中国银行（塞尔维亚）有限公司
BANK OF CHINA SRBIJA A.D. BEOGRAD

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Disclosure Report as of 31.12. 2024

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General information

In line with Law on banks and articles of NBS Decision on disclosure of information, Bank of China Serbia a.d. Belgrade (hereinafter: "Bank") compose and publish Disclosure report at 31.12.2024. This report contain all the regulatory prescribed data and information for period from January 1st till Decembar 31st 2024, and it is published on web site of the bank.

Bank of China Serbia a.d. Belgrade was founded on December 22, 2016. years. The founder of the bank is Bank of China (Central and Eastern Europe) Limited. In accordance with the share purchase agreement signed on March 24, 2022 between Bank of China (Central and Eastern Europe) Limited and Bank of China (Europe) S.A., the transfer of 100% to the new owner Bank of China (Europe) S.A. Luxembourg. Bank of China (Europe) S.A. Luxembourg became the sole shareholder of the Bank.

In accordance with the decision of the National Bank of Serbia dated December 20, 2016 The Bank is registered to perform the following tasks:

- Deposit jobs
- Credit business
- Foreign exchange, foreign exchange and currency exchange operations
- Payment operations
- Issuance of payment cards
- Securities transactions
- Issuance of guarantees, guarantees, loans and other forms of guarantees
- Purchase, sale and collection of receivables (factoring, forfeiting, etc.)
- The work for which is authorized by law
- Providing other financial services.

The Bank is located at Bulevar Zorana Djindjica 2a, 11070 Novi Beograd. The registration number is 21251640, and the tax identification number is 109837136.

Bank of China Serbia a.d. Belgrade, during 2024, has became RMB clearing bank. Thereby, BOC Serbia has become corespodnet bank for RMB which allows the Bank to provide clearing and settlement service in RMB to other financial institutions in Serbia which allows favourable, efficient and secure transfer in RMB world wide.

On December 31, 2024. The Bank did not have branches in its composition.

Risk management strategy and policies

Risk is the possibility of occurrence of adverse effects on financial result and capital of the Bank caused by the bank business transaction and macroeconomic environment. The long term goal of risk management strategy is to minimize negative effects on financial result and capital of the bank. Bank set up comprehensive and relable risk management syste which is fully integrate in all business activities and which ensure that risk profile of the Bank be aligned with risk Appetite

The bank's Risk Appetiteis defined taking into account 3-year Business strategy and achivement of yearly financial plans. Beside propensityto risks Bank defined also tolerance risk levels through set of internal limitis by which Bank is enabled to keep risk profile in line with risk appetite.

Beside internaly defined limits, Bank respect also all regulatory limits for all the risks that is exposed to in their business activites.

Risk profile of the bank represent assessment of risk exposure which is measured through set of key risk indicators. Bank manages identified risks through cleary defined risk management processes that include regular and timely identification, meausrment, monitoring and control of risks, that is, setting up a limit system for risk exposure, as well as risk reporting system in line with internal acts of the Bank and decision of supervisor.

Adequate risk management system represents one of the key elements in securing stability of the Bank. Risk management system is defined by following internal acts:

- Risk management strategy
- General lending rules
- Policy for risk undertaking
- Credit asset risk classification policy
- Credit rating policy
- Policy for impairment of financial assets
- Risk appetite policy
- Credit risk policy
- Policy for credit FX risk management
- Operational risk management policy
- Market risk management policy
- IRRBB Policy
- Concentration risk management policy
- Country risk management policy
- NPL management policy
- ICAAP rule
- Investment policy
- Liquidity policy
- Capital management strategy
- Recovery plan and other internal documents

The purpose of these documents is to provide a clear picture of the direction in which the Bank's loan portfolio will be developed and managed. Documents with structure of the policy, are approved by the Bank's Board of Directors, which ensures compliance of the Bank's activities with the plans of the Board of Directors and the basic strategy of the BoC Group.

Risk management strategy is a document that provides unique and consistent management of the Bank's risks on a long-term basis and determines the Bank's relationship toward risks to which is or may be exposed to in its business. The risk management strategy is in line with the Bank's business policy and strategy.

The primary task of risk management is to optimize the allocation of capital and maximize value for the founder within an acceptable risk profile and fulfill the regulatory requirements, depositors and other parties interested in the safe and stable development of the Bank. The strategy is based on a set of principles that cover key risk management policies:

- Compliance with applicable local laws and regulations
- Making an appropriate balance between risk and yield

- Segregation of duties and avoidance of conflict of interest:
- Defining internal control mechanisms, specific sharing of obligations and clearly defined rights and obligations.
- All employees are obliged to cooperate, analyze risks, and manage them in a proactive way, to actively identify, improve management and control mechanisms, and ensure that risks are controlled.
- Principles "Know Your Clients" and " Know Your Business"
- Consistency and coherence: to ensure consistency between risk management objectives and business development.
- the Bank applies differentiated and controlled risk management in accordance with the external market environment and its own risk management capability to make risk management more flexible and pragmatic.
- Applying the principle of substance over form, which means that all available information should be carefully considered in accordance with internal guidelines.

In line with Risk management strategy, and Business strategy, local specifications and reguirements of the banking group that BOC Serbia belongs to, Bank identified following risks which are exposed to or might be exposed to:

Credit risk is the possibility of occurrence of adverse effects on financial result and capital of the Bank caused by the borrower’s failure to fulfil its obligations to the Bank. Credit risk exists in the trading book and banking book, on and off the balance sheet of a bank.

Credit FX risk implies the risk that the Bank will suffer losses due to the negative impact of the changes of the RSD exchange rate to a borrower’s debt-servicing capacity for loans negotiated in a foreign currency or in dinars with a foreign currency clause.

Residual risk is the likelihood of occurrence of adverse effects on financial result and Bank’s capital due to the fact that credit risk mitigation techniques are less efficient than anticipated or their implementation does not have sufficient influence on the reduction of risk to which the Bank is exposed.

Dilution risk is the possibility of occurrence of adverse effects on the Bank’s financial result and capital due to the reduced value of purchased receivables as a result of cash or non-cash liabilities of the former creditor to the borrower.

Settlement/delivery risk is the possibility of adverse effects on the Bank’s financial result and capital arising from unsettled transactions or counterparty’s failure to deliver in free transactions on the due delivery date.

Counterparty credit risk is the possibility of adverse effects on the Bank’s financial result and capital arising from counterparty’s failure to fulfil his part of the deal in a transaction before final settlement of cash flows of the transaction or settlement of monetary liabilities under that transaction.

Concentration risk is a risk which arises, directly or indirectly, from the Bank’s exposure to the same or similar source of risk or the same or similar type of risk.

Concentration risk refers to large exposures, small exposures to the same or similar risk factors, such as economic sectors, geographic areas, types of products, etc. and credit hedging instruments, including maturity and currency mismatch between large exposures and instruments of credit hedging against these exposures.

Credit risk induced by interest rate changes represents the possibility of negative effects on the bank's financial result and capital arising from changes in the reference interest rates that are the basis of the loan, which may affect the ability of clients to repay these obligations.

Market risk implies the possibility of occurrence of adverse effects on the Bank’s financial result and capital due to changes in the value of balance-sheet positions and off-balance sheet items arising from changes in prices in the market. Market risks includes foreign exchange risk, price risk on debt securities, price risk on equity and commodity risk.

Interest rate risk is a risk of possible adverse effects on the financial result and capital of the Bank arising from positions in the banking book due to changes in interest rates.

Within interest rate risk, the Bank is also required to manage the following risks:

- risk of temporal discrepancy between maturity and new price determination (repricing risk);
- yield curve risk,
- basis risk to which it is exposed due to different reference interest rates in interest-sensitive positions with similar characteristics regarding maturity or repricing and
- optionality risk, to which it is exposed due to contract provisions regarding interest-sensitive positions.

Liquidity risk is the possibility of occurrence of adverse effects on the financial result and capital of the Bank caused by the Bank's inability to fulfil its due obligations as a result of (i) withdrawal of existing sources of financing and/or impossibility of securing new sources of financing (funding liquidity risk), or (ii) difficulties in converting assets into liquid funds due to market disturbances (market liquidity 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 employees' work, inadequate internal procedures and processes, inadequate management of information and other systems, as well as by unforeseeable external events including in particular legal risk.

Legal risk is the risk of adverse effects on the bank's financial result and capital arising from court or out-of-court proceedings relating to the bank's operation (contracts and torts, labour relations, etc.).

Strategic risk is the possibility of adverse effects on the bank's financial result or capital due to absence of adequate policies and strategies, or due to their inadequate implementation, and due to changes in the environment in which the bank operates or failure of the bank to adequately respond to these changes.

The Bank's **investment risk** includes the risks of its investments in other legal entities and in fixed assets and investment property.

Country risk is a risk relating to the country of origin of the person to which the Bank is exposed, i.e. risks of possible adverse effects on the financial result and capital of the Bank due to the Bank's inability to collect receivables from such person for reasons arising from political, economic or social circumstances in such person's country of origin.

Compliance risk referred to the risk that the Bank may suffer legal sanctions, regulatory penalties, financial losses or reputational losses resulting from failure to abide by compliance requirements.

The **risk of money laundering and terrorist financing** implies the risk of possible occurrence of negative effects on the financial result, capital or reputation of a Bank if the Bank is used (direct or indirect use of the business relationship with the Bank, transactions, service or product of the Bank) for money laundering and/or terrorist financing.

Policies and procedures for managing specific risks are set of internal documents by which the Bank regulates the area of management, supervision and control of exposure to risks. Risk management policies are part of a comprehensive and reliable risk management system that is involved in all business activities of the Bank and ensures that the risk profile of the Bank is always consistent with the established risk aversion. Risk management policies are reviewed annually and, if necessary, more often.

Based on the overall strategy and macroeconomic environment, the Bank maintains a stable tendency to accept risk in order to enable sustainability during the fluctuation effect during the economic cycle. A moderate tendency towards accepting risk implies the achievement of the objectives set by the Board of Directors, while accepting a certain degree of risk, in order to ensure the ability of the Bank to rapidly and soundly develop.

Based on the strategy and policies for risk management, the Bank adopts, applies and, if necessary, updates other internal documents (procedures, instructions and the like) which ensure timely and comprehensive risk identification and analysis of the causes that lead to their creation; measurement, mitigation and risk control.

Credit risk (including concentration risk, credit and foreign exchange risk, counterparty risk, settlement / delivery risk, dilution risk, credit risk induced by interest rate changes and residual risk) is one of the most significant risks the bank is exposed to in its operations.

The basic approach to credit risk management is to minimize credit risk by selecting good and quality clients. In the management system of this risk, the Bank manages the basic principles, defined in various internal documents, which can be presented as:

- Risk collection: with respect to the precautionary principle in taking risks and the corresponding expected yield
- Risk awareness: The Bank is obliged to continuously monitor its loan portfolio and ensure good asset quality.
- Compliance with all applicable laws, regulations and internal rules, as well as guidance from the management.
- All loans are subject to constant control and records are kept.
- Lending operations should be secured, profitable and not jeopardize the Bank's liquidity.
- When deciding on exposures, the Bank is obliged to respect and strive to avoid excessive concentration of exposure, taking into account the requirements regarding the structure of the Bank's financing, as well as the requirements of careful lending.

The credit risk management is explained in detail in following documents:

- General lending rule
- Policy for risk undertaking
- Credit risk policy
- Credit assets risk classification policy
- Credit rating policy
- Policy for impairment of financial assets
- Policy for credit FX risk management
- Concentration risk policy
- Risk appetite rule and other documents

The above documents precisely define the rules and limits when taking credit risk (and credit risk subcategories).

Liquidity risk is the possibility of adverse effects on the financial result and the capital of the bank due to the bank's inability to meet its due due to (i) withdrawal of existing sources of financing and / or inability to provide new sources of financing (liquidity risk of sources of financing) or (ii) difficulty in converting assets in liquid assets due to market disturbances (market risk of liquidity).

The Bank applies a conservative liquidity policy and aims to adjust its position in terms of maturity, currency and interest rates, in line with Liquidity risk policy. The purpose of managing the Bank's liquidity risk is to successfully identify, measure, monitor and control the liquidity risks of the Bank and to ensure that demand for liquid assets can be met in a timely manner with reasonable costs.

Market risk implies the possibility of adverse effects on the financial result and the equity of the bank on the basis of changes in the value of balance sheet items and off-balance sheet items of banks arising from the movement of prices on the market. Market risks include foreign exchange risk, price risk based on debt securities and commodity risk. The Bank adopts appropriate measures for the identification, measurement, monitoring and control of market risk in accordance with the nature and characteristics of the trading book and the banking book.

The purpose of market risk management is to maintain an acceptable level of market risk through efficient management, optimize capital allocation to cover market risk, achieve a balance between risks and returns, encourage business development and maximize value within the Bank's risk management capacity defined by the Board of Directors. In accordance with the characteristics of market risk management, the Bank will follow the principles of "Integrity, Comprehensiveness and Timeliness" during its management, and detail explanation of market risk management is described in Market risk policy.

Interest rate risk is the risk of possible negative effects on the financial result and capital of the bank based on positions in the banking book due to changes in interest rates. Within interest rate risk, the Bank is required to manage the following risks: repricing risk, yield curve risk, basic risk and optionality risk. The interest rate risk in banking book management policy defines the interest rate risk in the banking book management system, which is part of a comprehensive risk management system, integrated into all its business activities, ensuring that the Bank's risk profile is always in line with established risk appetite and risk tolerance.

The framework for managing operational risks is based on the standards and principles of the BoC Group and NBS regulations, through document Operational risk management policy. Operational risk includes the risk of loss arising as a result of inadequate procedures or unsuccessful internal processes, human factors and systemic or external events. Operational risk management refers to the process of proactive identification, assessment, monitoring, control and / or mitigation and reporting of operational risk. When managing operational risk, the Bank follows the following principles:

(1) Comprehensive management. The operational risk management system is embedded in every business process, encompasses all departments and is applied by all employees.

(2) Timely adjustment. Operational risk management should be in line with the Bank's internal and external business environment.

(3) Profitability. Operational risk management measures will be tailored to the complexities and business characteristics, and will be guided by a reasonable balance between costs and risk management returns.

The risk of compliance is the risk that the Bank may suffer due to penalty of a regulator, financial loss or loss of reputation as a result of non-adjustment of the bank's operations with laws, bylaws and internal acts of the Bank itself.

The identification of the risk of business compliance, monitoring of that risk as well as its management is done through the "Compliance control plan", which was established and regularly updated by the Compliance Department to ensure that Bank of China Serbia a.d. Belgrade operates in accordance with the highest business, legal and ethical standards.

The Bank, as a part of world wide banking group, manages the country risks in the context of credit risk management, and the basic rules are defined in the Country Risk Management Policy. Country risk mainly comprises the following risks:

a) Transfer risk - the risk that arises out of the possible failure of the borrower or debtor to obtain necessary foreign exchange to repay cross-border debt due to the insufficiency of home country’s foreign exchange reserve or foreign exchange control;

b) Sovereign risk- the probability of a foreign government’s inability or refusal to repay its direct and indirect foreign currency debts;

c) Proliferation risk- the risk that the adverse conditions of a country lead to the rating reduction or credit squeeze of other countries in the same region although these countries do not have such adverse conditions nor is there any deterioration in their credit status;

d) Currency risk- the risk that the domestic currency holding and cash flow of a debtor may fall short of the foreign currency debt due to the adverse changes in exchange rate or currency depreciation;

e) Macroeconomic risk-the risk that the country of the debtor adopts a high interest rate policy to maintain the value of its domestic currency;

f) Political risk-the risk of political conflicts, regime changes and wars in the country of the debtor or the debtor’s assets are nationalized or confiscated;

g) Indirect country risk - the risk arising out of the deterioration of a country’s economic, political or social condition that threatens the debt repayment of the domestic borrowers who have material business relation or interest with the country;

h) Collective debtor risk- the risk arising from an event impacting the whole country and leading to default by a large group of debtors

Strategic risk is the possibility of adverse effects on the financial result and the capital of the bank due to the lack of appropriate strategies and policies and their inadequate implementation, as well as due to changes in the environment in which the bank operates or absence of adequate response of the bank to these changes.

Investment risk includes the risks of its investments in other legal entities and fixed assets and investment property. The risk of investments in other legal entities and in fixed assets and investment property is assessed and measured against the limits set by the National Bank of Serbia, by comparing these investments with the amount of the bank's capital. The Bank regularly monitors the risk of these investments in order to maintain it within the prescribed limits, defined in Investment policy.

The risk of money laundering and terrorist financing is the risk of possible negative effects on the financial result, capital or reputation of the bank due to the use of the bank (direct or indirect use of a business relationship, transaction, service or bank product) for the purpose of money laundering and / or financing of terrorism. Methodology for managing this risk is defined in AML Implementation policy and other internal documents.

Organization of risk management process

For adequate risk management, Bank formed organizational structure that correspond to the volume, sort and complexon of the businesses that is taken, and in order to prevent the conflict of interests, including separate risk taking functions as business development functions(front office) , risk mamagement functions (middle office) and other back-up control functions (back office). This organizational structure enables achivment of the determined goals and principles of risk managemenent in practice.

The internal organization of the Bank is defined by the organizational scheme, and responsibilities, authorizations, division and job descriptions are defined by the Bank's acts. Responsibilities of individual committees and organizational parts of the Bank within the framework of the risk management system are presented below.

General Assembly Meeting adopts Business Strategy and policy which defines Bank s business goals for 3 year period, approves financial report of the bank and decide on usage and allocation of the profit.

The Board of Directors is responsible and accountable for setting up risk management system and his monitoring, determines and adopts the management strategy and policies for all the risks, as well as the strategy for managing the capital of the bank and Recovery plan of the bank. The Managing Board adopts the annual report on the internal capital adequacy assessment, as well as changes and amendments to the strategies and policies on the basis of which the internal capital adequacy assessment is conducted, and supervise activities of the Executive board.

The Executive Board is responsible and accountable for implementation of risk management strategy and policies, for approving and analsys of efficiency of the implementation of procedures for managing individual risks, which more closely define the process of identifying, measuring and assessing risks, mitigating, monitoring and controlling risks, as well as reporting on the risks to which the Bank is exposed. The Bank s EB regularly reports to the BOD on the efficiency of the implementation of the adopted risk management policies and procedures.

Audit committee is responsible for analysis and monitoring and supervision of approved risk management strategy and policies and the implementation of internal control systems.

The Assets and Liabilities Management Committee is responsible for the comprehensive management of market risk on behalf of the management in accordance with its authority, the implementation of regulatory requirements, the establishment and improvement of the market risk management system, the management and oversight of the whole bank's implementation

The Risk and Control committee (RCCO) is in charge of considering the risks and control of the Bank in accordance with the development strategy of the Bank and the Group. Furthermore, RCCO revises significant internal rules and limitations in relation to the risks that different divisions suggest, monitors the management of the bank's risk-taking capacity, establishes a system for spotting, measuring, monitoring, reporting and reporting on risk management, etc.

The Credit Committee makes decisions on credit requirements, approves loans, other placements and considers potential placements. The Credit Committee shall perform all duties prescribed by the law and the Bank's Articles of Association.

The Bank's risk management function is organized as follows:

The Bank's functional risk management departments are responsible for the day-to-day management of all types of risks, including the preparation of risk management policies and policies, the development of risk management technologies, and the identification, assessment, monitoring, reporting and control of all types of risks.

Sector of Risk Management, as a leading Sector, is responsible for establishing and implementing a risk management framework at the whole bank level, propose strategy, policies and procedures for managing the risks. Sector is responsible for implementation and maintenance of methodology and risk procedures, as well as for independent process of risk control.Sector of Risk Management is primarily responsible for managing credit risk (and his subcategories), market risk, IRRBB, operational risk, country risk, liquidity risk and non-performing loans. The area under the jurisdiction of the Sector of Risk Management covers:

- - assessment (identification, evaluation and assessment of risk levels, their comparison with comparable values or standards, and determination of acceptable risk level)
- - monitoring (exposure monitoring and reporting) and
- - control functions (assessing potential losses and taking measures to reduce or eliminate threats).

In order to efficiently perform the tasks of preventing money laundering and terrorist financing, the Bank has organizationally within the Compliance department, appointing an AML officer for the implementation of the Law on the prevention of ML and TF.

ISO officer is responsible for data security and risk management relatedto data security.

Sector of Administration (including Finance and Accounting departments) is responsible for strategic risk and capital management.

Compliance department is responsible for the legal risk and compliance risk management.

Compliance department is an independent organizational unit of the Bank in which the scope of control is the compliance of the Bank's operations with regulations, internal acts of the Bank and the banking group, good business practices and high ethical standards of the Bank. The day-to-day duties of this department include the identification, assessment and monitoring of compliance risk, reporting and risk management..

The internal auditor is independent of the day-to-day management and implementation and helps the Board of Directors in assessing the adequacy and effectiveness of risk management, capital management and internal controls and management procedures that are designed and implemented by the Executive Board.

Comprehensive risk reporting

The Bank comprehensively and regularly reports about the risks to which it is exposed. Reporting is done in accordance with the local requirements and requirements of the Group and is defined in various internal documents depending on the type of risk. The Bank submit reports on the identified risks to the National Bank of Serbia (in accordance with the prescribed requirements), the Board of Directors and the Executive Board, as well as the established Committees in accordance with the responsibilities. In case of need, specific and unforeseen events or exceeding the limits for certain risks, the Bank also submits ad hoc reports.

Report on risk profile and comprehensive risk management at the quarterly level are presented to the bank's Board of Directors as the highest authority of the bank, by Executine board, and to the Risk and Control Committee by the Sector of risk management. By adopting the internal document Risk appetite rule, the Board of Directors defines the risk profile of the bank in line with its business policy and risk management strategy, approves the proposed key risk indicators that are monitored, their thresholds, and approves the process of reporting and managing the risk profile of the bank. Also, the Bank prepares an annual report on the adequacy of risk management and the internal control system, which confirms that all risks have been identified, managed in an adequate manner, that the regulator has been provided with accurate representations of risk management policies and that, if necessary, defects plans will be adequately implemented.

The Risk Reporting System provide timely, adequate and accurate information needed to make business decisions and efficiently manage the risks of the Bank, monitor the exposure to individual risks and control the fulfillment of the established limit system. The Bank defined the reporting system in document Procedure for comprehensive risk reporting.

Risk mitigation techniques

In accordance with the NBS Decision, the Bank uses credit risk mitigation techniques that are acceptable to cover credit risk by a standardized approach when determining capital adequacy.

The acceptability of credit protection instruments, their valuation as well as the management of these instruments are defined by following internal acts of the Bank: Collateral valuation rule, procedure for collateral recording and Procedure for cooperation with external valuators.

In general, the evaluation of protection instruments is carried out through: checking the legal aspect of the documentation that provides for the possibility of collection, from the received credit protection instruments, within an acceptable time frame, the sustainability of their value over the pledges life, and the value of collateral instruments.

The internal acts regulate the system of evaluation of collateral instruments through standardized deductions prescribed by the BoC Group for certain types of security instruments and in line with local regulations.

The Bank monitors the value of collateral instruments in the defined deadlines in which it is necessary to perform their re-evaluation, ie updating the value, contracting the delivery of external assessments, preparing internal re-evaluations, monitoring the pledged assets on the field, and monitoring their value at the portfolio level.

Sector of Risk Management is responsible for monitoring the assessment of the value of collateral and checking the fulfillment of contractual obligations as part of the quarterly asset classification procedure, which is regulated by internal documents.

The Bank applies a conservative liquidity policy and aims to adjust its position in terms of maturity, currency and interest rates. The purpose of managing the Bank's liquidity risk is to successfully identify, measure, monitor and control the liquidity risks of the Bank and to ensure that demand for liquid assets can be met in a timely manner with reasonable costs.

The Bank sets limits on risks based on the type of business, size, complexity and risk policy, which is linked to the annual budget of the Bank and the business development plan, and then effectively monitors the fulfillment of the set limits.

The Bank defines the limit of assets and liabilities, structure and maturity in accordance with the principle of limiting the use of funds by sources of financing, adopting a proactive liquidity management strategy and diversifying the use of funds and the structure of sources of financing, in order to strengthen the stability of liquidity and sources of financing and improve the Bank's capacity to overcome market fluctuations. Furthermore, the Bank performs quarterly stress tests in order to assess the Bank's liquid position under various stress scenarios

The basic instruments for limiting market risks that are taken over by the Bank are the defined internal limit system in the form of "limits", which quantitatively limits the Bank's exposure to market risks. The establishment of a system of internal market risk and IRRBB limits aims at controlling the exposure and limiting the Bank's losses that may arise from market risk.

The system of market risk limits includes monitoring of externally and internally defined indicators of exposure to foreign exchange risk, which are used to assess the impact of potential changes in foreign exchange rates on the financial result and capital of the Bank. Basic foreign exchange risk mitigation techniques can be short-term and long-term, such as buying / selling foreign currency for RSD on the money market, conversion activities, accelerating / slowing down the growth of foreign exchange exposure and others.

The Bank has defined a system of interest rate risk limits that takes into account several factors in order to limit the negative effects on the financial result (earnings) over the short term and the impact on economic value taking into account the medium term. Basic mitigation techniques forinterest rate risk aimed at achieving diversification of sources of financing according to the type of interest rate, maturity, valuation and currency; reducing the concentration of placements, restructuring the sources of financing interest rates in order to protect profitability and other measures.

The basic principles of operational risk management of the Bank are as follows:

(1) Regular assessment of the adequacy of operational risk control measures or other risk mitigation measures, and the identification of operational risk acceptability after the implementation of these measures;

(2) Monitoring the operational risk measure. If the operational risk is unacceptable and corrective measures need to be adopted, they must be formally recorded. The person responsible for the implementation of these measures should be specifically identified, and should regularly monitor the implementation status and ensure that the operational risk is resolved within a given time period.

(3) If the operational risk is unacceptable but conditions for its correction have not yet been created, it must be formally approved and recorded;

(4) Compliance with the requirements for operational risk reporting; i

(5) Establishing an appropriate incentive and restrictive mechanism in order to strictly respect the basic principles of operational risk management.

(6) Continuous monitoring of measures and control of operational risk.

Capital

The decision on the capital adequacy of the Bank of the National Bank of Serbia (hereinafter NBS Decision) stipulates that the capital of the bank is a sum of the Tier 1 capital and Tier 2 capital, whereby the Tier 1 capital makes the sum of the CET 1 capital and additional Tier 1 capital.

NBS Decision stipulates the conditions that capital elements must fulfill in order to be included in the Tier 1 capital and Tier 2 capital.

The CET 1 capital of a bank consists of the following elements:

- Share capital paid (excluding preferential cumulative shares)
- Share premium
- Profit of the Bank, Reserves from profit
- Revaluation reserves and reserves for general banking risks

Criteria for inclusion of certain elements in the CET 1 capital are: they are subscribed and paid, without maturity and withdrawal options, without the obligation to pay dividends that they can serve to cover losses from regular business, etc.

Additional Tier 1 capital consists of shares and other instruments and their respective share premiums that meet the following criteria of the NBS Decision: they are subscribed and paid, without maturity and with the possibility of withdrawal only with the consent of the supervisor, without the obligation of dividend payment, subordinated in relation to all depositors and creditors, etc.

Tier 2 capital consists of the following elements:

- Paid share capital based on preferential cumulative shares
- Hybrid capital instruments
- Subordinated obligations

Additional capital instruments must be subscribed and paid in their entirely so that they can be subject to capital write-off or conversion, that they can absorb losses before depositors and other creditors of the bank, etc.

As of 31.12.2024 the Bank did not have Tier 2 capital.

Deductible items from equity as of December 31, are other intangible investments.

The Bank adheres to the restrictions that are prescribed for certain elements of the capital by the Decision on the capital adequacy of the bank.

On December 31, 2024. 100% of the amount of regulatory capital of the Bank consisted of elements of CET 1 capital. Below you will find quantitative data and information with the status as of 31.12.2024.

Amount of capital with an overview of individual elements of capital and deductible items (PI-KAP, expressed in RSD Thousand):

No	Item	Amount	Matching with DCA
	Common Equity Tier 1: elements		
1	CET1 capital instruments and the related share premium accounts	1,843,887	-
1.1.	of which: shares and other capital instruments which fulfil the requirements as laid out in Section 8 of the DCA	1,843,887	а
1.2.	of which: relevant share premium with the instruments referred to in item 1.1, i.e. the amount paid above par value of those instruments	-	-
2	Profit from preceding years free of any future liabilities, to be allocated to CET 1 capital according to the decision of the bank's assembly	1,966,754	б
3	Profit of the current year or profit from the preceding year which the bank's assembly still has not decided to allocate in CET 1 capital which fulfil the requirements as laid out in Section 10, paras 2 and 3 on inclusion into CET 1 capital	1,529,796	в
4	Revaluation reserves and other unrealised losses	-	-
5	Reserves from profit and other bank reserves, except for reserves for general banking risks	-	-
6	Reserves for general banking risks	-	-
7	Non-controlling participations (minority interests) allowed in CET1**	-	-
8	Common Equity Tier 1 capital before regulatory adjustments and deductibles (sum of rows from 1 to 7)	3,810,641	-
	Common Equity Tier 1 capital: regulatory adjustments and deductibles		
9	Additional value adjustments (-)	-	-
10	Intangible assets, including goodwill (net of deferred tax liabilities) (-)	11,279	г
11	Deferred tax assets that rely on future profitability of the bank, excluding those arising from temporary differences (net of related deferred tax liability where the conditions referred to in Section 14, paragraph 1 of the DCA are met)	-	-
12	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows	-	-
13	IRB Approach: Negative amount of difference resulting from the calculation in accordance with Section 134 of the DCA (-)	-	-
14	Any increase in equity that results from securitisation exposures (-)	-	-
15	Gains or losses on bank's liabilities valued at fair value resulting from changes in own credit standing	-	-
16	Defined benefit pension fund assets on the balance sheet of the bank(-)	-	-
17	Direct, indirect and synthetic holdings by a bank of own Common Equity Tier 1 instruments, including own CET 1 instruments that a bank is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation (-)	-	-
18	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have a reciprocal cross holding with the bank, designed to inflate artificially the capital of the bank (-)	-	-
19	Applicable amount of direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank does not have a significant investment in those entities (-)	-	-
20	Applicable amount of direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities (-)	-	-
21	Exposure amount of the following items which qualify for a risk weight of 1.250%, where the bank deducts that exposure amount from the amount of CET1 items as an alternative to applying a risk weight of 1.250%	-	-
21.1.	of which: holdings in entities outside the financial sector in the amount of over 10% of capital of those entities, i.e. holdings that allow exerting a significant impact on managing of a legal entity or on the business policy of that legal entity (-)	-	-
21.2.	of which: securitisation positions (-)	-	-
21.3.	of which: free deliveries (-)	-	-
22	Deferred tax assets that rely on the bank's future profitability arising from temporary differences (amount above 10% of bank's CET1 capital referred to in Section 21, paragraph 2, reduced by the amount of related tax liabilities where the requirements referred to in Section 14, paragraph 1 of the DCA are met (-)	-	-
23	Sum of deferred tax assets and holdings of financial sector entities where the bank has a significant investment referred to in Section 21, paragraph 1 of the DCA in such entities, which exceeds the threshold referred to in Section 21, paragraph 3 of the DCA (-)	-	-
23.1.	of which: Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities	-	-
23.2.	of which: Deferred tax assets arising from temporary differences	-	-
24	Losses for the current and previous years, and unrealised losses (-)	-	-
25	Any tax charge relating to CET1 elements foreseeable at the moment of its calculation, except where the bank suitably adjusts the amount of CET1 elements insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (-)	-	-
26	Amount of items required to be deducted from the bank's Additional Tier 1 items that exceeds Additional Tier 1 capital of the bank (-)	-	-
27	Amount of required reserve for estimated losses on balance-sheet assets and off-balance sheet items of the bank	-	-
28	Total regulatory adjustments and deductibles from CET1 capital (sum of rows from 9 to 27)	11,279	г

29	Common Equity Tier 1 capital (difference between 8 and 28)	3,799,363	-
	Additional Tier 1 capital: elements		
30	Shares and other capital instruments which fulfil the requirements as laid out in Section 23 of the DCA and related share premium	-	-
31	Capital instruments issued by subsidiaries, which are recognised as Additional Tier 1 capital**	-	-
32	Additional Tier 1 capital before deductibles (30+31)	-	-
	Additional Tier 1 capital: deductibles		
33	Direct, indirect and synthetic holdings by a bank of own Additional Tier 1 instruments, including the instruments that a bank is obliged to purchase as a result of existing contractual obligations (-)	-	-
34	Direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities with which the bank has reciprocal cross holdings, designed to inflate artificially the capital of the bank (-)	-	-
35	Applicable amount of direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities where the bank does not have a significant investment in those entities (-)	-	-
36	Direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities where the bank has a significant investment in those entities, excluding underwriting positions held for five working days or fewer (-)	-	-
37	Amount of items required to be deducted from Tier 2 items that exceed the Tier 2 capital of the bank (-)	-	-
38	Total deductibles from Additional Tier 1 capital (sum of rows from 33 to 37)	-	-
39	Additional Tier 1 capital (difference between 32 and 38)	-	-
40	Tier 1 capital (sum of rows 29 and 39)	3,799,363	-
	Tier 2: elements	-	-
41	Shares and other Tier 2 capital instruments and subordinated liabilities which fulfil the requirements as laid out in Section 28 of the DCA and related share premium accounts related to instruments	-	-
42	Capital instruments issued by subsidiaries, which are recognised as Tier 2 capital**	-	-
43	Credit risk adjustments that meet the requirements for the inclusion in Tier 2 capital	-	-
44	Tier 2 capital before deductibles (sum of rows from 41 to 43)	-	-
	Tier 2 capital: deductibles		
45	Direct, indirect and synthetic holdings by a bank of own Tier 2 instruments and subordinated liabilities, including instruments that the bank is obliged to purchase as a result of existing contractual obligations (-)	-	-
46	Direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated liabilities of financial sector entities with which the bank has reciprocal cross holdings, designed to inflate artificially the capital of the bank (-)	-	-
47	Applicable amount of direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated liabilities of financial sector entities where a bank does not have a significant investment in those entities (-)	-	-
48	Direct, indirect and synthetic holdings by the bank of the Tier 2 instruments and subordinated liabilities of financial sector entities where the bank has a significant investment in those entities, excluding underwriting positions held for fewer than five working days (-)	-	-
49	Total deductibles from Tier 2 capital (sum of rows from 45 to 48)	-	-
50	Tier 2 capital (difference between 44 and 49)	-	-
51	Total capital (sum of rows 40 and 50)	3,799,363	-
52	Total risk-weighted assets	12,956,113	-
	Capital adequacy ratios and capital buffers		
53	Common Equity Tier 1 capital ratio (%)	29.32%	
54	Tier 1 capital ratio (%)	29.32%	
55	Total capital ratio (%)	29.32%	
56	Total requirements for capital buffers (%)***	2.67%	
57	Common Equity Tier 1 capital available for capital buffers coverage (%)****	21.32%	

* DCA - Decision on Capital Adequacy of Banks.

** To be completed by the ultimate parent company, obliged to calculate the banking group's capital based on the data from the consolidated financial statements, in accordance with the decision on consolidated supervision of a banking group.

*** As a percentage of risk-weighted assets.

**** Calculated as Common Equity Tier 1 capital of the bank (expressed as percentage of risk-weighted assets), less Common Equity Tier 1 capital of the bank used to maintain the Common Equity Tier 1 capital ratio referred to in Section 3, paragraph 3, item 1) of the DCA, the Tier 1 capital ratio referred to in Section 3, paragraph 3, item 2) of the DCA and the total capital ratio referred to in Section 3, paragraph 3, item 3) of the DCA.

Data on the basic characteristics of financial instruments that are included in the calculation of the Bank's capital are given in the following review (PI - FIKAP):

No	Instrument features	Description
1.	Issuer	Bank of China (Europe)S.A
1.1.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN
	Regulatory treatment	da
2.	Treatment in accordance with the Decision on Capital Adequacy of Banks	Common Equity Tier 1 instrument
3.	Eligible at solo/(sub-)consolidated/ solo&(sub-) consolidated	Solo

4.	Instrument type	Ordinary shares
5.	Amount recognised in regulatory capital (in RSD thousand, as of most recent reporting date)	1843887
6.	Nominal amount of instrument	18438870
6.1.	Issue price	RSD 18438870
6.2.	Redemption price	RSD 18438870
7.	Accounting classification	Shareholders' equity
8.	Original date of issuance	28.12.2016
9.	Perpetual or dated	Perpetual
9.1.	Original maturity date	Perpetual
10.	Issuer call subject to prior supervisory approval	NP
10.1.	Optional call date, contingent call dates and redemption amount	NP
10.2.	Subsequent call dates, if applicable	NP
	Coupons / dividends	
11.	Fixed or floating dividend/coupon	Floating
12.	Coupon rate and any related index	NP
13.	Existence of a dividend stopper	NP
14.1.	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary
14.2.	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary
15.	Existence of step up or other incentive to redeem	NP
16.	Noncumulative or cumulative divident/coupon	Noncumulative
17.	Convertible or non-convertible	Nonconvertible
18.	If convertible, conversion trigger(s)	NP
19.	If convertible, fully or partially	NP
20.	If convertible, conversion rate	NP
21.	If convertible, mandatory or optional conversion	NP
22.	If convertible, specify instrument type convertible into	NP
23.	If convertible, specify issuer of instrument it converts into	NP
24.	Write-down features	NP

25.	If write-down, write-down trigger(s)	NP
26.	If write-down, full or partial	NP
27.	If write-down, permanent or temporary	NP
28.	If temporary write-down, description of write-up mechanism	NP
29.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NP
30.	Non-compliant transitioned features	NP
31.	If yes, specify non-compliant features	NP

The analysis of the elements of the balance sheet for their connection with the elements of capital is given in the following overview (PI – UKP, expressed in RSD Thousand)

Designation of item	Item	Balance sheet	References
A	ASSETS		
A.I	Cash and assets held with the central bank	16113408	-
A.II	Pledged financial assets	0	-
A.III	Receivables under derivatives	0	-
A.IV	Securities	0	-
A.V	Loans and receivables from banks and other financial organisations	40786132	-
A.VI	Loans and receivables from clients	753625	-
A.VII	Change in fair value of hedged items	0	-
A.VIII	Receivables under hedging derivatives	0	-
A.IX	Investments in associated companies and joint ventures	0	-
	Of which direct or indirect investments in banks and other persons in the financial sector	0	-
A.X	Investments into subsidiaries	0	-
	Of which direct or indirect investments in banks and other persons in the financial sector	0	-
A.XI	Intangible investments	11279	г
A.XII	Property, plant and equipment	168762	-
A.XIII	Investment property	0	-
A.XIV	Current tax assets	141210	-
A.XV	Deferred tax assets	4535	-
A.XVI	Non-current assets held for sale and discontinued operations	0	-
A.XVII	Other assets	33640	-

	Of which direct or indirect investments in banks and other persons in the financial sector more than 10%of the capital of those banks	0	-
А.XX	TOTAL ASSETS	58012591	-
П			-
ПО.I	Liabilities under derivatives	0	-
ПО.II	Deposits and other liabilities to banks, other financial organisations and central bank	20174	-
ПО.III	Deposits and other financial liabilities to clients	39460251	-
ПО.IV	Liabilities under hedging derivatives	0	-
ПО.V	Change in fair value of hedged items	0	-
	Of which hybrid instruments liabilities	0	-
ПО.VI	Subordinated liabilities	0	-
	Of which subordinated liabilities are included in the supplementary capital of the bank	0	-
ПО.VII	Provisions	45263	-
ПО.VIII	Liabilities under assets held for sale and discontinued operations	0	-
ПО.IX	Current tax liabilities	263688	-
ПО.X	Deferred tax liabilities	0	-
ПО.XI	Other liabilities	2693794	-
ПО.XIV	TOTAL LIABILITIES	42483170	-
ПО.XV	Share capital	1843887	-
	Of which the nominal value of paid shares, except for preferential cumulative shares	1843887	а
	Of which issue premium based on share capital, except for preferential cumulative shares	0	-
	Of which the nominal value of preferential cumulative shares	0	-
	Of which the issue premium based on preferential cumulative shares	0	-
ПО.XVI	Own shares	0	-
	What are the bank's own shares acquired from, except for preferential cumulative shares	0	-
	From what acquired own preferential cumulative shares	0	-
ПО.XVII	Profit	3496550	-
	Of which retained earnings from previous years	1966754	б
	Of which the profit from the current year	1529796	в
ПО.XVIII	Loss	0	-
	Of which losses from previous years	0	-
	Of which the current year's loss	0	-

ПО.XIX	Reserves	0	-
	Of which are reserves from profits, which represent an element of basic capital	0	-
	Of which the remaining positive consolidated reserves	0	-
	Of which other negative consolidated reserves	0	-
	Of which the rest are net negative revaluation reserves	0	-
	Of which the profit based on the bank's liabilities valued according to the fair value that was realized due to the change in the bank's credit rating	0	-
	Of which the positive revaluation reserves arising from the effects of changes in the fair value of fixed assets, securities and other assets which, in accordance with IFRS/IAS, are reported in favor of these reserves	0	-
ПО.XX	Unrealized losses	0	-
	Of which unrealized losses based on available-for-sale securities	0	-
ПО.XXI	Non-controlling participation	0	-
	Of which minority participation in subordinated companies	0	-
ПО.XXII	TOTAL CAPITAL (0414 - 0415 + 0416 -0417 + 0418 - 0419 ≥ 0	5340437	-
ПО.XXIII	TOTAL CAPITAL SHORT FALL (0414 - 0415 + 0416 -0417 + 0418 - 0419) < 0	0	-
ПО.XXIV	TOTAL LIABILITIES (0413+0421-0422)	58012591	-
В.П.			-
В.П.А.	Off-balance sheet assets	40349013	-
	Of which the amount of bank shares taken as a pledge, except for preferential cumulative shares	0	-
	From the check, the amount of preferred cumulative shares pledged	0	-
В.П.П.	Off-balance sheet liabilities	40349013	-

Capital requirement

The regulatory capital adequacy ratio is defined as the ratio of regulatory capital from one side, and capital requirements for credit risk, settlement/delivery risk, market and operational risk multiplied by the reciprocal value of prescribed minimum capital adequacy indicators on the other side. Banks are required to maintain a regulatory capital adequacy ratio at a level prescribed by NBS but not lower than 8%.

For the calculation of capital requirements for credit and market risks, the Bank uses a standardized approach, while for the operational risk the basic indicator approach is applied.

On December 31, 2024, the total risk assets of the Bank amounted to RSD 12,956,113 thousand.

Risk weighted Credit exposure of the Bank consisted of exposure to banks, mostly by nostro account funds keept in other banks in BOC Group, as well as other exposures in the segment of legal and natural persons (suppliers and similar). Accordingly, the capital requirement for credit risk as of 31.12.2024. In the amount of 843,155 thousand dinars.The Bank had no exposure based on settlement/delivery risk, commodity risk, and FX risk so the capital requirement for market risk is zero. The capital requirement for operational risk amounts to 193,355 thousand dinars and is calculated based on the three-year average of the exposure indicator multiplied by the capital requirement rate of 15%.

Bearing in mind the above, the total capital requirements on 31.12.2024 amount to 1,036,490 thousand dinars.

Capital adequacy indicators are expressed in percentages and represent the relationship between the capital and the risky assets of the bank. Considering that the total risk-weighted exposure of the Bank on 31.12.2024 amounts to 12,956,113 thousand dinars, in relation to the capital of 3,799,362 thousand dinars, the capital adequacy indicator is 29.32%, as well as the other capital adequacy indicators shown in the table below.

Data on total capital requirements and indicator of adequacy (PI - AKB)

No	Name	*Amount (000 RSD)*
		1
I	**CAPITAL**	***3,799,362***
1.	**TOTAL COMMON EQUITY TIER 1 CAPITAL**	***3,799,362***
2.	**TOTAL ADDITIONAL TIER 1 CAPITAL**	***-***
3.	**TOTAL TIER 2 CAPITAL**	***-***
II	**CAPITAL REQUIREMENTS**	***1,036,489***
1.	**CAPITAL REQUIREMENT FOR CREDIT RISK, COUNTERPARTY RISK, DILUTION RISK AND SETTLEMENT/DELIVERY RISK TO FREE DELIVERIES**	***843,154***
1.1.	**Standardised Approach (SA)**	***10,539,425***
1.1.1.	**Exposures to central governments and central banks**	***-***
1.1.2.	**Exposures to territorial autonomies or local government units**	***-***
1.1.3.	**Exposures to public administrative bodies**	***-***
1.1.4.	**Exposures to multilateral development banks**	***-***
1.1.5.	**Exposures to international organisations**	***-***
1.1.6.	**Exposures to banks**	***9,472,573***
1.1.7.	**Exposures to companies**	***747,257***
1.1.8.	**Retail exposures**	***2,300***
1.1.9.	**Exposures secured by mortgages on immovable property**	***-***
1.1.10.	**Exposures in default**	***-***
1.1.11.	**Exposures associated with particularly high risk**	***-***
1.1.12.	**Exposures in the form of covered bonds**	***-***
1.1.13.	**Exposures in the form of securitisation positions**	***-***
1.1.14.	**Exposures to banks and companies with a short-term credit assessment**	***-***
1.1.15.	**Exposures in the form of units in open-ended investment funds**	***-***
1.1.16.	**Equity exposures**	***-***
1.1.17.	**Other items**	***317,295***
1.2.	**Internal Ratings Based Approach (IRB)**	***-***
1.2.1.	**Exposures to central governments and central banks**	***-***
1.2.2.	**Exposures to banks**	***-***
1.2.3.	**Exposures to companies**	***-***
1.2.4.	**Retail exposures**	***-***
1.2.4.1.	**of which: Exposures secured by mortgages on immovable property**	***-***
1.2.4.2.	**of which: Qualifying revolving retail exposures**	***-***
1.2.4.3.	**of which: Exposures to small and medium-sized enterprises classified as retail exposures**	***-***
1.2.5.	**Equity exposures**	***-***
1.2.5.1.	**Approach applied:**	***-***
1.2.5.1.1.	**Simple Risk-Weight Approach**	***-***
1.2.5.1.2.	**PD/LGD Approach**	***-***
1.2.5.1.3.	**Internal models approach**	***-***
1.2.5.2.	**Types of equity exposures**	***-***
1.2.5.2.1.	**Exchange traded equity exposures**	***-***
1.2.5.2.2.	**Non-exchange traded equity exposures in sufficiently diversified portfolios**	***-***
1.2.5.2.3.	**Other equity exposures**	***-***
1.2.5.2.4.	**Equity exposures to which a bank applies the Standardised Approach**	***-***
1.2.6.	**Exposures in the form of securitisation positions**	***-***
1.2.7.	**Exposures arising from other assets**	***-***
2	**CAPITAL REQUIREMENT FOR SETTLEMENT/DELIVERY RISK IN RESPECT OF UNSETTLED TRANSACTIONS**	***-***
3	**CAPITAL REQUIREMENT FOR MARKET RISKS**	***-***

3.1.	Capital requirements for position, foreign exchange risk and commodities risk calculated under the Standardised Approach	-
3.1.1.	Capital requirement for position risk of debt securities	-
	of which capital requirement for position risk in respect of securitisation items	-
3.1.2.	Capital requirements for position risk arising from equity securities	-
3.1.3.	Additional capital requirement for large exposures from the trading book	-
3.1.4.	Capital requirement for foreign exchange risk	-
3.1.5.	Capital requirement for commodities risk	-
3.2.	Capital requirements for position, foreign exchange and commodities risk calculated under the internal models approach	-
4	CAPITAL REQUIREMENTS FOR OPERATIONAL RISK	*193,335*
4.1.	Capital requirement for operational risk calculated under the Basic Indicator Approach	*193,335*
4.2.	Capital requirement for operational risk calculated under the Standardised Approach/Alternative Standardised Approach	-
4.3.	Capital requirement for operational risk calculated under the Advanced Approach	-
III	COMMON EQUITY TIER 1 CAPITAL RATIO (%)	*29.32%*
IV	TIER 1 CAPITAL RATIO (%)	*29.32%*
V	TOTAL CAPITAL RATIO (%)	*29.32%*

Business indicators

The bank is obliged to maintain the amount of capital (capital adequacy ratio) at the prescribed level, for the purpose of stable and safe operations in accordance with the Decision on capital adequacy of the bank. The Risk Management Decision sets out the criteria for identifying, measuring and assessing the risks to which the Bank is exposed in its operations.

In accordance with the above, the following overview shows the prescribed and achieved indicators of the Bank's operations as of December 31, 2024.

Business indicators	**Regulatory prescribed**	**31.12.2024**
Capital	EUR 10 milion	RSD 3,799,362,000
CET 1	4.5%	29,32%
Tier 1	6%	29,32%
Capital adequacy	Min. 8%	29,32%
Investment indicator	Max. 60%	4,44%
Exposure toward single client/group of connected clients	Max. 25%	19,40%
Exposure toward person conected to the bank	Max 25%	12,73%
Sum of large exposures	Maks 400%	32,14%
FX risk indicator	Maks. 20%	1,45%

As of 31 December 2024, the Bank meets all regulatory prescribed business indicators.

ICAAP

Description of internal capital adequacy assessment process

The Bank continuously and in a documented manner carries out the process of internal capital adequacy assessment, ie determines the amount of internal capital in accordance with the risk management strategy and policies, as well as the capital management strategy and ICAAP Policy. The ICAAP, including the governance structure, risk assessment and capital planning, aims to maintain an adequate level of internal capital in line with the risk profile and to continuously meet regulatory requirements through improving the corporate governance mechanism, carefully assessing materially significant risks, implementing proper allocation and capital planning, and assessing the level of adequacy and its quality. In the process of development, periodic consideration and review of strategies, policies, methodologies, procedures and other internal acts that form the framework for ICAAP in the Bank, the Risk Management Department plays a leading role.

The ICAAP links the risk with capital and ensures that the Bank's capital is sufficient to cover the material risks risks the Bank is exposed to, including the risks that can lead to higher losses that are individually assessed as moderate, or in interaction with others, can cause major losses.

ICAAP covers the following risks:

a) credit risk, market risk and operational risk within Pillar 1;

b) risks that are not fully covered by Pillar 1, such as concentration risk, credit FX risk, residual risk and risks associated with Pillar 2, such as interest rate risk of a banking book, liquidity risk, business risk, strategic and other risks which have a significant impact on the Bank,

c) risks arising from external factors, including the impact of the business and macroeconomic environment

This process includes the following phases:

- Determination of materially significant risks that the Bank is exposed to or may be exposed to in its business
- Determining internal capital requirements for individual risks
- Determination of total internal capital requirements
- Comparison of capital calculated in accordance with the decision governing the adequacy of the Bank's capital and available internal capital;
- Comparison of minimum capital requirements calculated in accordance with the decision regulating the capital adequacy of the Bank and internal capital requirements for individual risks;
- Comparison of the collection of minimum capital requirements is calculated in accordance with the decision regulating the capital adequacy of the Bank and the total internal capital requirements.

By its methodology, the Bank determines qualitative and quantitative criteria on the basis of which it determines the material and significant risks involved in the process of internal capital adequacy assessment. By applying the methodology, the Bank calculates the level of internal capital for individual risks. Determination of internal capital requirements and available internal capital is done at least once a year.

The Bank calculates the total internal capital requirements based on the collection of internal capital requirements for individual risks obtained using the methodology for internal capital adequacy assessment and stress test results. The Bank once a year, and if necessary, performs stress testing for material and material risks.

Stress testing involves the process of analyzing and assessing possible impacts on the level of capital adequacy of the Bank under certain scenarios, as well as undertaking the countermeasures under the internal capital adequacy assessment.

The purpose of stress testing is to estimate capital requirements under stressful conditions, to check objectives regarding the level of capital and to set measures to alleviate stressful conditions in order to meet unplanned capital requirements, and to ensure that the Bank has adequate capital to withstand negative changes on the market.

Stress test assumptions are defined once per year, while ICAAP is stress tested quarterly or more often in accordance with the level of capital adequacy or internal requirements. The Bank takes into account the results of stress testing when updating strategies, the tendency to accept risk, the system of limits, the process of internal capital adequacy assessment, and contingency plans.

The internal capital adequacy assessment is determined on the basis of available internal capital. The elements that are included in the calculation of the Bank's core capital must meet the criteria defined by the local regulations. As of December 31, 2024, the Bank did not have any elements that could be included in the calculation of the available internal capital, and it is equal to the regulatory capital.

Material risks and methodology for determining capital requirements within the process of internal capital adequacy assessment

Material risks are those that have the potential to be realized or have been realized which can negatively affect the profitability, operational efficiency, liquidity and financial stability of the Bank.

The Bank defines material significance as follows:

- There are legal requirements for calculating minimum capital requirements
- It is considered significant at the Group level
- Based on the results of the assessment of the material significance of the risk

Thus, the bank prepares and updates the list of materially significant risks each year during the ICAAP audit process, but the basic risk group consists of:

- Credit risk (includes concentration risk, as the most significant, settlement / delivery risk, residual risk, credit FX risk, risk of the counterparty)
- IRRBB
- Market risk (foreign exchange risk)
- Operational risk (includes IT risk, risk of activity, legal risk, risk of introduction of new products)
- Liquidity risk
- Other risks (strategic risk, money laundering risk, business risk, investment risk, country risk, macroeconomic risk).

The Bank established by internal procedure quantitative and qualitative indicators, criteria and thresholds on the basis of which it identifies the material and significant risks that should be included in ICAAP, taking into account the type, scope and complexity of its activities, as well as the specificity of the market on which it operates.

Risk	ICAAP methodology
Credit risk	Standardized approach, in line with NBS Decision on capital adequacy of the banks
Credit FX risk	Modification of standardized approach, which assumes the use of simulated FX rate for exposure in foreign currencies
Market risk	Standardized approach, in line with NBS Decision on capital adequacy of the banks
Interest rate risk	Interest rate risk shock (200bp),
Operational risk	Basic indicator approach, in line with NBS Decision on capital adequacy of the banks
Liquidity risk	Bank manage liquidity risk through limit system and other operational processes. Bank do not calculate additional capital requirement for liquidity risk. Bank conduct stress tests for liquidity and results influence on the stressed capital requirements.
Concentration risk	Hirscman-Herfindalov index (HHI) used for concentration risk measurement in line with internal methodology of BoC group, as *add-on* factor for internal capital requirement
Other risks	Bank set capital buffer for covering risk which are hard to quantify (e.g. strategic risk, compliance, country risk ...) Bank sum up all risk that is exposed to and by using *building block approach* set the internal capital requirement.

Capital requirement amount

The following table provides an overview of the total regulatory capital requirements for the Bank as of 31 December 2024, by type of risk.

Description	Amount (000 RSD)
Capital requirement for credit risk, counterparty, dilution and settlement/delivery risk	**843,154**
Capital requirement for settlement/delivery risk in respect of unsettled transactions	-
Capital requirement for market risk	**-**

Capital requirement for position, foreign exchange risk and commodities using SA	-
Capital requirement for position risk of debt securities	-
Capital requirements for position risk arising from equity securities	-
Capital requirement for foreign exchange risk	-
Capital requirement for commodities risk	-
Capital requirement for operational risk	**193,335**
Capital requirement for operational risk using BA	193,335
Total Capital Requirement	**1,036,489**

Exposure per credit risk

The following table shows a comparative overview of capital requirements for credit risk, by exposure classes.

Class of exposure	Amount (000 RSD)
Exposures to central governments and central banks	-
Exposures to territorial autonomies and local self-government units	-
Exposures to public administrative bodies	-
Exposures to multilateral development banks	-
Exposures to international organizations	-
Exposures to banks	9,472,573
Exposures to corporates	747,257
Retail exposures	2,300
Exposures secured by real estate collateral	-
Past due items	-
High-risk exposures	-
Exposures in the form of covered bonds	-
Exposures in the form of open-end investment funds	-
Exposures toward banks and corporate clients with shortterm credit rating	-
Exposure toward open investment funds	-
Exposure in the form of sharehold investments	-
Other exposures	**317,295**
Total	**10,539,425**

Capital requirement for market risk

The Bank calculates the capital requirement for market risks using a standardized approach, in accordance with the NBS Decision on Capital Adequacy, as a sum:

1) Capital requirement for foreign exchange risk for all business activities - by multiplying the sum of the total net open foreign exchange position of the Bank and the absolute value of the net open position in gold from 8%.

2) Other capital requirements for price and commodity risk.

As of 31 December 2024, Bank's net open position represents 1,45% of the regulatory capital, and in accordance with the NBS Decision on the capital adequacy of banks, the Bank did not calculated the capital requirement for foreign exchange risk.

On December 31, 2024, the Bank was not exposed to price and commodity risk and therefore did not calculate the regulatory capital requirements for these risks.

Description	Amount (000 RSD)
Capital requirement for foreign exchange risk	-
Capital requirement for position risk of debt securities	-
Capital requirements for position risk arising from equity securities	-
Capital requirement for commodities	-
Total capital requirement for market risk	**-**

Capital requirement for operational risk

The Bank calculates the minimum capital requirement for operational risk by applying the basic indicator approach, in accordance with the Decision on Capital Adequacy of the NBS. Calculated as a three-year average exposure indicator multiplied by a 15% rate of capital requirement. On 31 December 2024, the capital requirement for operational risk amounts to 193,335 thousend dinars

Description	Amount (000 RSD)
Capital requirement for operational risk	193,335
Total	**193,335**

Information relating to exposure to risks and approaches for measuring or risk assessment

NPL definition and the exposures to its impairment

Maturity of outstanding receivables consist of all individual claims on the basis of which the borrower is in arrears for more than 90 days in a material amount, while the days in delay and material significance of the arrears is determined in the manner prescribed by the decision regulating the classification of balance sheet assets and off-balance sheet items of the Bank.

The Bank had no overdued receivables as of 31.12.2024.

Description of approaches and methods used to calculate the risk provisions and impairments

A description of the approaches and methods used to calculate the impairment of the balance sheet assets and provisions for losses on off-balance sheet items of the Bank of China Bank is explained in details in the Annual Financial Statements for 2024 in the Notes under points 3.9.

In accordance with IFRS 9, financial assets are measured in one of the following ways: amortized cost, fair value through profit and loss (FVPL) and fair value through other income (FVOCI). IFRS requires that all financial assets, other than derivatives and equity instruments, be analyzed through the composition of a business management model of financial assets of one, and the characteristics of contracted cash flows on the other.

The impairment is based on the expected credit losses related to the probability of default in the next twelve months, unless a significant increase in the credit risk arises from the occurrence, in which case the value adjustment is based on the probability of failure to fulfill obligations over the useful life of the asset.

The Bank ceases to recognize financial assets when the contractual rights to cash flows from a financial asset expire or when a financial asset is transferred in a transaction in which all risks and rewards of ownership of a financial asset are substantially transferred or in which the Bank does not transfer or retain substantially all risks and rewards of ownership and does not hold the control over financial assets

In transactions where the Bank does not retain or substantially transfer all risks and rewards of ownership of financial assets and keeps control over that asset, the Bank continues to recognize the asset to the extent that it is included in the changes that were sampled by transferred assets.

When canceling the recognition of financial assets, the difference between the carrying amount of the asset (or the percentage of the carrying amount through a portion of the transferred asset), and the amount of the consideration received (increased for each newly acquired asset and lessened for each new assumed obligation), as well as all cumulative gains or losses which have been recognized in the rest of the result are recognized in the income statement.

Impairment losses on loans and receivables, as well as other financial assets, are recorded in the income statement.

If, in the following period, the amount of the impairment loss is reduced as a result of an event occurring after the recognition of the impairment, the previously recognized impairment loss is corrected by changes in the impairment account and the amount of the adjustment is recognized in the income statement as income from the reversal of the provision. The Bank's analysis determined that there are no significant event related to correction.

Total exposure of the Bank after accounting write-offs, excluding credit risk mitigation techniques, and average exposure over the period of exposure classes (in 000 RSD):

Class of exposure	Gross exposure 31st Dec 2024	Net exposure 31st Dec 2024	Average exposure 31st Dec 2024
Exposures to central governments and central banks	16,129,552	16,129,552	16,534,992
Exposures to territorial autonomies and local self-government units	-	-	-
Exposures to public administrative bodies	-	-	-
Exposures to multilateral development banks	-	-	-
Exposures to international organisations	-	-	-
Exposures to banks	79,689,782	79,467,908	53,460,774
Exposures to corporates	2,388,238	2,385,054	2,681,502
Retail exposures	3,067	3,067	2,878
Exposures secured by real estate collateral	-	-	-
Past due items	-	-	-
High-risk exposures	-	-	-
Exposures in the form of covered bonds	-	-	-
Exposures in the form of open-end investment funds	-	-	-
Other exposures	657,709	317,295	666,655
Total	98,868,348	98,302,876	73,346,801

Geographic split per exposure class

The following section shows the geographical distribution of exposure by class (in 000 RSD) on 31.12.2024. In other exposure class Bank have no exposures.

Class of exposure		Serbia	EU	China	Hong Kong
Exposures to central governments and central banks	Gross	16,129,552	-	-	-
	Net	16,129,553	-	-	-
Exposures to banks	Gross	2,348,842	39,342,647	27,582,403	10,415,890
	Net	2,348,842	39,169,933	27,533,243	10,415,890
Exposures to corporates	Gross	2,388,238	-	-	-
	Net	2,385,054	-	-	-
Retail exposures	Gross	3,067	-	-	-
	Net	3,067	-	-	-
Other exposures	Gross	657,709	-	-	
	Net	317,295	-	-	

Distribution of all exposures that the Bank held on December 31, 2024 according to the sectors or type of the counterparty for the Bank, according to the regulatory reports.

Exposure	Description	Gross exposure	Past due amount	Impaired amount
Banks	Banks	79,689,782	-	221,874
states, central banks, and to public administrative bodies	Central bank	16,113,408	-	-
	State and other organisations	16,144	-	-
Companies	Public sector: electricity	546,646	-	-

	Companies – sector B, C и E: mining and processing industry, water supply, waste water management, control of waste removal processes and similar activities	1,537,083	-	3,184
	Companies – sector F: construction industry	-	-	-
	Companies – sector G: wholesale and retail trade, repair of motor vehicles and motorcycles	294,793	-	-
	Companies - sector H,I and J, transportation and storing, accomodationa and meal services, information and communication.	129		
	Companies – sector L, M, N, R, S, part of sector P и Q: property, science, inovations and suporting industries, art, entertainments, and other services, edjucation, health and social	9,446	-	-
	Entrepeneurs	142	-	-
	Foreign companies (except banks)	-	-	-
Retail exposures	Entrepreneurs: all entrepreneurs registered in accordance with the law governing the registration of business entities	-	-	-
	Domestic private individuals	3,067	-	-
Other		657,709	-	340,415
Total		98,868,349	-	565,473

Distribution of the Bank's exposure as of 31 December 2024, according to the remaining maturity, by exposure classes

Exposure	Description	Gross exposure
to banks	up until 90 days	66,628,673
	90-180 days	401,892
	180 to 1 years	248,569
	1-3 years	6,410,042
	over 3 years	6,000,607
to central governments and central banks	to 90days	16,129,552
	90-180 days	-
	180 to 1 years	-
	1-3 years	-
	over 3 years	-
to public administrative bodies	to 90days	-
	90-180 days	-
	180 to 1 years	-
	1-3 years	-
	over 3 years	-
to corporate	to 90days	1,240,496
	90-180 days	-
	180 to 1 years	890,648
	1-3 years	257,094
	over 3 years	-
to private individuals	to 90days	3,067
	90-180 days	-
	180 to 1 years	-
	1-3 years	-
	over 3 years	-
Other exposures		657,709
Total		98,868,349

Data on the structure of restructured receivables by restructuring measures for balance and off-balance sheet items

In its portfolio, the Bank did not have restructured receivables, or collateral received through collection of receivables as of 31.12.2024.

Changes in impairment provision for balance sheet assets and provisions for off-balance sheet items

Changes in impairment provision for balance sheet assets and provisions for off-balance sheet items during 2024 were given in the following overview, in thousands of RSD:

	Receivables from the banks	Receivables from companies	Other exposure	Off balance
As of 01. 01.2024	**-**	**-**	320,579	51,953
New impairment	**2,143,300**	3,167	19,836	42,177
Charged during period	**(1,957,176)**	-	-	(58,363)
Write off	**-**	-	-	-
FX differences	**-**	-	-	-
Other changes	**-**	-	-	-
At 31. 12. 2024	**186,124**	3,167	340,415	35,767

Distribution of exposures by categories of classification, by types of other contractual parties and data on calculated and required reserves

Receivables	Report on the classification of on-balance sheet assets as of 31st Dec 2024					
	A	B	V	G	D	Total
BALANCE SHEET ASSETS SUBJECT TO CLASSIFICATION: BASE FOR CALCULATION OF RESERVES FOR ESTIMATED LOSSES	41,741,893	-	-	-	-	41,741,893
Percentage applied to the base	0%	2%	15%	30%	100%	
CALCULATED RESERVE FOR ESTIMATED LOSSES	-	-	-	-	-	0
ALLOWANCES FOR IMPAIRMENT OF BALANCE SHEET ASSETS	178,453	-	-	-	-	178,453
REQUIRED RESERVE FOR ESTIMATED LOSSES	-	-	-	-	-	0
BALANCE SHEET ASSETS NOT SUBJECT TO CLASSIFICATION (gross carrying amount) and not covered by definitions of non-performing and forborne exposures	767,323	-	-	-	-	767,323
BALANCE SHEET ASSETS NOT SUBJECT TO CLASSIFICATION (gross carrying amount) covered by definitions of non-performing and forborne exposures	16,113,408	-	-	-	-	16,113,408
TOTAL BALANCE SHEET ASSETS (gross carrying amount)	58,622,624	-	-	-	-	58,444,171

As of 31 December 2024, the Bank had off-balance sheet receivables shown in the table below.

Receivables	Report on the classification of off-balance sheet assets as of 31st Dec 2024					
	A	B	V	G	D	Total
OFF-BALANCE SHEET ITEMS SUBJECT TO CLASSIFICATION: BASE FOR CALCULATION OF RESERVES FOR ESTIMATED LOSSES	14,319,457	-	-	-	-	14,319,457
Percentage applied to the base	-	-	-	-	-	-
CALCULATED RESERVE FOR ESTIMATED LOSSES	-	-	-	-	-	-
PROVISIONS FOR LOSSES ON OFF-BALANCE SHEET ITEMS	-	-	-	-	-	-
REQUIRED RESERVE FOR ESTIMATED LOSSES	35,767	-	-	-	-	35,767
OFF-BALANCE SHEET ITEMS NOT SUBJECT TO CLASSIFICATION (carrying amount before reserve deduction) not covered by the definition of non-performing exposures	-	-	-	-	-	-
OFF-BALANCE SHEET ITEMS NOT SUBJECT TO CLASSIFICATION (carrying amount before reserve deduction) covered by the definition of non-performing exposures	26,029,556	-	-	-	-	26,029,556
TOTAL OFF-BALANCE SHEET ITEMS (carrying amount before reserve deduction)	40,349,013	-	-	-	-	40,349,013
TOTAL REQUIRED RESERVE FOR ESTIMATED LOSSES	-					-

The name of the selected rating agency or export credit agency and the reasons for any change in the choice of this agency

The Bank uses Moody's Investor Service Ltd credit ratings for countries and central banks.

Exposure class for which credit ratings of selected rating agency or export credit agency are used

When determining credit risk ponders and the level of credit quality for exposures to the countries and central banks, the Bank uses the long-term ratings of Moody's Investor Service Ltd. From these ratings Bank calculate appropriate credit quality levels based on mapping published by the National Bank of Serbia.

The Bank applies a 0% risk weight for financial instruments issued by the Republic of Serbia.

Level of credit quality	Long term credit rating (Moody's)
1	Aaa - Aa3
2	A1 - A3
3	Baa1 - Baa3
4	Ba1 - Ba3
5	B1 - B3
6	Caa1 - C

In addition, on the basis of credit ratings of the state and the remaining maturity of placements, the Bank calculate credit quality levels for the exposure class towards banks.
The table below shows the exposure amounts before and after the use of credit protection for each level of credit quality, including exposures that represent deductible items of equity.

	Ponder	Gross exposure	Net exposure before CRM	Net exposure after CRM
Exposures to banks	20	66,628,672	66,442,462	66,442,462
	50	13,061,110	13,025,445	13,025,445
	100	-	-	-
Exposures to central governments and central banks	-	16,129,552	16,129,552	16,129,552
	20	-	-	-
	50	-	-	-
	100	-	-	-
	150	-	-	-
Retail exposures	35	-	-	-
	75	3,067	3,067	3,067
	100	-	-	-
	150	-	-	-
Exposures to public administrative bodies	-	-	-	-
	20	-	-	-
Exposures to corporates	35	-	-	-
	100	2,388,238	2,385,054	747,257
	150	-	-	-
Other exposures	-	-	-	1,637,797
	20	-	-	-
	100	657,709	317,295	317,295
Total	**-**	**98,868,348**	**98,302,875**	**98,302,875**

Data and information relating to the application of credit risk mitigation techniques

In order to mitigate credit risk, the Bank uses the instruments of material and non-material credit protection, as defined in the Decision on Capital Adequacy prescribed by the National Bank of Serbia, such as cash and cash equivalents deposited within the Bank, guarantees from banks, state and central banks, mortgages, and other assets.

First of all, individual credit protection instruments are used to check the fulfillment of the conditions defined by the Decision in terms of their suitability as collateral. Then, the order of the instruments of material and intangible credit protection when reducing the exposure is determined, which is determined on the basis of the marketability of the instrument, ie. possibilities of realization and collection.

First, the exposure to credit risk is reduced by applying a simple method for collateral in the form of financial assets (cash deposits, debt securities that meet the conditions of the Decision to be recognized as eligible collateral, netting agreements), and then the exposure is reduced by applying a simple method for intangible credit protection instruments (guarantees and counter-guarantees of first-class banks). After that, the credit risk weighted assets are reduced by applying mitigation techniques for other material credit protection instruments that meet the prescribed conditions.

The constant value monitoring of a particular credit protection instrument and the process of managing them is defined through internal documents of the Bank, and more detailed in Collateral valuation rule.

As of December 31, 2024, the Bank used cash deposits in its portfolio, which represent a means of securing off-balance sheet items and as such are used as a technique to mitigate credit exposure.

Capital buffers

Capital buffers represent additional capital that the Bank is obliged to maintain above the prescribed regulatory minimum, ie they cannot be used to maintain the minimum prescribed capital adequacy ratios of the Bank.

In accordance with the Decision of the National Bank of Serbia on the rate of the countercyclical capital buffer in Republic of Serbia, amounts to 0% of the bank's risk assets.

The bank is not obliged to maintain a capital buffer for systemically important banks. The bank maintains a capital buffer for the preservation of capital in the amount prescribed by NBS and a protective layer of capital for structural systemic risk in the amount of 3% of the total foreign currency and foreign currency indexed placements of the bank approved to the economy and the population in the Republic Serbia.

The bank maintained high buffers in capital indicators, which exceeded prudential requirements.

Geographical Distribution of Exposures Relevant for the Calculation of the Countercyclical Capital Buffer is as follows:

N0.		General credit exposures		Capital requirement requirements				Capital requirement weights	Countercyclical capital buffer rate
		Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
		1.	2.	7.	8.	9.	10.	11.	12.
1.	Breakdown by country								
1.1.	Serbia	21,527,409		85,348			85,348	10.12	0.00%
1.2.	Hungary	705,598		6,407			6,407	0.76	0.00%
1.3	China	27,582,403		135,936			135,936	16.12	0.00%
1.4	Canada	-		-			-	-	0.00%
1.5	Germany	8,197,655		129,905			129,905	15.41	0.00%
1.6	Luxembourg	30,439,394		485,557			485,557	57.59	0.00%
1.7	Hong Kong	10,415,890		-			-	-	0.00%
2.	**Total**	**98,868,349**		843,153			843,153	100.00	0

Amount of Bank-Specific Countercyclical Capital Buffer

1.	Total risk exposure amount	12,956,113
2.	Specific countercyclical capital buffer rate	0.00%
3.	Specific countercyclical capital buffer requirement	0%

Counterparty risk

The counterparty risk is, by definition, essentially a credit risk arising from the failure to settle the monetary obligation of the other counterparty in the transaction before the final settlement of the cash flows of the transaction, or the settlement of monetary liabilities under that transaction.

On 31 December 2024, the Bank did not have unrealized transactions with financial derivatives, so there is no counterparty risk.

Interest rate risk in banking book

The interest rate risk in the banking book relates to the risk of adverse changes in interest rates and maturity structure that lead to unforeseen loss of total income and economic value of the banking book, which arises from the risk of temporal mismatches of maturity and repricing risk, basic risk and optional risk.

The Bank has established a measurement system that ensures the quantification of changes in interest rates, using appropriate metrics and techniques and identifying all relevant sources of risk that may relate to the portfolio in the banking book. In determining the exposure to interest rate risk in the banking book, the Bank assesses the effects of changes in interest rates on the Bank's financial result (P&L) and the economic value of the Bank.

The Bank uses the standard method for measuring the interest rate risk using a shock methodology that demonstrates changes in the value of assets, liabilities and off-balance sheet positions in the case of a standard interest rate shock. Capital requirements for the interest rate risk in the banking book are determined as the sum of net weighted positions. This method also includes the risk of re-pricing. The bank does not calculate the capital requirement for the basic risk, because the interest rate risk is minimal.

All assets, liabilities and off-balance sheet items representing more than 5% of total assets and denominated in the same currency should be matched by maturity and net weighted interest position.

Maturity and risk weights are listed in the following table assuming a shock of interest rates of 200 bp.

Maturity range	Middle of maturity range	Modified assessed duration	Supposed interest rate change	Weight %
Up to 1 month	0,5 m	0,04 g	200 bp	0,08
1 – 3 month	2 m	0,16 g	200 bp	0,32
3-6 month	4,5 m	0,36 g	200 bp	0,72
6-12 month	9 m	0,71 g	200 bp	1,43
1-2 year	1,5 g	1,38 g	200 bp	2,77
2-3 year	2,5 g	2,25 g	200 bp	4,49
3-4 year	3,5 g	3,07 g	200 bp	6,14
4-5 year	4,5 g	3,85 g	200 bp	7,71
5-7 year	6 g	5,08 g	200 bp	10,15
7-10 year	8,5 g	6,63 g	200 bp	13,26
10-15 year	12,5 g	8,92 g	200 bp	17,84
15-20 year	17,5 g	11,21 g	200 bp	22,43
over 20 year	22,5 g	13,01 g	200 bp	26,03

On December 31, 2024, the Bank was exposed to interest rate risk on the basis of placements in other foreign banks, in the form of nostro account with negative interest rate, as well as placement of funds from transaction deposits of clients.

in 000 rsd	Nominal GAP	Effect on change of interest rates of most

		unpleaseble scenario (+- 200 bps)
RSD	**(3,246,524)**	(17,742)
EUR	**(402,615)**	(4,735)
USD	**12,690,792**	10,153
CNY	**673,425**	539
Total	**9,715,078**	(11,786)

The Bank analyze and consider scenarios related to premature loan repayment, but did not include them in calculation of risk exposures, because of non exsistence of highly developed credit activity. For consideration of movement of non-term deposits, Bank apply conservative approach and observed them in first time bucket.

The Bank has no exposure in the trading book or exposure due to securitization on 31.12.2024.

Leverage ratio

The leverage indicator represent the ratio of the core capital, which is calculated as the sum of the Tier 1 capital and additional tier 1 capital, and exposure of the bank, and is expressed in percentages. On December 31, 2024. Leverage indicator is 3.86%.

Banking group

Bank of China Serbia a.d. Belgrade has no subsidiary companies, so it does not publish data related to the banking group and the relationship between the parent company and its subsidiaries.

This report is published in Chines, in English and in Serbian, and Serbian version shall be prevail in case of any inconsistency among the three versions.