Secured by non-residential mortgage	1,306,475	-	1,306,475
Secured by deposit	358,397	397,069	755,466
Unsecured	160,064,668	41,544,780	201,609,449
Total	**914,185,880**	**250,104,307**	**1,164,290,187**

*Exposure relating to the Republic of Serbia bonds was excluded

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

b) Portfolio quality (continued)

Collateral analysis (continued)

	Balance sheet assets to be exposed to credit risk*	Off-balance sheet items to be exposed to credit risk**	In RSD thousand Total 2023.
Corporate loans:	**319,751,304**	**168,433,377**	**488,184,681**
Secured by government	15,303,853	-	15,303,853
Secured by guaranteed	5,436,213	-	5,436,213
Secured by mortgage	13,476,012	931,584	14,407,596
Secured by deposit	2,911,462	1,105,868	4,017,330
Unsecured	282,623,764	166,395,925	449,019,689
Loans to government	**266,430,879**	**2,604,961**	**269,035,840**
Secured	-	-	-
Unsecured	266,430,879	2,604,961	269,035,840
Loans to banks:	**10,265,361**	**233,482**	**10,498,843**
Secured	-	-	-
Unsecured	10,265,361	233,482	10,498,843
Retail loans:	**252,509,819**	**37,772,106**	**290,281,925**
Secured by residential mortgage	109,573,655	-	109,573,655
Secured by non-residential mortgage	550,827	-	550,827
Secured by deposit	1,798,469	399,628	2,198,098
Unsecured	140,586,868	37,372,478	177,959,346
Total	**848,957,363**	**209,043,926**	**1,058,001,290**

All collaterals are presented up to the amount of receivables. Mortgage must meet the requirements of the National Bank of Serbia in order to be used as a collateral and those requirements are: to be registered, there must be an appraisal for the mortgaged property by the authorized appraiser not older than 3 years (except in the case of mortgaged residential real estate property where the amount of the outstanding bank exposure does not exceed 40% of its value), owner of the property cannot be under bankruptcy, appraised value of property reduced by all higher ranked receivables must be greater than the amount of receivables, receivables secured by the mortgage cannot be overdue for more than 720 days.

Loan to value ratio (LTV ratio) for mortgage loans as of 31 December 2024 and 2023 is as follows:

		In RSD thousand
Mortgage LTV	**2024**	**2023**
< 50%	60,343,364	50,635,845
51%-70%	44,338,474	43,013,657
71%-90%	28,132,652	27,287,282
91%-100%	2,017,807	1,122,225
> 100%	2,609,130	1,315,379
Total	**137,441,427**	**123,374,388**

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

b) Portfolio quality (continued)

Non-performing loan analysis

Balance sheet assets and allowances for impairment (NPL – categories: past due, unlikely to pay, doubtful and restructured) as of 31 December 2024 and 2023 are presented as follows:

	Total loans		Allowances for impairment and provisions		Total 2024
In RSD thousand	***Balance exposure***	***Off-balance exposure***	***Balance exposure***	***Off-balance exposure***	***Net Balance book value***
Individual Assessment	2,525,350	249,639	1,608,390	188,099	978,501
Collective Assessment	14,682,479	226,356	10,386,170	115,160	4,407,505
Total	**17,207,830**	**475,995**	**11,994,560**	**303,259**	**5,386,006**

	Total loans		Allowances for impairment and provisions		Total 2023
In RSD thousand	***Balance exposure***	***Off-balance exposure***	***Balance exposure***	***Off-balance exposure***	***Net Balance book value***
Individual Assessment	2,383,066	244,172	1,299,853	184,306	1,143,078,,
Collective Assessment	14,771,355	352,411	10,426,240	159,672	4,537,854,,
Total	**17,154,421**	**596,583**	**11,726,093**	**343,328**	**5,680,932,,**

Changes of Balance exposure for Non-Performing loans (NPL – categories: Past Due, Unlikely to Pay and Doubtful) in 2024 are presented as follows:

Opening Balance – 01.01.2024	**17,154,421**
New Non-Performing loans	4,447,870
Change in balance of Non-Performing loans	(2,603,800)
Transfer to Off-balance	(2,694,728)
Recovery of Non-Performing loans	904,067
Closing Balance – 31.12.2024	**17,207,830**

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

b) Portfolio quality (continued)

Renegotiated loans analysis

Balance sheet assets and allowances for impairment for renegotiated loans as of 31 December 2023 and 2022 are presented as follows:

	Balance sheet assets to be classified		Off-balance sheet items to be classified		In RSD thousand Total 2024
	Loans to customers	*Loans to banks*	*Loans to customers*	*Loans to banks*	*Loans to customers and banks*
Renegotiated loans:					
Loans	**5,453,904**	**-**	**-**	**-**	**5,543,904**
Stage 1	-	-	-	-	-
Stage 2	2,716,345	-	-	-	2,716,345
Stage 3	2,737,559	-	-	-	2,737,559
Allowances for impairment	**(2,169,962)**	**-**	**-**	**-**	**(2,169,962)**
Stage 1	-	-	-	-	-
Stage 2	(239,121)	-	-	-	(239,121)
Stage 3	(1,930,841)	-	-	-	(1,930,841)
Net balance	**3,283,942**	**-**	**-**	**-**	**3,283,942**

	Balance sheet assets to be classified		Off-balance sheet items to be classified		In RSD thousand Total 2024
	Loans to customers	*Loans to banks*	*Loans to customers*	*Loans to banks*	*Loans to customers and banks*
Renegotiated loans:					
Loans	**3,705,148**	**-**	**-**	**-**	**3,705,148**
Stage 1	-	-	-	-	-
Stage 2	1,396,265	-	-	-	1,396,265
Stage 3	2,308,883	-	-	-	2,308,883
Allowances for impairment	**(1,406,496)**	**-**	**-**	**-**	**(1,406,496)**
Stage 1	-	-	-	-	-
Stage 2	158,148	-	-	-	158,148
Stage 3	(1,248,348)	-	-	-	(1,248,348)
Net balance	**2,298,652**	**-**	**-**	**-**	**2,298,652**

28. RISK MANAGEMENT (continued)

28.1. Credit risk (continued)

b) Portfolio quality (continued)

Opening Balance – 01.01.2024	**3,705,148**
New renegotiated loans	5,230,859
Change in balance of renegotiated loans	(161,365)
Termination of the status of renegotiated loans	(3,320,738)
Closing Balance – 31.12.2024	**5,453,904**

Renegotiated loans are all loans for which previous conditions, as term, dynamics of settlement, interest rate and etc., have been changed in order to provide benefits for the client.

Credit conversion factor analysis

Credit conversion factors (CCF) for off-balance sheet items in the portfolio as of 31 December 2024 and 31 December 2023 are presented as follows:

				In RSD thousand Total 2024
	Corporate Loans	**Loans to Banks**	**Retail Loans**	**Loans to customers and banks**
CCF				
20%	163,390,817	1,196,492	19,422,848	184,010,157
22%	-	-	2,033,785	2,033,785
25%	427,059	-	-	427,059
29%	-	-	1,744,733	1,744,733
30%	-	-	1,067,157	1,067,157
31%	239,301	-	-	239,301
39%	10,677,836	-	-	10,677,836
43%	-	-	743,931	743,931
45%	1,547,307	-	3,702,134	5,249,441
48%		-	2,124,044	2,124,044
50%	26,233,210	596,049	45	26,829,305
60%		-	9,639,312	9,639,312
64%	-	-	449,639	449,639
82%	-	-	111,927	111,927
89%	-	-	41,393	41,393
100%	3,854,386	-	860,902	4,715,288
Total	**206,369,917**	**1,792,541**	**41,941,849**	**250,104,307**

28.1. Credit risk (continued)

b) Portfolio quality (continued)

Credit conversion factor analysis (continued)

				In RSD thousand Total 2023
	Corporate Loans	Loans to Banks	Retail Loans	Loans to customers and banks
CCF				
20%	128,474,797	1,882,530	19,672,232	150,029,560
22%	-	-	1,447,813	1,447,813
26%	1,867,645	-	-	1,867,645
28%	-	-	1,225,155	1,225,155
30%	-	-	870,869	870,869
32%	7,678,440	-		7,678,440
33%	271,589	-	-	271,589
44%	-	-	3,273,113	3,273,113
45%	-	-	330,492	330,492
47%	1,471,891	-		1,471,891
48%	-	-	1,887,718	1,887,718
50%	25,464,850	722,431	2,476	26,189,757
60%	-	-	7,202,848	7,202,848
64%	-	-	567,828	567,828
82%	-	-	154,716	154.716
89%	-	-	42,853	42,853
100%	3,437,648	-	1,094,793	4,532,440
Total	168,666,859	2,604,961	37,772,106	209,043,926

28. RISK MANAGEMENT (continued)

28.2. Liquidity risk and financial assets management

The Risk Management Department is responsible for measuring and monitoring liquidity and for the regular preparation of reports, which present the effects of the migration of various categories of assets and liabilities of the Bank to its liquid assets position. Liquidity risk management system is in compliance with measures and criteria determined by the Parent Bank, as well as regulations prescribed by the National Bank of Serbia.

Basic activities of the liquidity risk management include:
- planning of cash inflows and outflows;
- implementation and monitoring of liquidity indicators;
- measurement and monitoring of the Bank's liquidity;
- monitoring of liquidity crisis indicators; and
- preparation of the reports for the management.

Liquidity Risk management is done through monitoring following limits/indicators:
- Regulatory liquidity indicators: Liquidity coverage ratio – LCR (including LCR by significant currencies), Net stable funding ratio – NSFR (including NSFR by significant currencies), Liquidity ratio and Narrow liquidity ratio.

Regulatory liquidity indicators

By applying the guidelines of the European Banking Authority (EBA) and Basel III regulations, as well as by respecting the specificities of the Serbian market and the macroeconomic environment, the National Bank of Serbia with Decision on Liquidity Risk Management by Banks requires regulatory reporting of liquidity indicators Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), as well as Liquidity ratio and Narrow liquidity ratio.

Liquidity Coverage Ratio – LCR

The Decision on Liquidity Risk Management by Banks prescribed by National Bank of Serbia is almost fully harmonized with Basel III, i.e. the Commission Delegated Act Regulation (EU) 2015/91. However, there are some differences in the local LCR calculation that should be remarked:
- Excess liquidity on obligatory reserve account is calculated as of reporting date instead as average;
- Higher outflow rates are applied only to retail deposits denominated in currencies other than dinar, euro and the currency of an EU member state. Namely, Euro and other EU member state currencies are treated as domestic currency in accordance with the regulation prescribed by the National Bank of Serbia;
- Shortage of required reserves is not treated as outflow; and
- Contractual inflows from exposures that are not past due for more than five days are included into the liquidity inflows (no five days threshold is applied by the EU regulations).

The LCR indicator required by the regulator was well above the required limit in 2024 with an average value that was more than two times higher than prescribed regulatory limit of 1.0 (100%).

LCR	31 December	Average	Maximum	Minimum
2024	**2.14**	**2.60**	**3.68**	**1.94**
2023	**4.11**	**2.27**	**4.11**	**1.70**

28. RISK MANAGEMENT (continued)

28.2. Liquidity risk and financial assets management (continued)

Regulatory liquidity indicators (continued)

The Bank also calculates the LCR indicator by significant currencies in accordance with the Decision on Liquidity Risk Management by Banks prescribed by the National Bank of Serbia. LCR indicator is monthly reported to the ALCO board by the most significant currencies (RSD and EUR), as of 31 December 2024 LCR is 2.65 (2023: 2.76) for liquidity position in domestic currency and 1.10 (2023: 1.23) for liquidity position in foreign currency (EUR).

Net Stable Funding Ratio – NSFR

According to the decision on liquidity risk management by the National Bank of Serbia, which is aligned with Basel III standards and European regulations, a new regulatory liquidity indicator, the NSFR, was introduced, with the first reporting taking place on June 30, 2024. The decision defines reporting on the NSFR indicator on a quarterly basis.

The NSFR is an indicator of structural liquidity under normal conditions (typical business circumstances), aiming to prevent structural imbalances in the balance sheet's assets and liabilities over a one-year period.

The NSFR indicator required by the regulator was significantly above the required limit (100%) throughout 2024, with an average value that almost doubles the prescribed regulatory limit of 1.0 (100%).

NSFR	31. December	Average	Maximum	Minimum
2024	**1.83**	**1.82**	**1.83**	**1.81**

The Bank calculates the NSFR indicator by significant currencies in accordance with the Decision on Liquidity Risk Management by Banks prescribed by the National Bank of Serbia on quarterly basis. NSFR indicator is quarterly reported to the ALCO board by the most significant currencies (RSD and EUR), as of 31 December 2024 NSFR is 92% for liquidity position in domestic currency and 1.391% for liquidity position in foreign currency (EUR).

Liquidity ratio and Narrow liquidity ratio

In 2024 the regulatory liquidity ratio and narrow regulatory liquidity ratio were significantly above the legally prescribed limit. Average regulatory liquidity ratio and narrow liquidity ratio were above the required level (at least 1.0 if calculated as the average of liquidity indicators for all working days within a month, or at least 0.7 if calculated as the average of narrow liquidity indicators for all working days within a month).

Liquidity ratio	31 December	Average	Maximum	Minimum
2024	**2.17**	**2.22**	**2.49**	**1.98**
2023	**2.24**	**2.04**	**2.29**	**1.73**

Narrow liquidity ratio	31 December	Average	Maximum	Minimum
2024	**1.66**	**1.57**	**1.87**	**1.38**
2023	**1.65**	**1.41**	**1.70**	**1.17**

28. RISK MANAGEMENT (continued)

28.2. Liquidity risk and financial assets management (continued)

Regulatory liquidity indicators (continued)

Structure of the total liquidity reserves as of 31 December 2024 is presented in the following table:

			In RSD thousand
Liquidity reserves	**Carrying amount/ Fair value**	**Haircut**	**Available amount**
Required Central bank reserves in the amount above the amount required for the period	37,241,155	0%	37,241,155
- of which required reserves in local currency	17,813,511	0%	17,813,511
- of which required reserves in foreign currency	19,427,644	0%	19,427,644
Reverse repo transaction with Central Bank	50,000,000	0%	50,000,000
Cash and cash equivalents	34,752,390	0%	34,752,390
Available no-load government securities issued by the Republic of Serbia	75,723,994		52,847,498
- of which in local currency	51,464,068	35%	33,451,646
- of which in Euro	6,095,201	50%	3,047,600
- of which in Eurobond emitted in euro	18,164,725	10%	16,348,252
Unencumbered available government securities issued by European Union member states.	11,090,023	0%	11,090,023
Total liquidity reserves	**208,807,562**		**185,931,066**

28. RISK MANAGEMENT (continued)

28.2. Liquidity risk and financial assets management (continued)

Regulatory liquidity indicators (continued)

			In RSD thousand
Liquidity reserves	**Carrying amount/ Fair value**	**Haircut**	**Available amount**
Required Central bank reserves in the amount above the amount required for the period	22,671,676	0%	22,671,676
- of which required reserves in local currency	22,671,676	0%	22,671,676
- of which required reserves in foreign currency	0	0%	0
Reverse repo transaction with Central Bank	60,000,000	0%	60,000,000
Cash and cash equivalents	30,329,686	0%	30,329,686
Available no-load government securities issued by the Republic of Serbia	51,925,427		32,175,343
- of which in local currency	39,696,557	35%	25,802,762
- of which in Euro	11,583,503	50%	5,791,752
- of which in Eurobond emitted in euro	645,366	10%	580,829
Total liquidity reserves	**164,926,789**		**144,918,559**

The liquidity reserves structure is as follows: reserves required by the central bank above the amount required for the period in domestic and foreign currency on which 0% haircut is applied, reverse repo transactions with the central bank, cash and cash equivalents (including gold) on which 0% haircut is applied, government bonds in domestic and foreign currency issued by the Republic of Serbia on which defined haircut of 10%, 35% or 50% is applied, as well as bonds issued by European Union member states in foreign currency, subject to a corrective factor (haircut) of 0%.

As of 31 December 2024, available unencumbered financial assets issued by the Republic of Serbia amounted to RSD 75,523,994 thousand (2023: RSD 51,925,427 thousand), out of which RSD 51,464,068 thousand is in local currency (2023: 39,696,557 thousand), RSD 24,259,926 thousand is in Euro (2023: RSD 12,228,869 thousand). As of 31 December 2024, available unencumbered financial assets issued by European Union member states in euro is RSD 11,090,023 thousand.

According to the Liquidity Risk Management Policy, foreign currency account balances are not a part of liquidity reserves, although they represent liquid assets that the Bank owns without restrictions.

As of 31 December 2024, on nostro accounts was RSD 42,038,572 thousand (2023: RSD 87,362,338 thousand).

The currency structure of cash on nostro accounts at the reporting date was as follows: EUR – RSD 27,052,217 thousand (2023: RSD 59,515,525 thousand), USD – RSD 12,631,608 thousand (2023: RSD 20,816,556 thousand), GBP – RSD 115,659 thousand (2023: RSD 84,821 thousand), CAD – RSD 748,270 thousand (2023: RSD 757,087 thousand), AUD – RSD 447,058 thousand (2023: RSD 482,338 thousand), DKK – RSD 61,061 thousand (2023: RSD 73,180 thousand), CHF – RSD 674,895 thousand (2023: RSD 5,288,342 thousand), SEK – RSD 219,805 thousand (2023: RSD 257,904 thousand) and other currencies – RSD 87,799 thousand (2023: RSD 84,245 thousand).

28. RISK MANAGEMENT (continued)

28.2. Liquidity risk and financial assets management (continued)

Maturity mismatch report as of 31 December 2024 based on undiscounted cash flow

								In RSD thousand
	Carrying amount	**Gross nominal value**	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**With non-defined maturity**
ASSETS								
Cash and balances with Central Bank	204,234,014	204,234,014	204,234,014					
Receivables from derivatives	78,654	78,654						78,654
Securities	93,054,647	98,755,894	39,487,831	4,245,247	14,134,405	40,887,862		549
Loans and receivables from banks and other financial organizations	127,328,795	127,822,085	117,992,143	1,325,653	5,408,900	2,618,343	18,088	458,958
Loans and receivables from customers	579,590,626	812,982,506	27,301,051	40,061,389	250,996,703	311,243,084	183,376,792	3,487
Investments in subsidiaries	1,199,472	1,199,472						1,199,472
TOTAL ASSETS	**1,005,486,208**	**1,245,072,625**	**389,015,039**	**45,632,289**	**270,540,008**	**354,749,289**	**183,394,880**	**1,741,120**

28. RISK MANAGEMENT (continued)

28.2. Liquidity risk and financial assets management (continued)

Maturity mismatch report as of 31 December 2024 based on undiscounted cash flow (continued)

In RSD thousand

	Carrying amount	Gross nominal value	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	With non-defined maturity
LIABILITIES								
Liabilities based on derivatives	8,731	8,731						8,731
Deposits and other financial liabilities due to banks, other financial organizations and Central Bank	85,324,008	89,570,713	21,497,402	10,774,444	23,858,163	27,871,390	5,070,002	499,312
Deposits and other financial liabilities due to customers	786,004,408	815,292,156	597,430,239	41,417,603	115,219,797	43,229,202	15,157,423	2,837,892
TOTAL LIABILITIES	**871,337,147**	**904,871,599**	**618,927,641**	**52,192,046**	**139,077,960**	**71,100,592**	**20,227,425**	**3,345,935**
TOTAL EQUITY		**124,436,742**						**124,436,742**
TOTAL LIABILITIES AND EQUITY		**1,029,308,341**	**618,927,641**	**52,192,046**	**139,077,960**	**71,100,592**	**20,227,425**	**127,782,676**
MATURITY MISMATCH		**(229,912,602)**	**(6,559,757)**	**131,462,048**	**283,648,698**	**163,167,455**	**(126,041,557)**	
CUMULATIVE MATURITY MISMATCH		**(229,912,602)**	**(236,472,359)**	**(105,010,312)**	**178,638,386**	**341,805,840**		

The table on the analysis of the residual maturity of assets and liabilities of the Bank as at 31 December 2024 shows the future cash flows using extremely conservative assumptions, such as the maturity of all sight deposits in the next month. The cumulative gap for illustrative purposes is shown by applying conservative assumptions since a vista deposits have been very stable source of funds by analysing time series of a vista deposits during previous years.

28. RISK MANAGEMENT (continued)

28.2. Liquidity risk and financial assets management (continued)

Maturity mismatch report as of 31 December 2023 based on undiscounted cash flow (continued):

In RSD thousand

	Carrying amount	Gross nominal value	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	With non-defined maturity
ASSETS								
Cash and balances with Central Bank	145,416,663	145,416,663	145,416,663					
Receivables from derivatives	80,353	80,353						80,353
Securities	57,722,864	61,198,236	15,490,714	17,701	5,903,973	39,785,290		556
Loans and receivables from banks and other financial organizations	157,125,902	157,414,477	152,028,310	747,932	3,160,557	1,362,280	100,524	14,873
Loans and receivables from customers	534,022,332	668,230,926	23,022,181	41,465,307	150,784,319	282,191,000	170,598,163	169,956
Investments in subsidiaries	1,199,472	1,199,472						1,199,472
TOTAL ASSETS	**895,567,586**	**1,033,540,126**	**335,957,867**	**42,230,941**	**159,848,850**	**323,338,570**	**170,698,687**	**1,465,211**

28. RISK MANAGEMENT (continued)

28.2. Liquidity risk and financial assets management (continued)

Maturity mismatch report as of 31 December 2023 based on undiscounted cash flow (continued)

In RSD thousand

	Carrying amount	Gross nominal value	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	With non-defined maturity
LIABILITIES								
Liabilities based on derivatives	1,586	1,586						1,586
Deposits and other financial liabilities due to banks, other financial organizations and Central Bank	68,454,547	73,540,853	13,704,779	6,368,982	17,848,322	29,653,820	5,521,516	443,435
Deposits and other financial liabilities due to customers	709,686,211	744,283,328	541,817,042	28,199,253	96,408,756	57,915,189	17,536,696	2,406,391
TOTAL LIABILITIES	**778,142,344**	**817,825,766**	**555,521,820**	**34,568,236**	**114,257,077**	**87,569,009**	**23,058,212**	**2,851,412**
TOTAL EQUITY		**110,818,201**						**110,818,201**
TOTAL LIABILITIES AND EQUITY	**928,643,967**	**555,521,820**	**34,568,236**	**114,257,077**	**87,569,009**	**23,058,212**	**113,669,613**	
MATURITY MISMATCH		**(219,563,953)**	**7,662,705**	**45,591,773**	**235,769,561**	**147,640,475**	**(112,204,402)**	
CUMULATIVE MATURITY MISMATCH		**(219,563,953)**	**(211,901,248)**	**(166,309,475)**	**69,460,086**	**217,100,561**		

The table on the analysis of the residual maturity of assets and liabilities of the Bank as at 31 December 2023 shows the future cash flows using extremely conservative assumptions, such as the maturity of all sight deposits in the next month. The cumulative gap for illustrative purposes is shown by applying conservative assumptions since a vista deposits have been very stable source of funds by analysing time series of a vista deposits during previous years.

28. RISK MANAGEMENT (continued)

28.3. Market risk

In 2024, the Bank acquired Trading Book (positions) and, therefore, was exposed to interest rate risk and price risk which could be caused by the Trading Book. Trading Book refers to portfolio of derivatives meaning FX Forward and Interest Rate Swap portfolio initiated by customers. Usually the Trading book was composed by G-bonds classified as Held for Trading as well but at the beginning of the Russian-Ukrainian conflict, the Bank was exposed to the huge impact of increased Serbian country spread (used in fair value and VaR calculation of bonds) and consequently led to the temporary suspension of bond purchase classified as Held for Trading, by the Parent bank. According to that during 2024 there was no registered breach of the limit defining the maximum allowed nominal value of bonds in the Trading Book. On the other hand, the Banking book was exposed to foreign currency risk, with registered limit breaches of the internal limit for open foreign exchange positions, which were foreseen and implemented in accordance with internal procedures.

Foreign currency risk is the risk of occurrence of negative effects on the financial result and equity of the Bank due to changes in foreign currency exchange rates. Banking operations in different foreign currencies result in exposure to fluctuations in exchange rates of foreign currencies.

The Bank applies foreign currency risk monitoring system based on the first and the second class limits, as well as RAF (SREP) limits.

The RAF (SREP) limit is considered to be FX VaR limit, which is calculated and reported on a daily basis. Calculation methodology is regulated by the ISP Group, which applies EWMA historical method, with 99% confidence interval and one day time period. FX VaR is calculated on positions for each currency, due to the Parent Bank's requirements, as well as for the increase of volatility of some currencies, which the Bank has in its portfolio. However, the FX VaR is mostly determined by the volatility of EUR, since the portion of EUR of the total open FX position was 89% in average during 2024. During 2024, the FX VaR limit level didn't change.

The second class limit is considered to be the limit of net open FX position, which represents difference between the currency sensitive assets and the currency sensitive liabilities. The second class limits exposure is calculated and reported on a daily basis. During 2024, the the second class limit i.e. limit of net open FX position remained unchanged. During May and at the end of November 2024, breaches of the limit of an open foreign exchange position were registered, but it should be mentioned that this was the result of previously announced and agreed business actions which require that the open foreign currency position is not closed directly, but within few days. The breaches of the net open foreign exchange position were foreseen and implemented in accordance with internal procedures.

During 2024, the Bank's foreign currency risk indicator was in compliance with the legally prescribed one, which represents 20% of the regulatory equity. As of 31st December 2024 regulatory indicator of foreign currency risk was 1.20%. Considering that the regulatory indicator for foreign exchange risk is below 2%, the Bank has not calculated capital requirement as of 31 December 2024.

28. RISK MANAGEMENT (continued)

28.3. Market risk

The following table presents the open foreign currency position as of 31 December 2024:

				In RSD thousand
		Open foreign currency position		
	Carrying amount	Total	Trading book	Banking book
Assets complied with market risks	**1,013,737,591**	**570,504,415**		**570,504,415**
Cash and balances with Central Bank	204,234,014	88,807,759		88,807,759
Securities	93,054,647	35,723,625		35,723,625
Loans and receivables from banks and other financial organizations	127,328,795	75,825,854		75,825,854
Loans and receivables from customers	579,590,626	368,761,696		368,761,696
Other assets	9,529,509	1,385,481		1,385,481
Liabilities complied with market risks	**889,288,931**	**518,642,308**		**518,642,308**
Deposits and other financial liabilities due to banks, other financial organizations and Central Bank	85,324,008	60,642,870		60,642,870
Deposits and other financial liabilities due to customers	786,004,408	450,642,802		450,642,802
Other liabilities	17,960,515	7,356,636		7,356,636
Off-balance sheet financial derivatives which impact FX position	(43,146,428)	(43,146,428)	(3,579,299)	(39,567,129)
Allowances for impairment	24,230,516	(9,619,909)		(9,619,910)
Open net foreign currency position		**(904,230)**	**(3,579,299)**	**2,675,068**

The following table presents the open foreign currency position as of 31 December 2023:

				In RSD thousand
		Open foreign currency position		
	Carrying amount	Total	Trading book	Banking book
Assets complied with market risks	**910,184,824**	**522,908,900**		**522,908,900**
Cash and balances with Central Bank	145,416,663	53,328,853		53,328,853
Securities	57,722,864	12,310,630		12,310,630
Loans and receivables from banks and other financial organizations	157,125,902	95,395,923		95,395,923
Loans and receivables from customers	534,022,332	360,332,470		360,332,470
Other assets	15,897,063	1,541,024		1,541,024
Liabilities complied with market risks	799,588,399	478,055,040		478,055,040
Deposits and other financial liabilities due to banks, other financial organizations and Central Bank	68,454,547	52,431,524		52,431,524
Deposits and other financial liabilities due to customers	709,686,211	418,242,153		418,242,153
Other liabilities	21,447,641	7,381,364		7,381,364
Off-balance sheet financial derivatives which impact FX position		(36,280,043)	(3,008,719)	(33,271,323)
Allowances for impairment	(36,280,043)	(8,731,725)		(8,731,725)
Open net foreign currency position		**(157,907)**	**(3,008,719)**	**2,850,812**

28. RISK MANAGEMENT (continued)

28.3. Market risk

Following table represents the currency structure of open net foreign currency position as of 31 December 2024 and 31 December 2023:

		In RSD thousan
Net open foreign currency position	**2024**	**2023**
EUR	(1,107,482)	(349,692)
USD	23,338	2,570
CHF	17,496	12,594
Other currencies	80,561	81,023
Gold	128,533	95,599
Total	**(904,230)**	**(157,907)**

				In EUR
Foreign currency VaR	**31 December**	**Average**	**Maximum**	**Minimum**
2024	,787	,251	21,129	610
2023	2,115	4,570	98,464	1,125

Following table represents effect of the change in the exchange rates on the Bank's profit and regulatory capital:

		In RSD thousan
Scenario	**Effect 2024**	**Effect 2023**
		(15,791)
10% depreciation of RSD	(90,423)	
20% depreciation of RSD	(180,846)	(31,581)

28.4. Interest rate risk

Interest rate risk is the risk of decrease in profit or net assets value of the Bank due to changes in market interest rates. The Bank's exposure to interest rate risk depends on the ratio of the interest-sensitive assets and interest- sensitive liabilities.

Interest rate risk is calculated separately for the Trading Book (HFT -portfolio of securities held for trading, consisted of bonds and derivatives concretely FX forwards and IRSs), and for the Banking Book (includes everything that is not classified as Trading Book).

ISP Group Methodology on the calculation of interest rate risk was adopted by the Bank, through internal documents and ERMAS net 5 technical solution. Methodology includes: treatment of the margin as fixed future cash flow; calculation of future cash flows by using FTP prices, instead of the contractual prices; modelling a vista deposits as well as treatment of prepayment. Applying the guidelines of the European Bank Authority (EBA) and Basel III regulations, the Parent Bank continuously improves the methodology and Guidelines relating to interest rate risk. The Bank's documents defining interest rate risk management, the Policy on management of interest rate risk in the Banking Book and the Rulebook - Measurement and control of interest rate risk in the Banking Book, were harmonized with the Parent Bank' documents.

28. RISK MANAGEMENT (continued)

28.4. Interest rate risk (continued)

Measures used for assessment of interest rate risk on the Banking Book and on the basis of which there are established limits that are monitored on a monthly level are sensitivity of economic value of assets on 100 basis points interest rate change and sensitivity of income revenues and costs on change of on 50 basis points interest rate change. In the course of 2024, the limit of the NII interest rate risk indicator was reduced by the Group Financial Risk Committee of the ISP Group, while the EVE interest rate risk indicator remained at the same level. The Bank was in compliance with the prescribed limits by the Parent Bank in 2024.

Sensitivity of net asset value to change in market interest rates of +/- 100 basis points as well as the new scenarios for non-parallel shifts of yield curves (steepener, flattener, short rate up and short rate down) i.e. sensitivity of interest income and expenses to change of +/- 50, +/- 100 and, + / -200 basis is calculated, monitored and submitted to the ALCO Board as well as to the Parent Bank on a monthly basis. At the quarterly level, the Bank calculates these indicators in accordance with the six defined scenarios required by Basel III regulations and for parallel shifts by +/- 200 basis points, which are monitored and submitted to the ALCO Board and the Parent Bank.

During 2024 the Parent bank revised and reduced both HTCS and Total (HTCS + Trading + FX) VaR limits. The VaR limits of the trading book have not been revised.

Interest rate risk is daily monitored and submitted for the financial assets hold to collect and sell (HTCS)as well as for portfolio of securities held for trading (HFT). For (HTCS), as well as for HFT portfolio the following ratios of interest rate risk are calculated and reported on a daily basis: IRR VaR, duration and stress test (change scenario by 100 bps and 200 bps).

Acceptable interest rate risk is limited to the highest possible value at interest rate risk (IRR VaR) for the portfolio of financial assets hold to collect and sell, as well as for the portfolio of securities held for trading.

Value at interest rate risk (IRR VaR) is considered to be the highest possible one day loss in the AFS securities portfolio and securities held for trading that the Bank could undertake under usual market movements in interest rates. IRR VaR calculation methodology is determined by the ISP Group regulations, which applies EWMA historical method with 99% confidence interval and one day time period. During 2024 there was no registered breach of the VaR limits referring to the HFT, HTCS and Total portfolio

In addition to regular VaR limits, the Bank daily monitors and reports about stress VaR indicators as additional risk measures. Stress VaR indicators are calculated in the same way as regular ones, with the difference that a pre-defined stress period is taken for stress calculation and each observation in period has the same weight, ie. it is given the same importance. The Parent bank revised the stress period in the first quarter of 2023, opting for a period with more pronounced oscillations, resulting in an increase in all stress VaR indicators, while in 2024 there were no period changes. In the second quarter of 2024, the stress VaR limit of the Trading book (which also includes foreign exchange risk) was breached. The breach of the limit, which lasted ten consequent days, was caused by a long FX position (due to announced dividend payment) which led to the generating significant FX Stress VaR. During 2024, there was no registered breach of other stress VaR indicators.

28. RISK MANAGEMENT (continued)

28.4. Interest rate risk (continued)

The following table represents Reprising Gap report, i.e. the Bank's exposure to interest rate risk as of 31 December 2024:

In RSD thousand

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	With non-defined maturity	Total
ASSETS							
Cash and balances with Central Bank	204,234,014	-	-	-	-	0	204,234,014
Receivables from derivatives	-					78,654	78,654
Securities	37,234,331	9,934,780	7,597,612	38,287,374	0	551	93,054,648
Loans and receivables from banks and other financial organizations	123,827,059	368,603	1,545,143	1,117,804	11,227	458,958	127,328,794
Loans and receivables from customers	185,228,168	121,301,153	85,303,708	152,037,712	35,716,398	3,487	579,590,626
Investments in subsidiaries	-	-	-	-	-	1,199,472	1,199,472
TOTAL ASSETS	**550,523,572**	**131,604,536**	**94,446,463**	**191,442,890**	**35,727,625**	**1,741,122**	**1,005,486,208**

Reprising Gap report, i.e. the Bank's exposure to interest rate risk as of 31 December 2024 (continued)

In RSD thousand

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	With non-defined maturity	Total
LIABILITIES							
Liabilities based on derivatives						8,731	8,731
Deposits and other financial liabilities due to banks, other financial organizations and Central Bank	20,989,781	31,679,826	26,511,553	4,052,906	1,590,630	499,311	85,324,007
Deposits and other financial liabilities due to customers	596,927,373	65,850,966	110,123,261	9,532,493	776,935	2,793,381	786,004,409
TOTAL LIABILITIES	**617,917,154**	**97,530,792**	**136,634,814**	**13,585,399**	**2,367,565**	**3,301,423**	**871,337,147**
TOTAL EQUITY						**124,436,742**	**124,436,742**
TOTAL LIABILITIES AND EQUITY	**617,917,154**	**97,530,792**	**136,634,814**	**13,585,399**	**2,367,565**	**127,738,165**	**995,773,889**
MATURITY MISMATCH	**(67,393,582)**	**34,073,744**	**(42,188,351)**	**177,857,491**	**33,360,060**		
CUMULATIVE MATURITY MISMATCH	**(67,393,582)**	**(33,319,838)**	**(75,508,189)**	**102,349,302**	**135,709,362**		

28. RISK MANAGEMENT (continued)

28.4. Interest rate risk (continued)

The following table represents Reprising Gap report, i.e. the Bank's exposure to interest rate risk as of 31 December 2023:

In RSD thousand

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	With non-defined maturity	Total
ASSETS							
Cash and balances with Central Bank	145,416,663						145,416,663
Receivables from derivatives	-					80,353	80,353
Securities	13,805,072	0	5,696,461	38,220,774		557	57,722,864
Loans and receivables from banks and other financial organizations	152,056,037	692,533	3,007,365	1,259,452	95,642	14,873	157,125,902
Loans and receivables from customers	20,259,350	35,331,396	127,431,659	222,890,578	127,939,393	169,956	534,022,332
Investments in subsidiaries	-	-	-	-	-	1.199.472	1.199.472
TOTAL ASSETS	**331,537,122**	**36,023,929**	**136,135,485**	**262,370,804**	**128,035,035**	**1,465,211**	**895,567,586**

Reprising Gap report, i.e. the Bank's exposure to interest rate risk as of 31 December 2023 (continued)

In RSD thousand

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	With non-defined maturity	Total
LIABILITIES							
Liabilities based on derivatives						1,586	1,586
Deposits and other financial liabilities due to banks, other financial organizations and Central Bank	13,486,578	6,077,701	16,242,139	26,989,108	5,215,587	443,434	68,454,547
Deposits and other financial liabilities due to customers	541,436,874	26,883,015	91,292,458	46,178,172	1,541,309	2,354,383	709,686,211
TOTAL LIABILITIES	**554,923,452**	**32,960,716**	**107,534,597**	**73,167,280**	**6,756,896**	**2,799,403**	**778,142,344**
TOTAL EQUITY						**110,818,201**	**110,818,201**
TOTAL LIABILITIES AND EQUITY	**554,923,452**	**32,960,716**	**107,534,597**	**73,167,280**	**6,756,896**	**113,617,604**	**888,960,545**
MATURITY MISMATCH	**(223,386,330)**	**3,063,213**	**28,600,888**	**189,203,524**	**121,278,139**		
CUMULATIVE MATURITY MISMATCH	**(223,386,330)**	**(220,323,117)**	**(191,722,229)**	**(2,518,705)**	**118,759,434**		

28. RISK MANAGEMENT (continued)

28.4. Interest rate risk (continued)

The table below presents the effects of change in interest rates on the Bank's net income and net assets, valued by applying the standard scenario and not taking into account assumptions on asymmetrical changes of the yield curve. The standard scenario implies parallel movement of the yield curve by 100 bps and 200 bps on the Bank's net asset sensitivity and 50 bps on net income sensitivity.

In RSD thousand

Sensitivity of the Bank's net assets on the change in interest rates	Increase by 100bps	Decrease by 100bps	Increase by 200bps	Decrease by 200bp
2024				
As of 31 December	(1,207,253)	1,459,922	(2,221,448)	1,577,361
Period average	(770,598)	885,041	(1,898,923)	741,930
Period maximum	(326,575)	1,459,922	(1,136,526)	1,940,082
Period minimum	(1,207,253)	363,462	(2,962,032)	(361,125)
2023				
As of 31 December	(62,426)	92,946	(3,047,580)	3,302,965
Period average	10,410	32,432	(1,861,208)	1,582,884
Period maximum	385,787	317,163	40,803	3,302,965
Period minimum	(287,312)	(340,571)	(3,258,440)	(908,841)

In RSD thousand

Sensitivity of the Bank's net income on the change in interest rates	Increase by 50bps	Decrease by 50bp
2024		
As of 31 December	1,049,210	(1,396,769)
Period average	899,441	(1,268,178)
Period maximum	1,098,658	(1,034,789)
Period minimum	654,295	(1,440,088)
2023		
As of 31 December	987,536	(1,378,065)
Period average	1,037,329	(1,371,386)
Period maximum	1,557,520	(993,110)
Period minimum	587,537	(1,586,977)

The following table represents value at risk for portfolio of *financial assets hold to collect and sell (HTCS), calculated for regular and stressed period*:

In EUR

IRR HTCS VaR	31 December	Average	Maximum	Minimum
2024	**583,832**	**1,021,981**	**1,746,702**	**117,653**
2023	**200,535**	**663,857**	**1,770,667**	**183,017**

In EUR

IRR HTCS Stressed	31. December	Average	Maximum	Minimum
2024	**1,036,149**	**1,235,069**	**1,713,373**	**867,397**
2023	**1,248,630**	**1,193,712**	**1,874,395**	**283,830**

28. RISK MANAGEMENT (continued)

28.4. Interest rate risk (continued)

The following table represents value at risk for financial assets held for trading portfolio, calculated for regular and stressed period:

				In EUR
IRR HFT VaR	31 December	Average	Maximum	Minimum
2024	13,151	7,843	22,216	442
2023	3,517	2,361	10,230	6

				In EUR
IRR Stressed HFT VaR	31 December	Average	Maximum	Minimum
2024	20.632	16.293	46.377	2.436
2023	13,770	3,432	17,910	42

The following table represents value at risk for total portfolio, meaning securities portfolio and derivatives (FX forward portfolio) held for trading portfolio, financial assets hold to collect and sell (HTCS) portfolio as well as FX VaR calculated for open FX positon, calculated for regular and stressed period:

				In EUR
IRR Total VaR (HTCS, HFT & FX VaR)	31 December	Average	Maximum	Minimum
2024	586,742	1,028,443	1,749,793	121,815
2023	207,099	670,468	1,775,809	188,232

				In EUR
IRR Total Stressed VaR (HTCS, HFT & FX VaR)	31 December	Average	Maximum	Minimum
2024	1,151,653	1,417,346	2,384,260	879,473
2023	1,277,311	1,272,299	2,501,812	288,494

28.5. Operational risk

Operational risk is the risk of possible adverse effects on financial result and capital of the Bank caused by omissions (unintentional and intentional) in the employees' work, inadequate internal procedures and processes, inadequate management of information and other systems, as well as by unforeseeable external events. Operational risk shall also include legal risk.

The Bank's goal is to manage operational risk, in order to achieve balance between preventing financial loss and damage to the Bank's reputation, on one side, and economic profitability and innovation, on the other. The Bank's policy requires respecting all currently valid regulations.

28. RISK MANAGEMENT (continued)

28.5. Operational risk (continued)

The Bank has developed and implemented specific standards of operational risk management in the following areas:

- Operational risk identification, which comprises:
  - Collecting data on operational risks and losses – identification, registration and classification of data on the Bank's losses,
  - Integrated process of assessment of the Bank's exposure to operational risk;
  - Assessment of operational risk when implementing new product, process or system;
- Operational risk measuring;
- Monitoring and reporting on operational risk; and
- Mitigating operational risk.

At least once a year, Bank's Internal Audit performs independent assessment of adequacy of the operational risk management system. The results of this assessment are disclosed within the Audit Report, which includes all the findings and improvement suggestions.

For the purposes of capital requirements for operational risk calculation, the Bank applies the standardized approach. The capital requirement for operational risk, calculated by applying the standardized approach, amounts to RSD RSD 6,637,775 thousand as of 31 December 2024 (31 December 2023: RSD 5,509,428 thousand).

28.6. Exposure risk

The Risk Management Department monitors, measures and reports to the competent boards of the Bank on the Bank's exposure to a single client or to a group of related clients, risk of investment in other legal entities and in fixed assets, country risk to which the Bank is exposed, as well as operational risk. In 2023, the Bank maintained compliance of the exposure risk and investment risk indicators and performed appropriate activities defined by relevant procedures and decisions on credit approval and investments in financial and non-financial assets, ensuring compliance of the Bank's placements and investments with indicators prescribed by the National Bank of Serbia as well as the investment limits prescribed by the Bank.

Exposure risks include the risk of the Bank's exposure to a single client or a group of related clients, as well as exposure risk toward related parties of the Bank.

In accordance with the Risk Management Policy, the Bank's management sets exposure limits, i.e. the concentration of placements to a single client or a group of related clients, and related parties of the Bank.

The Bank's management and relevant bodies and employees seek to ensure the compliance of the Bank's exposures with prescribed limits, i.e. exposure to a single client or a group of related clients does not exceed 25% of the Bank's equity, total amount of all large exposures does not exceed 400% of the Bank's equity.

28.7. Investment risks

Investment risks include the risk of investment in other legal entities and investment in fixed assets. In accordance with the National Bank of Serbia's regulations, the Risk Management Department monitors the Bank's investments and reports to the Executive Board. The Department also ensures that the Bank's investment in a single non-financial entity does not exceed 10% of the Bank's equity, and that the total investments of the Bank in non-financial entities and in fixed assets do not exceed 60% of the Bank's equity.

28. RISK MANAGEMENT (continued)

28.8. Country risk

Country risk relates to the country of origin of the Bank's client and includes negative effects which may influence financial result and equity of the Bank, as the Bank might not be able to collect receivables from such a client, as a result of political, economic or social conditions in the client's country of origin. The Bank's exposure to country risk is low, due to insignificant share of non-residents in the total loan portfolio of the Bank.

28.9. Capital management

The objective of the Bank's capital management is to maintain the Bank's ability to continue operating into the foreseeable future, in order to maintain the optimal structure of capital with a view to decreasing the costs of capital and securing dividends for shareholders.

The Bank permanently manages its capital in order to:
- Ensure compliance with capital requirements set by the National Bank of Serbia;
- Ensure adequate level of capital in order to ensure operations as a going concern;
- Maintain capital at the level that will ensure future development of the business; and
- Maintain capital at the level that is adequate to cover internally assessed capital requirements for all significant risks identified in the Internal Capital Adequacy Assessment Process (ICAAP)

Capital adequacy, as well as use of the Bank's capital, is monitored on a monthly basis by the Bank's management. The Bank is obliged to calculate the following ratios and at any moment keeps them at levels that are not lower than prescribed:
- ratio of the adequacy of the basic share capital of the bank, which represents the percentage ratio of the basic share capital and risky assets of the bank - 4.5%;
- an indicator of the basic capital adequacy of the bank, which represents a percentage ratio of the basic capital and risky assets of the bank - 6%;
- Indicator of the adequacy of (total) capital of the bank, which represents the percentage ratio of capital and risky assets of the bank - 8%.

28. RISK MANAGEMENT (continued)

28.9. Capital management (continued)

The Bank's regulatory capital according to the Decision on Capital Adequacy of Banks as of 2024:

	In RSD thousand
ITEM	**31.12.2024**
CAPITAL	**105,343,329**
Core capital	**93,641,839**
Common Equity Tier 1 capital	**93,641,839**
Common Equity Tier 1 capital instruments and the relevant issue premium	**41,748,469**
Paid amount of Common Equity Tier 1 capital instruments	21,315,900
Relevant issue premium with Common Equity Tier 1 capital instruments	20,432,569
Note: Retained earnings from preceding years which do not qualify for inclusion in Common Equity Tier 1 capital	-
Note: Profit of the current period which does not qualify for inclusion in Common Equity Tier 1 capital	26,799,530
Revaluation reserves and other unrealized gains/losses	**1,706,141**
Revaluation reserves and other unrealized gains/losses	1,754,488
(-) Unrealized losses	(48,347)
Reserves from profit, other reserves and reserves for general banking risks	**54,071,306**
Other reserves	54,071,306
(+/-) Regulatory adjustment of the value of Common Equity Tier 1 capital elements	**(86,884)**
(-) Additional value adjustments	(86,884)
(-) Other intangible investment reduced by associated deferred tax liabilities	**(3,685,009)**
(-) Other intangible investment before the reduction by associated deferred tax liabilities	(3,685,009)
(-) Gross amount of receivables from the borrower – natural person (other than a farmer or an entrepreneur) arising from extended consumer, cash or other loans where the level of the borrower's debt-to-income ratio before loan approval was higher than the percentage defined in accordance with the decision governing the classification of bank balance sheet assets and off-balance sheet items or where this percentage will be higher due to loan approval.	**(23,148)**
(-) Gross amount of receivables from the borrower – natural person (other than a farmer or an entrepreneur) arising from extended consumer, cash or other loans, other than the loans disclosed under this position which under the criterion agreed maturity qualify for the deduction from Common Equity Tier 1 prescribed by the decision governing bank capital adequacy*	**(89,036)**
Of which: loans whose contractual maturity is longer than 2920 days - if these loans were approved in the period from January 1 to December 31, 2019 *	**(89,036)**
ADDITIONAL CAPITAL	**11,701,490**
Paid amount of subordinated liabilities	11,701,490

28.9. Capital management (continued)

The Bank's regulatory capital according to the Decision on Capital Adequacy of Banks as of 2023:

	In RSD thousand
ITEM	**31.12.2023**
CAPITAL	**97.297.587**
Core capital	**85.580.217**
Common Equity Tier 1 capital	**85.580.217**
Common Equity Tier 1 capital instruments and the relevant issue premium	**41.748.469**
Paid amount of Common Equity Tier 1 capital instruments	21.315.900
Relevant issue premium with Common Equity Tier 1 capital instruments	20.432.569
Note: Retained earnings from preceding years which do not qualify for inclusion in Common Equity Tier 1 capital	1.291
Note: Profit of the current period which does not qualify for inclusion in Common Equity Tier 1 capital	21.038.879
Revaluation reserves and other unrealized gains/losses	**1.358.830**
Revaluation reserves and other unrealized gains/losses	1.460.648
(-) Unrealized losses	(101.818)
Reserves from profit, other reserves and reserves for general banking risks	**46.706.407**
Other reserves	46.706.407
(+/-) Regulatory adjustment of the value of Common Equity Tier 1 capital elements	**(52.004)**
(-) Additional value adjustments	(52.004)
(-) Other intangible investment reduced by associated deferred tax liabilities	**(3.994.303)**
(-) Other intangible investment before the reduction by associated deferred tax liabilities	(3.994.303)
(-) Gross amount of receivables from the borrower – natural person (other than a farmer or an entrepreneur) arising from extended consumer, cash or other loans where the level of the borrower's debt-to-income ratio before loan approval was higher than the percentage defined in accordance with the decision governing the classification of bank balance sheet assets and off-balance sheet items or where this percentage will be higher due to loan approval.	**(41.421)**
(-) Gross amount of receivables from the borrower – natural person (other than a farmer or an entrepreneur) arising from extended consumer, cash or other loans, other than the loans disclosed under this position which under the criterion agreed maturity qualify for the deduction from Common Equity Tier 1 prescribed by the decision governing bank capital adequacy*	**(145.761)**
Of which: loans whose contractual maturity is longer than 2920 days - if these loans were approved in the period from January 1 to December 31, 2019 *	**(145.761)**
ADDITIONAL CAPITAL	**11.717.370**
Paid amount of subordinated liabilities	11.717.370

28. RISK MANAGEMENT (continued)

28.10. Fair value of financial assets and liabilities

The Bank's policy is to disclose information on the fair value of assets and liabilities, for which official market information is available and when their fair value significantly differs from their carrying amounts.

Determining fair value of the financial instruments, which are not carried at amortized cost must follow the principles, criteria and hierarchy prescribed by the Fair value policy, which is in accordance with ISP Group's requirements for determining fair value. Determining fair value of the financial instruments not carried at amortized cost respects the following hierarchy, which reflects credibility of the inputs used in determination of fair value:

- Level 1: inputs are the quoted market prices (without corrections) on active markets;
- Level 2: inputs other than quoted prices from level 1, but directly or indirectly (derived from prices) quoted on market. This category includes: market interest rates, CDS (credit default swap) market quotations, market prices of primary bonds issue or market exchange rates when determining value of the instrument.
- Level 3: inputs that are not information available on the market. This category includes each instrument, for which information on value is not directly or indirectly available on the market.

Implementation of the hierarchy is not optional, and the Bank cannot choose the information for determining fair value of financial instruments that are not carried at amortized cost, but it must respect the abovementioned hierarchy.

Financial instruments not carried at amortized cost and on which Fair Value Policy is applied are:

- Securities (government FX bonds, government bonds issued by foreign governments, shares quoted on foreign exchange markets etc.) for which active and liquid market exists, which provides direct information about quoted market prices (Level 1);
- The Republic of Serbia treasury bonds, which are valued by discounting future cash flows by applying market non-risk yield curves, adjusted liquidity risk (at RSD bonds, without direct quotation of maturity) (Level 2);
- Over-the-counter financial derivatives (FX swap, FX forward and interest rate swap) which are valued by discounting future cash flows with market non-risk yield curves adjusted for liquidity risk (at RSD curve without direct quotation of maturity) (Level 2);
- Shares and investments in legal entities, which are not sold on active markets and for which there is no reliable value, are carried at cost or last available information about value, reduced by impairment (Level 3)

During 2024 there were no transition between levels during the year.

28. RISK MANAGEMENT (continued)

28.10. Fair value of financial assets and liabilities (continued)

The following tables present value of financial instruments based on different information and in accordance with hierarchy within the Fair Value Policy:

Fair value as of 31 December 2024:

				In RSD thousand
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Securities	29,404,671	57,559,269	231,973	87,195,914
Receivables from derivatives	-	78,654	-	78,654
Total	**29,404,671**	**57,637,923**	**231,973**	**87,274,568**
Liabilities				
Liabilities based on derivatives	-	8,731	-	8,731
Total	**-**	**8,731**	**-**	**8,731**

Fair value measurement for securities position is divided into three levels. Level 1 instruments refer equities and Government FX bonds quoted on international market. Level 2 instruments refer to bonds issued by Republic of Serbia and financial derivatives which are valued by using discounting techniques on future contracted cash flows, applying market risk-free yields. Level 3 instruments refer to shares or equity held in legal entities that are not listed on the active market.

Fair value as of 31 December 2023:

				In RSD thousand
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Securities	727,127	51,280,060	10,089	52,017,276
Receivables from derivatives	0	80,353	0	80,353
Total	**727,127**	**51,360,413**	**10,089**	**52,097,629**
Liabilities				
Liabilities based on derivatives	-	1,586	-	1,586
Total	**-**	**1,586**	**-**	**1.586**

The Bank's management considers that the carrying amounts stated in the accompanying financial statements are the most valid and useful reporting values under the present market conditions.

28. RISK MANAGEMENT (continued)

28.10. Fair value of financial assets and liabilities (continued)

The following table represents fair value of instruments not carried at fair value and classified by the appropriate levels of hierarchy:

					In RSD thousand
31 December 2024	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**
Assets					
Cash and balances with Central Bank	-	204,234,014		204,234,014	204,234,014
Securities	-	5,928,926		5,928,926	5,928,926
Loans and receivables from banks and other financial organizations	-	127,354,490	-	127,354,490	127,354,490
Loans and receivables from customers	-	249,232,779	366,722,154	615,954,933	579,590,626
Total	**-**	**586,750,209**	**366,722,154**	**953,472,363**	**917,012,168**
Liabilities					
Deposits and other financial liabilities due to banks, other financial organizations and Central Bank	-	55,297,918	30,572,469	85,870,387	85,324,008
Deposits and other financial liabilities due to customers	-	753,873,705	39,958,018	793,831,723	786,004,408
Subordinated liabilities	-	-	14,927,459	14,927,459	11,746,001
Total	**-**	**809,171,623**	**85,457,947**	**894,629,569**	**883,074,418**

Fair valued Cash and balances with Central Bank are belonging to the Level 2 and are presented at their carrying amount.

Loans and receivables from banks and other financial organizations, deposits and other financial liabilities due to banks, other financial organizations and Central Bank are presented at their fair value calculated as discounting cash flows for deposits, or as discounting cash flows. Given the short-term deposits with financial institutions (money market), i.e. transactions with highly rated financial institutions which are contracted at interest rates corresponding to the market, these positions belong to the Level 2.

Fair value for positions Loans and receivables from customers and Deposits and other financial liabilities due to customers are calculated as discounting techniques of future cash flows for deposits, or as discounting cash flows. Doubtful loans are valued in the same manner as performing loans, while maturity estimated by the NPL Department is assigned to the total net exposure instead of initially contracted maturity. These positions belong to the Level 2 (up to one-year maturity) respectively Level 3 (if the maturity is over one year).

For the purposes of determining fair values, risk-free yield curves that correspond to the currency and maturity structure of the contracted cash flow are used. For maturities for which there are no market quotes of the BELIBOR yield curve, the yield equals the quoted value of the six-month BELIBOR, increased by the corresponding spread. Spread for a certain maturity is defined as the difference between the executed bond rate with same maturity in the primary market and the value of the six-month BELIBOR on the day of issue of the relevant bond. The European yield curve represents the EUR-STANDARD yield curve that is defined by the money market (for a maturity of up to one year) and the interest rate swap curve which is increased for the country's risk spread (for a maturity more than one year), where the country's risk spread is defined as the difference between issued Serbian and Germany risk-free bonds.

28. RISK MANAGEMENT (continued)

28.10. Fair value of financial assets and liabilities (continued)

In RSD thousand

31 December 2023	Level 1	Level 2	Level 3	Fair value	Carrying amount
Assets					
Cash and balances with Central Bank	-	145,416,663		145,416,663	145,416,663
Securities	-		5,946,365	5,946,365	5,705,587
Loans and receivables from banks and other financial organizations	-	157,411,164	0	157,411,164	157,125,903
Loans and receivables from customers	-	235,715,835	300,525,630	536,241,465	534,022,332
Total	**-**	**538,543,662**	**306,471,995**	**845,015,657**	**842,270,485**
Liabilities					
Deposits and other financial liabilities due to banks, other financial organizations and Central Bank	-	11,050,660	57,448,741	68,499,400	68,454,547
Deposits and other financial liabilities due to customers	-	588,345,696	129,120,771	717,466,467	709,686,211
Subordinated liabilities	-	-	15,209,868	15,209,868	11,769,379
Total	**-**	**599,396,356**	**201,779,380**	**801,175,735**	**789,910,137**

The Bank's management assesses the risk, and in instances in which it estimates that the carrying amount of assets may not be realized, it recognizes a provision.

28.11. Climate related risks

Being aware of its role in fostering greater environmental and social sustainability at an economic system level and in line with the rapidly evolving European regulatory framework on sustainability, the Bank, as a member of the ISP Group, bases its strategy on the transversal and holistic approach to ESG issues.

The Bank recognised the following key climate and environmental risks:

- physical risk, that implies economic impact resulting from tangible events related to climate changes. Physical risk is classified as "acute" if caused by extreme events such as floods, storms and fires, and "chronic" if caused by progressive changes such as rising temperatures leading to droughts, rising sea levels, water stress, loss of biodiversity, land-use change, habitat destruction and resource scarcity. This risk can lead directly to, for example, material damage or a drop in productivity, or have indirect impact such as disruption of production chains;
- transition risk, that implies financial loss that an institution may incur, directly or indirectly, as a result of failing to adjust to a low-carbon and more environmentally sustainable economy. This could be caused, for example, by the relatively sudden adoption of climate and environmental policies, technological progress or changing market confidence and preferences.

Following the example of the Parent bank, the Bank has engaged significant resources for the development and implementation of the framework for ESG risks. Documents were adopted that, among other, describe the reference principles of sustainability, the roles and responsibilities of corporate bodies, as well as the macro-process of ESG risk management. Also, the documents describe the potential impact of ESG risks on traditional risk families (credit, market, liquidity risk, reputational, non-financial, etc.). In addition, high-risk sectors, clients and countries for which the Bank has a special decision-making process are defined. Exposure to the riskiest sectors is in the process of gradual reduction until final closure.

In the following period, the Bank will continue with activities additionally work on the operationalization of methodologies, and the quantification of ESG risks, as well as on more detailed assessment of climate risks.

29.POTENTIAL LIABILITIES

(a) Litigations

As of 31 December 2024, the Bank is a defendant in a certain number of legal proceedings. Total estimated value of damage claims amounts to RSD 11,635,047 thousand (31 December 2023: RSD 11,986,728 thousand), including penalty interests and fees reduced for payments.

As disclosed in Note 23, as of 31 December 2024 the Bank recognized the provision for potential losses that could arise from the aforementioned litigations in the total amount of RSD 1.271.476 thousand (31 December 2023: RSD 1,693,076 thousand). The Bank's management considers that no significant losses will arise from the ongoing litigations, other than those provided for.

The amount of the highest single litigation claims of RSD 5.491.509 thousand, for which the Bank did not recorded provision, is claimed by a physical person, who is the owner of the Bank's corporate debtor and guarantor for the loan granted to that corporate debtor. The Bank did not recognize provision for this litigation and according to the Bank's management opinion, claimant presented in ungrounded and arbitrarily manner, the facts based on which he claims not precise requirements for compensation damage, and it is expected that the Court will completely reject the claim. Nevertheless, the Bank will monitor change in circumstances at the end of each reporting period.

The Bank is involved in a number of lawsuits as plaintiff related to collection of receivables. All disputed receivables from corporate and retail customers have been impaired and charged to the results of the current and previous years.

The following areas of mass disputes have impacted the entire Serbian banking system shown below.

1) Processing fees
Legal disputes regarding processing fees applied by banks at the time of disbursing loans. The claimants, individuals and legal persons, are requesting the repayment of those charges, as they are deemed as not owed. The first claims arose in 2017, and a significant increase in lawsuits was recorded in the following years, though for modest amounts on average. As at 31 December 2024, The Bank has around 11,000 active lawsuits (of which around 1,500 arising during 2024), while the related total amounts requested to be repaid by the Bank totalled around RSD 81 million. Most of the courts upheld the customers' requests, based on an interpretation of regulations that the banks oppose. In September 2021, the Supreme Court of Serbia recognised the legitimacy of the costs and fees applied to loans at the time of their disbursement, provided they are indicated in the contract proposal. After that, the ratio of win/lose cases, when court decides in merit, shows a gradual trend of change in favor of the banks The flow of new lawsuits decreased in 2024 for 75% in comparison to 2023, and customers dropped some of those already pending.

2) NKOSK
Legal disputes relating to real estate loans insured through the National Housing Loan Insurance Corporation (NKOSK), whose premium is paid by the borrowers. The borrowers deem that, as the bank is the beneficiary of the insurance, the premium should be paid by the bank. As at 31 December 2024, The Bank has 1,005 active lawsuits (of which 254 arising during 2024). The related total amounts requested to be repaid by the Bank totalled around RSD 112 million. Most of the courts upheld the customers' requests, based on an interpretation of regulations that the banks oppose. In September 2021, the Supreme Court of Serbia recognised the legitimacy of requiring the insurance premium to be paid by the borrowers, provided that the obligation is clearly described to the borrowers during precontractual procedures. The flow of new lawsuits decreased in 2024 for 50% in comparison to 2023, The disputes mentioned above are covered by suitable provisions

(b) Tax Risks

The tax system of the Republic of Serbia is in the process of continuous review and amendments. The tax period in the Republic of Serbia is considered to be open for five years. Under various circumstances, the tax authorities could have a different approach to certain issued and could assess additional tax liabilities together with related penalty interest and fees. The Bank's management believes that tax liabilities recognized in the accompanying financial statements are presented fairly.

30. RECONCILIATION OF OUTSTANDING BALANCES WITH COUNTERPARTIES

In accordance with Article 22 of the Law on Accounting, the Bank performed the process of reconciliation of outstanding liabilities and receivables with its debtors and creditors as of 30 November 2024, and it maintains credible documentation on the circularization process.
Of 5,448 open items (IOS forms), which include the value of receivables of RSD 341.574.505 thousand denied 13.
The balance of unreconciled outstanding receivables in amount of RSD 80.808 thousand presented 0.02% of total receivables of open items (IOS).

The largest number of unmatched receivables relate to receivables from issued guarantees.

31. ECONOMIC ENVIRONMENT

The macroeconomic picture of Serbia during 2024 was largely determined by relatively high growth in economic activity driven by domestic demand, the return of inflation to the target range that allowed for cautious easing of monetary restrictions, as well as challenges in the form of a sharp deterioration in the country's external position and persistent core inflation.

Based on the first estimate from the Statistical Office, Serbia's real year-on-year GDP growth in 2024 was 3.9%. Economic growth was driven by stronger domestic demand, supported by an increase in disposable income and the ongoing investment cycle, bolstered by public and foreign direct investments (FDI) that exceeded 5 billion euros. On the other hand, net exports negatively impacted GDP since the last quarter of 2023, as imports grew faster than exports, with the negative contribution being strongest in the third quarter of 2024 when import growth was nearly four times faster than export growth. From the production side, growth in 2024 was driven by increased activity in the services sector, manufacturing, and construction, while adverse weather conditions led to a decline in the agriculture sector, as well as in the energy sector. The physical volume of industrial production increased by 3%, thanks to the manufacturing sector, which achieved a year-on-year growth of 4.4% despite the slowdown in external demand.

Labor market trends show moderate improvements. Formal employment has slightly increased, and the unemployment rate has dropped to 8.1% in the third quarter of 2024. According to the first estimate from the Statistical Office, the average wage has increased in real terms by a significant 9.2% for the year, preserving the purchasing power of the population, but also increasing wage cost pressures on prices.

Inflation was significantly reduced in the first half of the year, influenced by restrictive monetary policy, global easing of price pressures, and the effects of a high base, and since June it has been below the upper limit of the NBS target corridor. However, the disinflationary trend has practically stalled, and the year-on-year inflation level continued to remain relatively high in the second half of the year, ranging from 4.2% to 4.5%, with domestic inflation becoming dominant in its structure. The average annual inflation rate was 4.6% in 2024, while in December it stood at 4.3%, with core inflation being one percentage point higher, indicating that price pressures in the country are still pronounced.

With the return of inflation to target limits, the National Bank of Serbia began to ease the restrictiveness of its monetary policy, reducing the reference interest rate three times for a total of 75 basis points as of September. The reference rate has since been set at 5.75%, reflecting the cautious stance of the central bank in the context of rising global tensions, the negative impact of a poor agricultural season on food prices, and still high core inflation. In addition, economic activity is strong, which also justifies the NBS's stance, which emphasizes that the effects of the monetary easing so far can be expected in the coming period.

The easing of NBS monetary policy has prompted a reduction in interest rates in the dinar segment of the money and credit market, which began at the end of 2023 (due to banks' expectations that the NBS would soon start lowering the reference interest rate), positively impacting the volume of newly approved loans. Along with the easing of credit standards, the positive dynamics of lending has also been supported by the reduction of the European Central Bank's monetary policy restrictiveness, as well as the NBS's decision to temporarily limit interest rates on housing loans.

The dinar remained stable in 2024, appreciating by 0.1% against the euro, while the National Bank of Serbia net purchased around 2.7 billion euros in the interbank foreign exchange market, significantly contributing to the further increase in foreign exchange reserves. This made 2024 the seventh year out of the last eight years (since 2017) that the NBS ended as a net buyer of foreign currency. The gross foreign exchange reserves of the NBS at the end of December 2024 amounted to 29.3 billion euros, the highest level of gross foreign exchange reserves at the end of the month, and also at the end of the year since data has been tracked in this manner (since 2000).

Fiscal conditions remained sustainable despite the increased expansiveness of fiscal policy and strong expenditure growth in the last quarter, which pushed the budget into deficit. The September budget revision increased the planned deficit from an initial 2.2% of GDP to 2.9% of GDP, but it is expected to be slightly lower than 2.7% of GDP for the entire year of 2024. Public debt at the end of November 2024 amounted to 38.4 billion euros, having increased by about 2.2 billion euros since the beginning of the year. The share of public debt in (projected) GDP fell below 50% thanks to a major revision of national accounts, and in November 2024 it stood at 46.8%, remaining below the Maastricht criterion of 60%. Although the country's relative indebtedness has slightly decreased, the significant growth of public debt in nominal terms over the past three years has led to a spike in interest costs to around 2% of GDP, with further increases expected.

31. ECONOMIC ENVIRONMENT

InOctober 2024, Serbia was for the first time in history classified among countries with an investment-grade credit rating by Standard & Poor's (BBB-), thanks to favourable macroeconomic indicators, stable growth prospects, and increased resilience of the Serbian economy to external shocks. The positive effect on investors' risk perception is also expected from the new three-year non-financial arrangement with the IMF, which was agreed upon at the end of the year, aimed at preserving macroeconomic stability, maintaining fiscal discipline in the medium term, as well as further reforms of state-owned enterprises, primarily in the energy sector.

When it comes to the banking sector of Serbia, high capital adequacy has been maintained (the capital adequacy ratio was 21.9% in November), with a favourable structure (approximately 92% consists of the highest quality core equity capital). All relevant liquidity indicators of the banking sector have been preserved, continuing to record values that are twice the minimum required. The quality of the banking sector's portfolio has improved, and the share of non-performing loans is, according to the latest available data from the NBS for November, at a historical minimum of 2.7%. Banca Intesa Beograd is expected to remain highly liquid and well-capitalized in the coming year.

32. EXCHANGE RATES

The official median exchange rates of the National Bank of Serbia, determined at the Interbank Foreign Currency Market, used in the translation of balance sheet items denominated in foreign currencies, as of 31 December 2024 and 2023 into the functional currency (RSD), for the major foreign currencies were as follows:

		In RSD
	2024	**2023**
EUR	117.0149	117.1737
USD	112.4386	105.8671
CHF	124.5237	125.5343
GBP	141.1178	135.0550
CAD	78.3652	80.0094
AUD	69.8763	72.4054
DKK	15.6880	15.7175
SEK	10.2000	10.5963
RUB	1.0557	1.1764

33. EVENTS AFTER THE REPORTING PERIOD

One client of the Bank has been under the sanctions by the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury, started from January 10, 2025, with transition period for its implementation up to March 28, 2025.

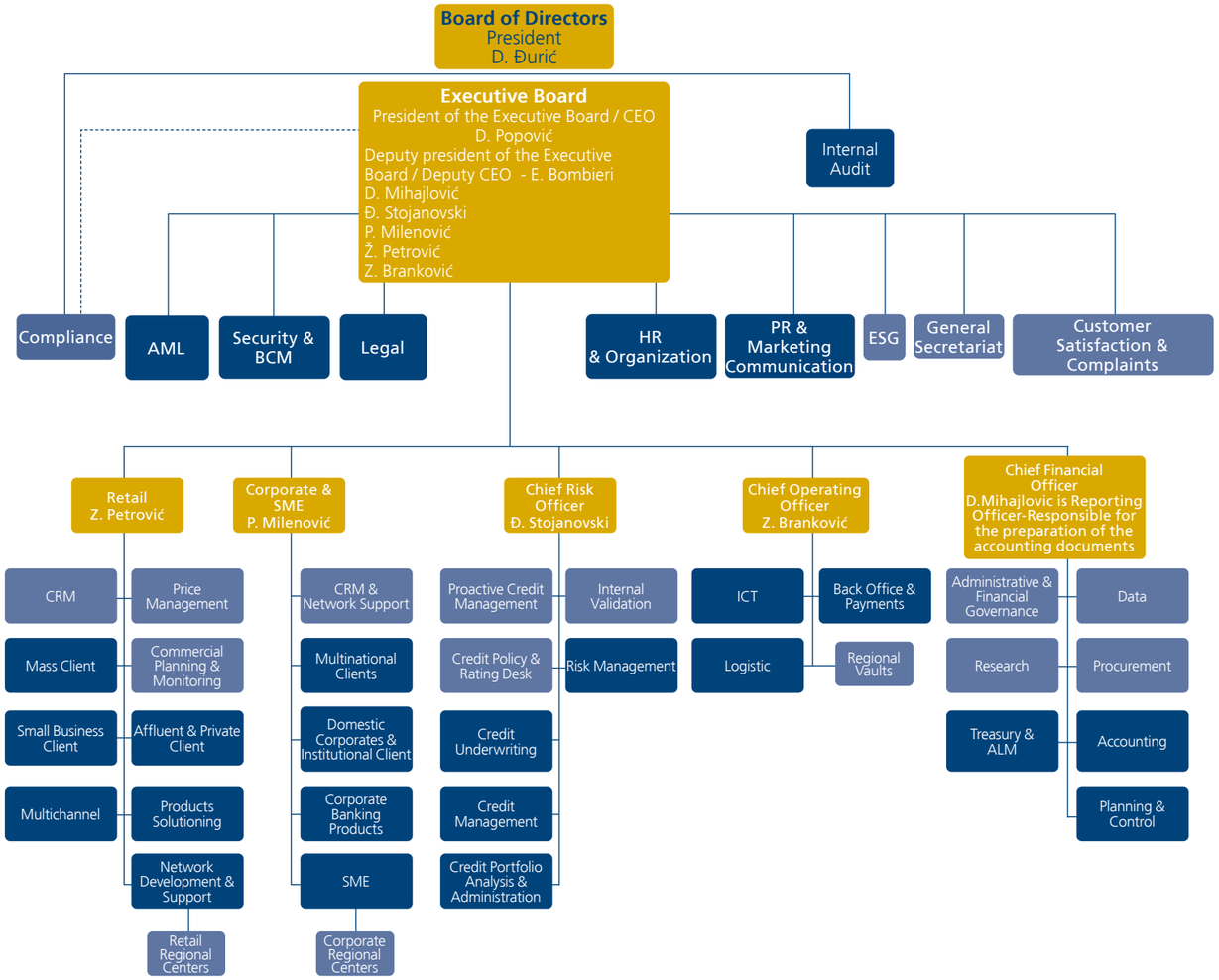
Bank is closely monitoring the situation, and the Bank´s Management has assessed that adequate actions has been taken in order to mitigate potential negative effects related to future collection of receivables from the Client.

The Bank will continue to actively monitoring further developments in the upcoming period, with the aim of timely and adequate fulfilment of its regulatory obligations and maintaining compliance, with both, the requirements of International Financial Reporting Standards regarding the adequate classification of the aforementioned receivables, as well as, with the expectations of all key stakeholders.

In Belgrade, 28 February 2025

Nevena Novaković	Dragica Mihajlović,	Darko Popović
Head of Accounting Department	Member of the Executive Board / CFO	President of the Executive Board / CEO

Organisational Chart



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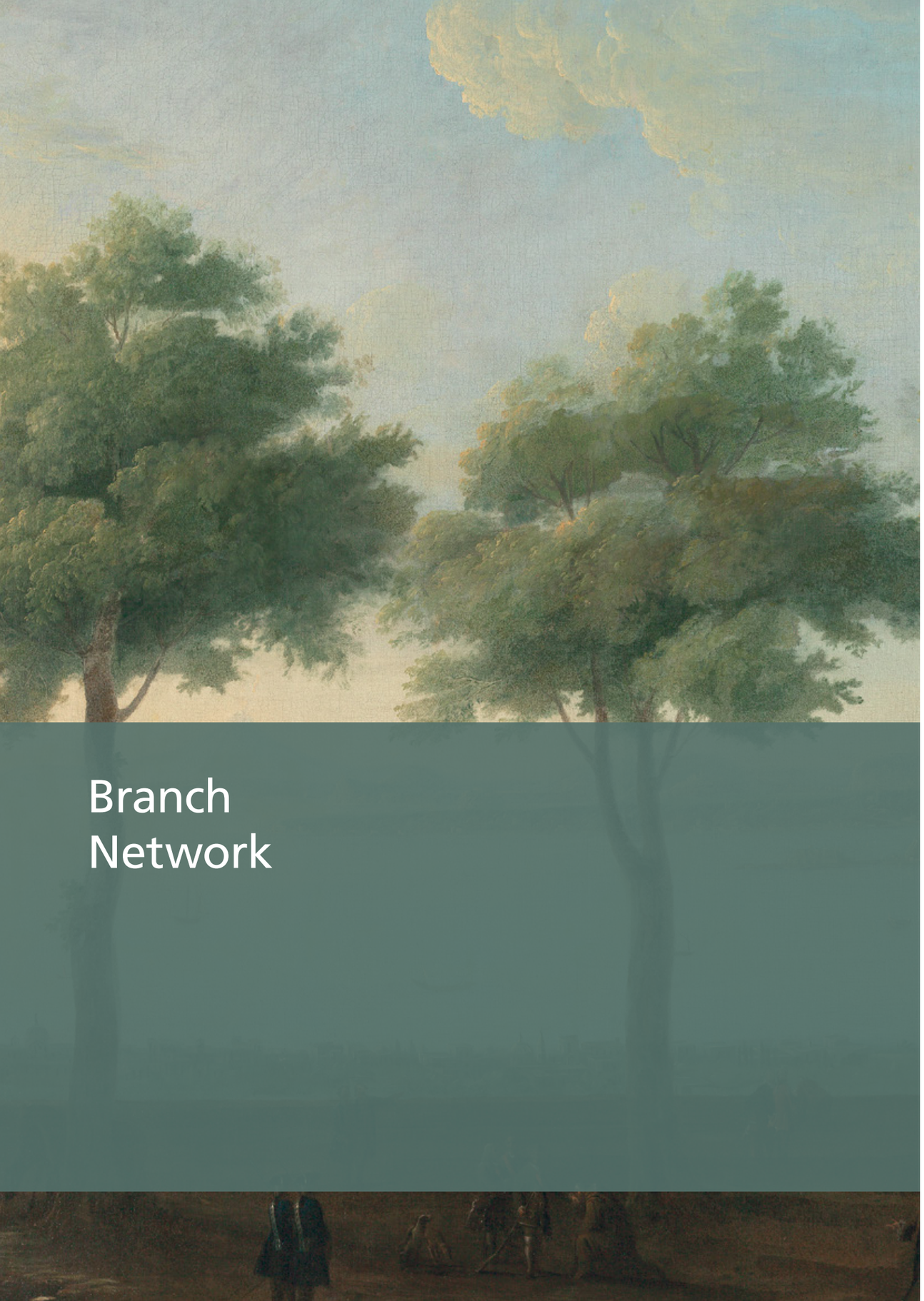
The Deputy CEO is responsible for Projed Management in terms of strate gic projeds.



Branch Network

Location	Name of the branch	Regional centre	Address
Ada	Ada, Vuka Karadžića 18	Novi Sad	Vuka Karadžića 18
Aleksinac	Aleksinac, Knjaza Miloša 115	Niš	Knjaza Miloša 115
Apatin	Apatin, Petefi Šandora 2	Novi Sad	Petefi Šandora 2
Arandjelovac	Aranđelovac, Knjaza Miloša 192	Kragujevac	Knjaza Miloša 192
Arilje	Arilje, Stevana Čolovića 2	Kragujevac	Stevana Čolovića 2
Bačka Palanka	Bačka Palanka, Žarka Zrenjanina 80	Novi Sad	Žarka Zrenjanina 80
Bačka Topola	Bačka Topola, Glavna 29	Novi Sad	Glavna 29
Bački Petrovac	Bački Petrovac, Maršala Tita 4	Novi Sad	Maršala Tita 4
Bajina Bašta	Bajina Bašta, Svetosavska 19a	Kragujevac	Svetosavska 19a
Batajnica	Zemun, Batajnica, Majke Jugovića 1	Beograd	Majke Jugovića 1
Bečej	Bečej, Novosadska 3	Novi Sad	Novosadska 3
Beograd	Čukarica, Požeška 65a	Beograd	Požeška 65a
Beograd	Čukarica, Požeška 65b	Beograd	Požeška 65b
Beograd	Čukarica, Trgovačka 15	Beograd	Trgovačka 15
Beograd	Novi Beograd, Bulevar Arsenija Čarnojevića 54	Beograd	Bulevar Arsenija Čarnojevića 54
Beograd	Novi Beograd, Bulevar maršala Tolbuhina 34	Beograd	Bulevar maršala Tolbuhina 34
Beograd	Novi Beograd, Jurija Gagarina 14	Beograd	Jurija Gagarina 14
Beograd	Novi Beograd, Jurija Gagarina 36b	Beograd	Jurija Gagarina 36b
Beograd	Novi Beograd, Milentija Popovića 7b	Beograd	Milentija Popovića 7b
Beograd	Novi Beograd, Milentija Popovića 7v	Beograd	Milentija Popovića 7v
Beograd	Novi Beograd, Milutina Milankovića 134g	Beograd	Milutina Milankovića 134g
Beograd	Novi Beograd, Nedeljka Gvozdenovića 24a	Beograd	Nedeljka Gvozdenovića 24a
Beograd	Novi Beograd, Omladinskih brigada 90	Beograd	Omladinskih brigada 90
Beograd	Novi Beograd, Otona Župančića 1	Beograd	Otona Župančića 1
Beograd	Novi Beograd, Partizanske avijacije 14	Beograd	Partizanske avijacije 14
Beograd	Palilula, Ilije Garašanina 4	Beograd	Ilije Garašanina 4
Beograd	Palilula, Borča, Ivana Milutinovića 73	Beograd	Ivana Milutinovića 73
Beograd	Palilula, Marjane Gregoran 60	Beograd	Marjane Gregoran 60
Beograd	Rakovica, Miška Kranjca 18b	Beograd	Miška Kranjca 18b
Beograd	Rakovica, Vidikovački venac 80b	Beograd	Vidikovački venac 80b
Beograd	Rakovica, Vukasovićeva 50a	Beograd	Vukasovićeva 50a
Beograd	Savski Venac, Nemanjina 4	Beograd	Nemanjina 4
Beograd	Savski Venac, Vase Pelagića 48b	Beograd	Vase Pelagića 48b
Beograd	Savski Venac, Hercegovačka 21	Beograd	Hercegovačka 21
Beograd	Stari Grad, Cara Dušana 50	Beograd	Cara Dušana 50
Beograd	Stari Grad, Knez Mihailova 30	Beograd	Knez Mihailova 30
Beograd	Stari Grad, Kolarčeva 5	Beograd	Kolarčeva 5
Beograd	Stari Grad, Studentski trg 7	Beograd	Studentski trg 7
Beograd	Surčin, Vojvođanska 85	Beograd	Vojvođanska 85
Beograd	Voždovac, Banjica, Crnotravska 7-9	Beograd	Crnotravska 7-9

Location	Name of the branch	Regional centre	Address
Beograd	Voždovac, Braće Jerković 137b	Beograd	Braće Jerković 137b
Beograd	Voždovac, Kumodraška 174	Beograd	Kumodraška 174
Beograd	Voždovac, Ustanička 69	Beograd	Ustanička 69
Beograd	Voždovac, Vojvode Stepe 77	Beograd	Vojvode Stepe 77
Beograd	Vračar, Bore Stankovića 9	Beograd	Sarajevska 31
Beograd	Vračar, Bulevar oslobođenja 3	Beograd	Bulevar oslobođenja 3
Beograd	Vračar, Južni Bulevar 84	Beograd	Južni Bulevar 84
Beograd	Vračar, Kneza Miloša 23	Beograd	Kneza Miloša 23
Beograd	Zvezdara, Bulevar Kralja Aleksandra 330	Beograd	Bulevar Kralja Aleksandra 330
Beograd	Zvezdara, Bulevar Kralja Aleksandra 79	Beograd	Bulevar Kralja Aleksandra 79
Beograd	Zvezdara, Mirijevski venac 23	Beograd	Mirijevski venac 23
Bogatić	Bogatić, Vojvode Stepe 35	Kragujevac	Vojvode Stepe 35
Bor	Bor, Đorđa Vajferta 3	Niš	Đorđa Vajferta 3
Čačak	Čačak, Kuželjeva 1	Kragujevac	Kuželjeva 1
Gornji Milanovac	Gornji Milanovac, Vojvode Milana 1	Kragujevac	Vojvode Milana 1
Inđija	Inđija, Novosadska 21	Novi Sad	Novosadska 21
Ivanjica	Ivanjica, Majora Ilića 1	Kragujevac	Majora Ilića 1
Jagodina	Jagodina, Kneza Lazara 5-6	Niš	Kneza Lazara 5-6
Kanjiža	Kanjiža, Glavna 3	Novi Sad	Glavna 3
Kikinda	Kikinda, Braće Tatića 16	Novi Sad	Braće Tatića 16
Kladovo	Kladovo, 22. septembra 9	Niš	22.septembra 9
Kovin	Kovin, Cara Lazara 73	Novi Sad	Cara Lazara 73
Kragujevac	Kragujevac, Dr. Zorana Đinđića 11a	Kragujevac	Dr. Zorana Đinđića 11a
Kragujevac	Kragujevac, Save Kovačevića 12b	Kragujevac	Save Kovačevića 12 b
Kraljevo	Kraljevo, Trg Jovana Sarića 8	Kragujevac	Trg Jovana Sarića 8
Kruševac	Kruševac, Vidovdanska 46	Kragujevac	Vidovdanska 46
Kruševac	Kruševac, Vidovdanska 4	Kragujevac	Vidovdanska 4
Lazarevac	Lazarevac, Karađorđeva 41	Kragujevac	Karađorđeva 41
Leskovac	Leskovac, Trg Revolucije 7	Niš	Trg Revolucije 7
Loznica	Loznica, Trg Vuka Karadžića bb	Kragujevac	Trg Vuka Karadžića bb
Ljubovija	Ljubovija, Vojvode Mišića 44	Kragujevac	Vojvode Mišića 44
Mionica	Mionica, Dr. Jove Aleksića bb	Kragujevac	Dr. Jove Aleksića bb
Mladenovac	Mladenovac, Kralja Petra I 217	Kragujevac	Kralja Petra I 217
Negotin	Negotin, Trg Đorđa Stanojevića 70/II	Niš	Trg Đorđa Stanojevića 70/II
Niš	Niš, Bulevar Nemanjića 28-32	Niš	Bulevar Nemanjića 28-32
Niš	Niš, Milojka Lešjanina 1	Niš	Milojka Lešjanina 1
Niš	Niš, Nade Tomić 8a	Niš	Nade Tomić 8a
Niš	Niš, Obrenovićeva 82/2 (Fontana)	Niš	Obrenovićeva 82/2 (Fontana)
Niš	Niš, Sinđelićev trg 18	Niš	Sinđelićev trg 18
Niš	Niš, Vizantijski bulevar 21	Niš	Vizantijski bulevar 21
Novi Bečej	Novi Bečej, Trg Oslobođenja 5	Novi Sad	Trg Oslobođenja 5

Location	Name of the branch	Regional centre	Address
Novi Pazar	Novi Pazar, AVNOJ-a 6	Kragujevac	AVNOJ-a 6
Novi Sad	Novi Sad, Bulevar Cara Lazara 79a	Novi Sad	Bulevar cara Lazara 79a
Novi Sad	Novi Sad, Bate Brkića 10a	Novi Sad	Bate Brkića 10a
Novi Sad	Novi Sad, Bulevar Mihajla Pupina 4	Novi Sad	Bulevar Mihaila Pupina 4
Novi Sad	Novi Sad, Bulevar Oslobođenja 8	Novi Sad	Bulevar Oslobođenja 8
Novi Sad	Novi Sad, Bulevar Oslobođenja 76a	Novi Sad	Bulevar Oslobođenja 76a
Novi Sad	Novi Sad, Fruškogorska 10	Novi Sad	Fruškogorska 10
Novi Sad	Novi Sad, Rumenačka 33	Novi Sad	Rumenačka 33
Novi Sad	Novi Sad, Zmaj Jovina 15	Novi Sad	Zmaj Jovina 15
Obrenovac	Obrenovac, Miloša Obrenovića 133-135	Kragujevac	Miloša Obrenovića 133-135
Pančevo	Pančevo, Karađorđeva 2-4	Novi Sad	Karađorđeva 2-4
Pančevo	Pančevo, Miloša Crnjanskog 1	Novi Sad	Miloša Crnjanskog 1
Paraćin	Paraćin, Kralja Petra I 4	Niš	Kralja Petra I 4
Petrovac na Mlavi	Petrovac na Mlavi, Bate Bulića 37	Niš	Bate Bulića 37
Pirot	Pirot, Branka Radičevića 18	Niš	Branka Radičevića 18
Požarevac	Požarevac, Trg Radomira Vujovića 8	Niš	Trg Radomira Vujovića 8
Požega	Požega, Knjaza Miloša 6	Kragujevac	Knjaza Miloša 6
Priboj	Priboj, Nemanjina 48-50	Kragujevac	Nemanjina 48-50
Prijepolje	Prijepolje, Sandžačkih brigada 39	Kragujevac	Sandžačkih brigada 39
Prokuplje	Prokuplje, 9. oktobra 6	Niš	9. oktobra 6
Raška	Raška, Miluna Ivanovića 8	Kragujevac	Miluna Ivanovića 8
Ruma	Ruma, Glavna 170	Novi Sad	Glavna 170
Ruma	Ruma, 15. maja 143	Novi Sad	15. maja 143
Smederevo	Smederevo, Cvijićeva 3	Niš	Cvijićeva 3
Smederevska Palanka	Smederevska Palanka, Vuka Karadžića 4	Kragujevac	Vuka Karadžića 4
Sombor	Sombor, Venac Stepe Stepanovića 32	Novi Sad	Venac Stepe Stepanovića 32
Sremska Mitrovica	Sremska Mitrovica, Kralja Petra I 6	Novi Sad	Kralja Petra I 6
Sremska Mitrovica	Sremska Mitrovica, Svetog Dimitrija 2	Novi Sad	Svetog Dimitrija 2
Stara Pazova	Stara Pazova, Ćirila i Metodija 2	Novi Sad	Ćirila i Metodija 2
Subotica	Subotica, Dimitrija Tucovića 2	Novi Sad	Dimitrija Tucovića 2
Subotica	Subotica, Štrosmajerova 6	Novi Sad	Štrosmajerova 6
Šabac	Šabac, Gospodar Jevremova 44	Kragujevac	Gospodar Jevremova 44
Temerin	Temerin, Novosadska 403	Novi Sad	Novosadska 403
Topola	Topola, Tomislava Karađorđevića 3	Kragujevac	Tomislava Karađorđevića 3
Trstenik	Trstenik, Cara Dušana bb	Kragujevac	Cara Dušana bb
Ub	Ub, Kralja Petra I 44	Kragujevac	Kralja Petra I 44
Užice	Užice, Dimitrija Tucovića 129	Kragujevac	Dimitrija Tucovića 129
Valjevo	Valjevo, Železnička 7	Kragujevac	Železnička 7
Velika Plana	Velika Plana, Momira Gajića br 2	Kragujevac	Momira Gajića br 2
Veliko Gradište	Veliko Gradište, Kneza Lazara 35	Niš	Kneza Lazara 35
Veternik	Veternik, Kralja Petra I 7a	Novi Sad	Kralja Petra I 7a

Location	Name of the branch	Regional centre	Address
Vladičin Han	Vladičin Han, Svetosavska 16a	Niš	Svetosavska 16a
Vlasotince	Vlasotince, Nemanjina 2	Niš	Nemanjina 2
Vranje	Vranje, Dr. Dimitrija Jovčića 2	Niš	Dr. Dimitrija Jovčića 2
Vrbas	Vrbas, Maršala Tita 66	Novi Sad	Maršala Tita 66
Vrnjačka Banja	Vrnjačka Banja, Kruševačka 1	Kragujevac	Kruševačka 1
Vršac	Vršac, Sterijina 19a	Novi Sad	Sterijina 19a
Zaječar	Zaječar, Nikole Pašića 70	Niš	Nikole Pašića 70
Zemun	Zemun, Glavna 30	Beograd	Glavna 30
Zemun	Zemun, Gornjogradska 38	Beograd	Gornjogradska 38
Zlatibor	Zlatibor, Kraljev trg bb	Kragujevac	Kraljev trg bb
Zrenjanin	Zrenjanin, Kralja Aleksandra I Karađorđevića bb	Novi Sad	Kralja Aleksandra I Karađorđevića bb
Žabalj	Žabalj, Nikole Tesle 47	Novi Sad	Nikole Tesle 47

Antonio Joli, View of the Gulf of Naples from the slopes of Vesuvius

This large painting by eighteenth-century painter and scenographer Antonio Joli forms part of the Intesa Sanpaolo art collections, and is permanently exhibited in the Gallerie d'Italia in Naples as part of the exhibition "From Caravaggio to Gemito", which also includes two other views of Naples by his predecessor Gaspar van Wittel.

Cover:

Antonio Joli
(Modena, 1700 around - Naples 1777)
View of the Gulf of Naples from the slopes of Vesuvius, 1765-1770 ca
oil on canvas, 157 x 235.5 cm
Intesa Sanpaolo Collection
Gallerie d'Italia - Naples

The evocative depiction of the Gulf of Naples seen from the slopes of Vesuvius (one of the most significant examples of Joli's celebratory Vedutism) belongs to the artist's mature period post-1762. At that time, after frequent stays in Rome and Venice, he settled and worked in Naples, as a brilliant scenographer and view painter in the manner of Canaletto and Bellotto. From this later period of production, the painting in question reveals his most typical characteristics, including the choice to represent particular moments of court life, within wide and scenic views of the city of Naples. In this case, to animate the landscape, the result of Joli's careful and lucid observation of reality, there is a procession of dignitaries strolling in the garden of the Royal Villa of Portici, together with Viceroy Ferdinand IV of Bourbon as a Capuchin friar kneels in homage. In other paintings, Ferdinando's horseback ride in the Capodimonte park, the ball game at the Aragonese fortifications, or the return by carriage of Ferdinando and Maria Carolina along the Via di Foria in Naples, all offer the painter suitable subjects to orchestrate evocative views of Naples. This view of the city, also including the Campi Flegrei and Ischia, follows the drawing made by Joli himself for the decorative apparatus of the "Topographic Map" of Naples, proposed by Duke Giovanni Carafa from Noja in 1750 but not actually published until 1775. As frequently occurs with the artist, the perspectives of this view multiply, skillfully combining into a global, authentic, and complex image. The author's eye captures Naples in its entirety, encircling the city, with a visual layout that constitutes the true modernity of Joli's vedutism, as an artist supported by remarkable technical expertise and a highly suggestive pictorialism. The sequence of trees that punctuates the sky, in fact, opens up to an image not only described in detail, but also vibrant with light and colours, measured out in light tones and on the delicate chiaroscuro differences, created between the shaded foregrounds and illuminated background.