

# Annual Report 2021

# Survey of key data

Raiffeisen banka a.d.			
Monetary values are in thousands RSD	2021	Change	2020
Income Statement			
Net interest income after provisioning	9,232,019	15.7%	7,978,685
Net commission income	7,047,886	15.9%	6,078,860
Net trading income	425,362	20.5%	352,905
General administrative expenses	(9,398,662)	4.3%	(9,013,553)
Profit before tax	7,820,291	26.5%	6,180,387
Profit after tax	6,857,080	24.0%	5,529,348
Balance Sheet			
Loans and advances to banks	26,603,238	8.1%	24,620,212
Loans and advances to customers	216,672,440	15.9%	186,914,250
Amounts owed to other banks	2,340,980	(52.5%)	4,926,799
Amounts owed to customers	366,617,048	20.7%	303,752,087
Equity (incl. minorities and profit)	58,471,546	(8.0%)	63,563,586
Balance-sheet total	432,656,073	14.5%	377,709,412
Regulatory information			
Total own funds	47,869,298	(0.6%)	48,173,456
Own funds requirement	21,014,353	11.9%	18,787,361
Core capital ratio	18.22%	(11.2%)	20.51%
Own funds ratio	18.22%	(11.2%)	20.51%
Performance			
Return on equity (ROE) before tax	13.90%	30.8%	10.63%
Return on equity (ROE) after tax	12.19%	28.2%	9.51%
Cost/income ratio	46.49%	(1.2%)	47.06%
Return on assets (ROA) before tax	1.81%	10.5%	1.64%
Risk/earnings ratio	5.73%	(60.2%)	14.39%
Resources			
Number of staff on balance-sheet date	1,435	0.41%	1,429
Business outlets	81	(3.57%)	84

# Pregled najvažnijih podataka

Raiffeisen banka a.d.			
Vrednosti su izražene u hiljadama dinara	2021	Promena	2020
Bilans uspeha			
Neto dobitak po osnovu kamata posle rezervisanja	9.232.019	15,7%	7.978.685
Neto dobitak po osnovu naknada i provizija	7.047.886	15,9%	6.078.860
Neto prihodi od trgovanja	425.362	20,5%	352.905
Administrativni troškovi	(9.398.662)	4,3%	(9.013.553)
Dobitak pre oporezivanja	7.820.291	26,5%	6.180.387
Dobitak posle oporezivanja	6.857.080	24,0%	5.529.348
Bilans stanja			
Plasmani bankama	26.603.238	8,1%	24.620.212
Plasmani klijentima	216.672.440	15,9%	186.914.250
Obaveze prema bankama	2.340.980	(52,5%)	4.926.799
Obaveze prema klijentima	366.617.048	20,7%	303.752.087
Kapital	58.471.546	(8,0%)	63.563.586
Bilans stanja ( ukupno	432.656.073	14,5%	377.709.412
Kontrolne informacije			
Ukupni sopstveni kapital	47.869.298	(0,6%)	48.173.456
Potreban sopstveni kapital	21.014.353	11,9%	18.787.361
Adekvatnost kapitala (osnovni kapital)	18,22%	(11,2%)	20,51%
Adekvatnost kapitala (ukupni kapital)	18,22%	(11,2%)	20,51%
Pokazatelji poslovanja			
Stopa povraćaja kapitala pre oporezivanja	13.90%	30,8%	10,63%
Stopa povraćaja kapitala posle oporezivanja	12.19%	28,2%	9,51%
Odnos rashoda i prihoda	46,49%	(1,2%)	47,06%
Stopa povraćaja aktive	1,81%	10,5%	1,64%
Učešće ispravke vrednosti u neto prihodima od kamate	5,73%	(60,2%)	14,39%
Izvori			
Broj zaposlenih na dan bilansa	1.435	0,41%	1.429
Broj poslovnica	81	(3,57%)	84

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# Report of the Board of Directors



Ladies and Gentlemen,

It is our pleasure to report that Raiffeisen banka a.d. Beograd completed the financial year 2021 with excellent results. In its jubilee business year in the Serbian market, the bank continued to make use of the good foundations acquired in the course of the previous years – resources invested into digital transformation, primarily its high-quality client base, as well as the great experience and expertise of its employees. By offering cutting-edge services, such as online loans for private individuals and small businesses, online current accounts, while at the same time going through a comprehensive digital transformation of its branch offices – the bank responded fully to changed market demands, still characterized by the Covid-19 pandemic. Proof of the potential that our management sees in Serbia is also the acquisition of Crédit Agricole Srbija A.D. Novi Sad (a branch of the French Crédit Agricole S.A.), including the leasing company CA Leasing Srbija d.o.o, which is 100 per cent in its ownership. The acquisition contract was signed in August 2021, closing of the transaction is expected in the second quarter of 2022.

During the 2021 financial year, the members of the Board of Directors held nine ordinary meetings. The overall attendance rate for meetings of the Board of Directors exceeded 90 per cent.

The Board of Directors regularly and comprehensively monitored the business performance and risk developments at Raiffeisen banka. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity, as well as on the direction of the bank's business and risk strategies. The Board of Directors also dealt at length with

further developments within corporate governance and monitored the implementation of corresponding policies. In course of its monitoring and advisory activities, the Board of Directors maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from supervisory authorities on topical issues.

Moreover, the Management Board provided the Board of Directors with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Board of Directors maintained close contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Board of Directors, where applicable with the involvement of experts on matters being addressed.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Board of Directors passed resolutions after fully considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Board of Directors without delay and to their satisfaction.

In order to fulfil statutory duties regarding the supervision of the financial reporting process and reporting practices, which includes the review and adoption of the financial statements and review of external audit reports, the Board of Directors regularly discussed financial reporting matters and external audit reports, as well as the findings and recommendations thereof with the Audit Committee and external auditors.

Keeping in mind the significance of an adequate capital base for the fulfilment of the overall strategy, the capital management strategy and plan was one of the focus topics for the monitoring activities of the Board of Directors in 2021. These activities included the review and adoption of the ICAAP report, but also discussions with the Managing Board on the SREP requirement and preliminary SREP review results which were issued by the regulator in December 2021.

After yet another challenging year due to the COVID-19 pandemic, I would like to take this opportunity to sincerely thank the Management Board and all employees of Raiffeisen banka for their unwavering efforts, and also our customers for their continued trust.

On behalf of the Board of Directors

Peter Lennkh,  
Chairman of the Board of Directors

# Izveštaj predsednika Upravnog odbora



Dame i gospodo,

Zadovoljstvo nam je što možemo da objavimo da je Raiffeisen banka a.d. Beograd završila finansijsku 2021. godinu sa odličnim rezultatima. U jubilarnoj godini poslovanja na srpskom tržištu, banka je nastavila da koristi dobru osnovu stečenu tokom prethodnih godina – resurse uložene u digitalnu transformaciju, a pre svega svoju kvalitetnu klijentsku bazu, kao i veliko iskustvo i ekspertizu svojih zaposlenih. Nudeći najmodernije usluge poput onlajn kredita za stanovništvo i malu privredu, onlajn tekućeg računa, uz istovremenu sveobuhvatnu digitalnu transformaciju mreže filijala – u potpunosti je odgovorila na izmenjene potrebe tržišta, obeleženog i dalje pandemijom virusa kovid-19. Potvrda potencijala koji naša uprava vidi u Srbiji predstavlja i ugovor o preuzimanju banke Crédit Agricole Srbija A.D. Novi Sad (ogranka francuske Crédit Agricole S.A.) uključujući i lizing kompanije CA Leasing Srbija d.o.o. koja je u njenom 100% vlasništvu, a koji je potpisan u avgustu 2021. godine. Ugovor o akviziciji potpisan je u avgustu 2021, a zaključenje transakcije očekuje se u drugom kvartalu 2022. godine.

Tokom 2021. godine, članovi Upravnog odbora održali su devet sednica. Ukupna stopa učešća na sastancima Upravnog odbora u finansijskoj 2021. godini bila je preko 90%.

Upravni odbor je redovno i sveobuhvatno pratio poslovni učinak i razvoj rizika u poslovanju Raiffeisen banke a.d. Beograd. Redovno su održavane diskusije sa Izvršnim odborom u pogledu adekvatnosti kapitala i likvidnosti, kao i u pogledu usmerenja poslovanja Raiffeisen banke i njenih strategija u vezi sa upravljanjem rizicima. Upravni odbor se takođe detaljno bavio daljim razvojem u segmentu korporativnog upravljanja i pratio implementaciju odgovarajuće poslovne politike.

Tokom svojih nadzornih i savetodavnih aktivnosti, Upravni odbor održavao je direktne kontakte sa nadležnim članovima Izvršnog odbora, revizorima i rukovodiocima internih funkcija kontrole. Takođe, održavao je stalnu razmenu informacija i mišljenja sa predstavnicima Upravnih tela banaka na teme od interesa.

Pored toga, Izvršni odbor je redovnim i detaljnim izveštajima obaveštavao Upravni odbor o relevantnim pitanjima koja se tiču datih poslovnih segmenata. Između sastanaka, Upravni odbor je takođe održavao kontakt sa predsednikom Izvršnog odbora i članovima Izvršnog odbora. Izvršni odbor bio je dostupan kada je to bilo potrebno za bilateralne ili multilateralne diskusije sa članovima Upravnog odbora, po potrebi uz uključivanje stručnjaka za pitanja kojima se bavio Upravni odbor.

Posao koji je obavljen zajedno sa Izvršnim odborom zasnovan je na odnosima međusobnog poverenja i u duhu efikasne i konstruktivne saradnje. Diskusije su bile otvorene i kritične, a Upravni odbor doneo je odluke nakon razmatranja svih stavova. Ukoliko su bile potrebne dodatne informacije kako bi se pojedinačna pitanja dublje razmotrila, to je članovima Upravnog odbora obezbeđeno bez kašnjenja i na njihovo zadovoljstvo.

Kako bi se ispunile zakonom propisane obaveze u pogledu supervizije procesa finansijskog izveštavanja i praksi izveštavanja, što uključuje razmatranje i usvajanje finansijskih izveštaja i razmatranje izveštaja eksterne revizije, Upravni odbor je pitanja od značaja za finansijsko izveštavanje, izveštaje, nalaze i preporuke eksterne revizije razmatrao sa Odborom za reviziju i sa eksternim revizorima.

Imajući u vidu značaj adekvatne kapitalne baze za ispunjenje celokupne strategije, strategija upravljanja kapitalom i plan bili su jedna od vodećih tema aktivnosti nadzora Upravnog odbora u 2021. godini. Ove aktivnosti uključivale su pregled i usvajanje izveštaja ICAAP, ali i diskusiju sa Izvršnim odborom u pogledu zahteva procesa supervizorskog nadgledanja i procene (SREP), kao i preliminarne SREP rezultate koje je objavio regulator u decembru 2021. godine.

Nakon još jedne godine pune izazova pandemije virusa kovid-19, želeo bih da iskoristim ovu priliku i iskreno se zahvalim Izvršnom odboru, ujedno i svim zaposlenima Raiffeisen banke a.d. Beograd na njihovom nesmanjenom zalaganju, kao i svim našim klijentima na njihovom kontinuiranom poverenju.

U ime Upravnog odbora,

Predsednik Upravnog odbora  
Peter Lennkh

# Introductory Address by the Chairman of the Managing Board



Dear shareholders, business partners and colleagues,

In the name of the Managing Board of Raiffeisen banka a.d. Beograd, I would like to inform you that we achieved excellent results in the business year 2021, in some segments even record results since the beginning of our business activities. We are especially proud of these achievements because it was the jubilee year of our 20th business anniversary in Serbia. In the segment of credits issued we are also recording the biggest growth since 2008, while at the same time maintaining an exceptionally high quality of our credit portfolio.

You will find a detailed overview of achievements in all segments, as well as the key business indicators, in the subsequent pages of this report. They will confirm that the bank has been doing business very successfully and above the initially planned targets in all sectors. This success is all the more significant because it was realized in a year that, much as the year before, was marked by the Covid-19 virus pandemic, as well as by measures directed at mitigating its effects on the economy of our country.

There are multiple factors that contributed to these achievements, where I would stress in particular that in 2021 the suitability of the approach which was established in the years before the pandemic was additionally proven – comprehensive transformation and digitalization of business.

This strengthened our capability of adapting and our flexibility to external "impacts" and challenges, and the preceding two years are proof that it is exactly the flexibility of a system (as well as of individuals), which is the key of success of each organization in a changed environment. I am proud of this because our team of employees, by their expertise, knowledge, dedication and persistence, has once again proven that it is one of the strongest in the local market.

This is a trend we will continue. Our improved internal and external processes, digital services in both the retail and the corporate segment, as well as the agile mode of work and the resources we invested – give us an excellent basis for this. We are registering growth in the number of users on electronic channels, as well as great results as concerns our new digital products. We are continuing our branch transformation project with bold steps, as well as the transfer of services into the digital sphere. At the moment, our so-called cashless branch offices cover about 45 per cent of our total network, and also, which is very important – we are pleased with the fast implementation of these novelties both internally and by our clients.

Of course, we are keeping our focus on clients at all times and their satisfaction will continue to be our priority in 2022 as well. We already have a high NPS result in all segments (the indicator of clients' readiness to recommend our bank), and the plan is to improve this trend, so that we would be the most recommended financial services provider by 2025.

To complete this overview of priorities, last but not least: ESG issues and sustainability remain very highly positioned. They are even becoming increasingly important in all countries every day, and in Serbia as well, where this essentially important segment was unfairly neglected for many years. We have already started certain activities by analyzing opportunities for reducing investments in most polluting industries, by which we hope to contribute to the reduction of wasteful impact onto the environment. Many things are still ahead of us and I am convinced that, with our hard work and continuous education as regards our role in securing and maintaining sustainable development, we will confirm in the forthcoming period that we are an important player in this segment as well.

Our efforts, especially our good results, have also been recognized beyond the borders of Serbia by relevant financial experts. We have won twice the award "Best Bank in Serbia" by Euromoney and EMEA Finance, as well as twice the title of "Best Bank in the Private Banking Segment" by Global Finance and EMEA Finance, for the service introduced only in 2020, which quickly achieved great results and responded to the needs of this important client segment.

# Uvodna reč predsednika Izvršnog odbora



Ovo je ojačalo našu sposobnost adaptacije i fleksibilnost i na spoljne „udare“ i izazove, a prethodne dve godine potvrdile su da je upravo prilagodljivost sistema (pa i pojedinaca), ključ uspeha svake organizacije u izmenjenom okruženju. Ponosan sam na to jer je naš tim zaposlenih svojom stručnošću, znanjem, zalaganjem i upornošću, još jednom potvrdio da je jedan od najjačih na lokalnom tržištu.

Ovo je trend koji nastavljamo. Naši unapređeni interni i eksterni procesi, digitalni servisi kako u segmentu stanovništva, tako i privrede, te agilan način rada i resursi koje smo uložili – daju nam odličnu osnovu za to. Beležimo rast broja korisnika na elektronskim kanalima, kao i sjajne rezultate kada je reč o našim novim digitalnim proizvodima. Nastavljamo krupnim koracima i projekat transformacije mreže filijala, te prebacivanje usluge u digitalnu sferu. Trenutno, tzv. cashless filijale pokrivaju oko 45 odsto naše ukupne mreže, a što je vrlo važno – zadovoljni smo brzinom usvajanja ovih novina kako interno, tako i od strane klijenata.

Naravno, nijednog trenutka ne gubimo fokus sa klijenata, a njihovo zadovoljstvo nastaviće da bude naš prioritet i u 2022. godini. Beležimo već visok NPS rezultat u svim domenima (pokazatelj spremnosti klijenata da preporuče našu banku), a plan je da taj trend čak i unapredimo kako bismo do 2025. bili „najpreporučivani pružalac finansijskih usluga“.

Poštovani akcionari, poslovni partneri, kolegice i kolege,

U ime Izvršnog odbora Raiffeisen banke a.d. Beograd, obaveštavam vas da smo u poslovnoj 2021. godini ostvarili sjajne rezultate, u nekim segmentima i rekordne od početka poslovanja. Posebno smo ponosni na ova ostvarenja jer je to bila naša jubilara, 20. godina poslovanja u Srbiji. U delu kreditnih plasmana tako beležimo najveći rast od 2008. godine, uz istovremeno očuvanje izuzetno visokog kvaliteta kreditnog portfolija.

Detaljan pregled ostvarenja po svim segmentima, kao i ključne poslovne pokazatelje, naći ćete na narednim stranama ovog izveštaja. One će potvrditi da je banka poslovala veoma uspešno i iznad planiranih nivoa u svim sektorima. Ovaj uspeh je utoliko značajniji jer je ostvaren u godini koja je, kao i prethodna, bila obeležena pandemijom virusa kovid-19, te merama usmerenim ka ublažavanju njenih posledica po ekonomiju naše zemlje.

Više je faktora koji su doprineli ovakvim postignućima, a pre svih istakao bih da se u 2021. dodatno potvrdila ispravnost pristupa započetog u godinama pre pandemije – sveobuhvatne transformacije i digitalizacije poslovanja.


Za kraj osvrta na prioritete, a svakako ne najmanje važno: pitanja ESG-a i održivosti ostaju veoma visoko pozicionirani. Čak iz dana u dan dobijaju na značaju u svim zemljama, pa i u Srbiji, gde je dugi niz godina ova oblast od suštinskog značaja bila nepravredno zapostavljena. Određene korake smo već preduzeli analizom mogućnosti smanjenja ulaganja u industrije koje su veliki zagađivači, čime doprinosimo smanjenju štetnog uticaja na životnu sredinu. Mnogo toga je tek pred nama i uveren sam da ćemo u narednom periodu, napornim radom i konstantnom edukacijom o našoj ulozi u obezbeđivanju održivog razvoja, potvrditi da smo i u ovoj oblasti važan akter na domaćem bankarskom tržištu.

Naši napori, a posebno naši dobri rezultati, prepoznati su i izvan granica Srbije, od strane relevantnih finansijskih stručnjaka. Nagrađeni smo dvema nagradama za „Najbolju banku u Srbiji“ (Euromoney i EMEA Finance), kao i dvostrukom titulom „Najbolje banke u oblasti privatnog bankarstva“ (Global Finance i EMEA Finance), i to za uslugu uvedenu tek u 2020. godini, a koja je ubrzo postigla odlične rezultate i odgovorila na potrebe ovog važnog segmenta klijenata.

I wish to stress that the bank is to a great extent providing support to the business activities of the companies Raiffeisen Leasing, Raiffeisen Future Voluntary Pension Management, as well as Raiffeisen Invest, our investment fund management company. Our funds have realized excellent results and are among the leading companies in their segments in the market.

For the very end of this "accounting" of our jubilee business year, I have kept maybe the most important contract we have signed so far – the contract on the planned acquisition of the local Crédit Agricole bank and leasing company. I am thankful to our head office and shareholders who, by supporting this very important endeavour, confirm that they appreciate our results so far and that they have big plans for the future in this market. This acquisition will help us in taking up an even greater share of the market and the synergy of our companies will bring new projects, greater shares in segments, significant agricultural business and financial effects. After what I hope will be the successful completion of the transaction by the end of the first quarter of 2022, we will have become a "player" with more than one million clients and a credit portfolio of almost three billion euros.

All this motivates us to continue in the same tempo – to enter new areas of business, master new knowledge, cooperate mutually and with future colleagues, as well as to improve and spread our corporate culture also in a larger team.



Zoran Petrović  
Chairman of the Managing Board

Želim da istaknem da banka u velikoj meri pruža podršku radu kompanija Raiffeisen Leasing, Raiffeisen Future Društvu za upravljanje dobrovoljnim penzijskim fondom, kao i Raiffeisen Invest Društvu za upravljanje investicionim fondovima. Naši fondovi ostvarili su odlične rezultate i među vodećima su na tržištu u svojim segmentima.

Za sam kraj „svođenja računa“ o našoj jubilarnoj godini rada sačuvao sam možda i najvažniji ugovor koji smo do sada potpisali – ugovor o planiranoj akviziciji domaće Crédit Agricole banke i lizing kompanije. Zahvalan sam našoj centrali i akcionarima koji podrškom ovom veoma važnom poduhvatu, potvrđuju da cene naše dosadašnje rezultate i da imaju velike planove za budućnost na ovom tržištu. Ovom akvizicijom zauzećemo još veći deo tržišnog „kolača“ a sinergija naših kompanija doneće nam nove projekte, veće učešće u segmentima, značajan agrobiznis i finansijske efekte. Nakon, nadam se uspešnog kompletiranja transakcije krajem prvog kvartala 2022, postaćemo „igrač“ sa više od milion klijenata i kreditnim portfolijem od skoro 3 milijarde evra.

Sve ovo nam daje podstrek da nastavimo nesmanjenim tempom – da ovladavamo novim oblastima rada, novim znanjima, sarađujemo međusobno i sa budućim kolegama i kolegicama, te da unapređujemo i širimo korporativnu kulturu i u proširenom timu.



Zoran Petrović  
Predsednik Izvršnog odbora

# Vision, Mission & Values Statement of Raiffeisen banka a.d. Beograd

## SHAPING FUTURE TOGETHER

### VISION 2025

We are the most recommended financial services group.

### MISSION

We transform continuous innovation into superior customer experience.

### VALUES

#### **COLLABORATION**

We work together – If we work with each other, talk to each other, listen to each other and support each other, we can achieve so much more. We create an environment of mutual understanding, respect and trust.

We encourage diversity. Together with our colleagues, our partners and our customers we achieve more than individually.

#### **PROACTIVITY**

We are proactive – We believe in looking ahead. We drive change. Concentrating on the possibilities rather than the impossibilities. Replacing indecision with decision. Action instead of reaction. By being courageous and determined, we can make a difference. Even a little progress every day leads to big results.

#### **LEARNING**

We are eager to learn – Learning means personal progress. We learn from experience, education and sharing. Experimenting and applying new knowledge may involve failure, but failure can be a great teacher if we learn from it. Curiosity and learning help us innovate.

#### **RESPONSIBILITY**

We act responsibly – If each of us takes responsibility, we can change a lot. Individually and together, we own our decisions. We are accountable for the results of our work. We always think about the consequences of our actions. We are responsible members of society and build sustainable business.

# Vizija, misija i vrednosti Raiffeisen banke a.d. Beograd

## ZAJEDNO STVARAMO BUDUĆNOST

### VIZIJA 2025

Mi smo najpreporučivania finansijska grupacija.

### MISIJA

Kontinuirane inovacije oblikujemo u superiorno korisničko iskustvo.

### VREDNOSTI

#### **SARADNJA**

Radimo zajedno – ako sarađujemo, razgovaramo jedni sa drugima, slušamo i podržavamo jedni druge, možemo da postignemo mnogo više. Stvaramo okruženje uzajamnog razumevanja, poštovanja i poverenja. Ohrabrujemo raznolikost. Sarađujući sa našim kolegama, našim partnerima i našim klijentima ostvarujemo više nego kao pojedinci.

#### **PROAKTIVNOST**

Mi smo proaktivni – verujemo u budućnost. Iniciramo promene. Usmereni smo na mogućnosti. Neodlučnost zamenjujemo odlučnošću. Akcija umesto reakcije. Hrabrošću i odlučnošću možemo da napravimo razliku. Čak i mali svakodnevni napredak dovodi do velikih rezultata.

#### **UČENJE**

Želimo da učimo – učiti znači lični napredak. Učimo iz iskustva, kroz obrazovanje i razmenu znanja. Eksperimentisanje i primena novih znanja može da podrazumeva i neuspeh, ali neuspeh može da bude veliki učitelj ako iz njega naučimo. Radoznalost i učenje pomažu nam da budemo inovativni.

#### **ODGOVORNOST**

Ponašamo se odgovorno – ako svako od nas preuzme odgovornost, možemo mnogo da promenimo. Pojedinačno i zajedno, stojimo iza svojih odluka. Odgovorni smo za rezultate svog rada. Uvek razmišljamo o posledicama našeg delanja. Odgovorni smo članovi društva i gradimo održivo poslovanje.

# Raiffeisen Bank International at a Glance

Raiffeisen Bank International (RBI) regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 13 markets across the region. In addition, the Group comprises numerous other financial service providers that are active in areas such as leasing, asset management and M&A.

In total, around 46,000 RBI employees serve 19 million customers from around 1,800 business outlets, the vast majority of which are in CEE. At year-end 2021, RBI's total assets was approximately € 192 billion.

RBI AG shares have been listed on the Vienna Stock Exchange since 2005. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares with the remaining 41.2 per cent in free float.

# Kratak pregled Raiffeisen Bank International

Raiffeisen Bank International AG (RBI), svojim matičnim tržištem smatra Austriju, gde je vodeća privredna i investiciona banka, kao i srednju i istočnu Evropu. Mreža poslovnica pokriva 13 tržišta širom ovog regiona. Pored toga, grupacija obuhvata brojne druge kompanije pružaoce finansijskih usluga aktivnih u segmentima kao što su lizing, upravljanje sredstvima, kao i pripajanja i akvizicije.

Ukupno oko 46.000 zaposlenih u mreži RBI uslužuje 19 miliona klijenata u preko 1.800 poslovnica, prvenstveno u srednjoj i istočnoj Evropi. Krajem 2021. godine, ukupna aktiva RBI-a iznosila je približno 192 milijarde evra.

Deonice RBI AG listirane su na Bečkoj berzi od 2005. godine. Regionalne Raiffeisen banke drže oko 58,8% deonica RBI-a, dok je ostatak od 41,2% u slobodnoj prodaji.

# Macroeconomic Environment, Opportunities for Foreign Investors and Perspectives

In the course of 2021, all governments were still focusing on the health crisis through bringing medical and economic measures with the aim of preventing the spreading of this virus and mitigating the negative effects on the economies. Due to the implementation of immunization of citizens through the vaccination process, Serbia's government decided against restrictions regarding the movement of citizens, instead, it brought the third support package to the economy (€ 2.1 billion) in order to prevent a negative impact of this crisis onto the economy. The National Bank of Serbia left the key interest rate unchanged at 1 per cent and kept the debt moratorium in the first half of the year, but also with the help of other monetary instruments and together with the government, supported the economy to weather this crisis in the best way possible.

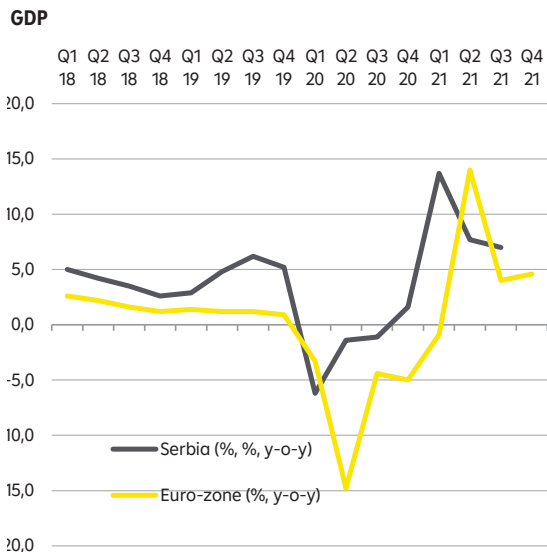
After a one-year pause in the negotiation process to join the European Union, towards the end of 2021, the European Commission approved the opening of cluster 4, containing four chapters relating to the green agenda and sustainable connectivity. Namely, the following chapters will be opened within cluster 4: Chapter 14 on transport policy, Chapter 15 on energy, Chapter 21 on the trans-European network and Chapter 27 on the environment and climate changes.

The Executive Board of the International Monetary Fund (IMF) approved the new 30-month counseling program in June 2021, supported by the Policy Coordination Instrument (PCI). A special focus of the program will be on structural and institutional reforms. Also, there is a plan for the development of a comprehensive plan of green growth so as to support economic recovery and achieve a more sustainable development.

"Moody's" rating agency increased Serbia's credit rating from Ba3 (positive outlook) to Ba2 (stable outlook). "Fitch" agency did not change the credit rating during 2021 (BB+ with stable outlook), while "Standard and Poor's" confirmed the credit rating BB+, but increased perspectives of increasing the credit rating from stable to positive. The key argument of this prospective improvement is the agency's estimation on the resilience of the domestic economy "to the negative effects of the current wave of the pandemic in conditions of cautious macroeconomic policy".

## Macroeconomic Trends

According to the Republic Statistics Bureau, GDP growth in 2021 is estimated at 7.5 per cent, after a slump of 0.9 per cent in 2020. Even with the continued spreading of the coronavirus, the strong economic revitalization in the previous year, following the recession in 2020 caused by the outbreak of the coronavirus, was supported by several factors: a) the third support program for the economy in the value of €2.1 billion, b) global trade recovery, which boosted strong export growth, c) vaccination, which contributed to the recovery of tourism and traffic, as well as d) expansive monetary policy, which contributed to competitive financing terms.



Compared to the third quarter, when GDP grew by 7.6 per cent y-o-y, in the fourth quarter, the GDP growth rate slowed down (plus 7 per cent y-o-y), although that, too, is quite high, having in mind the new wave of coronavirus spreading and the fact that the third support package for the economy aimed at mitigating the negative impact onto the economy was essentially spent.

# Makroekonomsko okruženje, mogućnosti za strane investitore i perspektive

Tokom 2021. godine, sve vlade su i dalje bile posvećene zdravstvenoj krizi kroz donošenje zdravstvenih i ekonomskih mera u cilju sprečavanja širenja ovog virusa i ublažavanja negativnih efekata na privredu. Usled implementacije imunizacije stanovništva kroz proces vakcinacije, Vlada Srbije odlučila je da ne uvodi restrikcije u kretanju stanovništva, ali je zato donela treći paket podrške privredi (2,1 milijarde evra) u cilju sprečavanja negativnih posledica ove krize na poslovanje privrede. Narodna banka Srbije ostavila je nepromenenu referentnu kamatnu stopu na 1% i zadržala moratorijum na dug u prvom delu godine, ali je i pomoću ostalih monetarnih instrumenata zajedno sa Vladom pomagala privredi da što lakše prebrodi ovu krizu.

Nakon godinu dana pauze u okviru pregovaračkog procesa pridruživanja Evropskoj Uniji, pred kraj 2021. godine, Evropska komisija je odobrila otvaranje klastera 4, koji se sastoji od četiri poglavlja koja se odnose na zelenu agendu i održivo povezivanje. Naime, biće otvorena sledeća poglavlja u okviru klastera 4: Poglavlje 14 o transportnoj politici, Poglavlje 15 o energetici, Poglavlje 21 o transevropskoj mreži i Poglavlje 27 o životnoj sredini i klimatskim promenama.

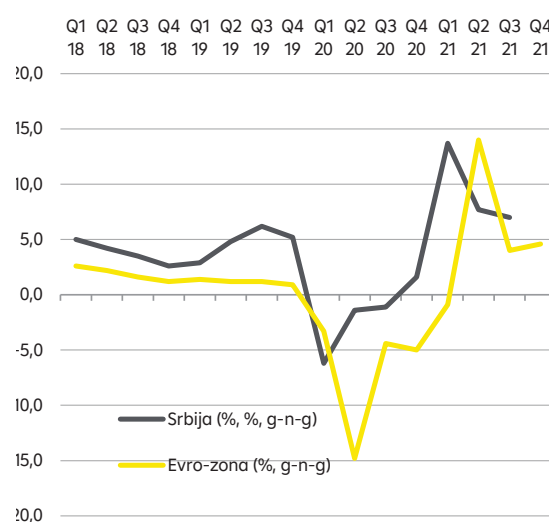
Izvršni odbor Međunarodnog monetarnog fonda (MMF) je u junu 2021. godine odobrio novi 30-mesečni savetodavni program podržan Instrumentom za koordinaciju politika (PCI). Poseban fokus programa biće na strukturnim i institucionalnim reformama. Takođe, postoji plan za razvoj sveobuhvatnog plana zelenog rasta kako bi se podržao ekonomski oporavak i postigao održiviji razvoj.

Rejting agencija „Moody's“ povećala je kreditni rejting Srbije sa Ba3 (pozitivni izgledi) na Ba2 (stabilni izgledi). Rejting agencija „Fitch“ nije menjala kreditni rejting tokom 2021. godine (BB+ sa stabilnim izgledima), dok je „Standard and Poor's“ potvrdila kreditni rejting BB+, ali povećala perspektive povećanja kreditnog rejtinga sa stabilnih na pozitivne. Ključni argument ovog poboljšanja perspektive je procena agencije o otpornosti domaće ekonomije „na negativne efekte tekućeg talasa pandemije u uslovima oprezne makroekonomske politike“. Agencija očekuje da, u odsustvu značajnog pogoršanja epidemioloških uslova, Srbija u srednjem roku postigne relativno visoke i uravnotežene stope rasta.

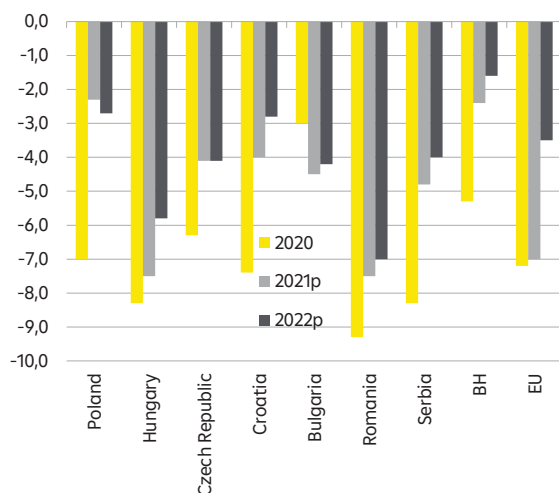
## Makroekonomski trendovi

Prema Republičkom zavodu za statistiku, rast BDP-a u 2021. godini je procenjen na 7,5% posle pada od 0,9% u 2020. godini. I pored nastavka širenja korona virusa, snažnom oporavku ekonomije u prethodnoj godini, posle recesije u 2020. godini izazvane širenjem korona virusa, doprinelo je nekoliko faktora: a) treći program podrške privredi u vrednosti od 2,1 milijarde evra koji je pomogao rast lične potrošnje i industrije, b) oporavak globalne trgovine koja je podstakla snažan rast izvoza, c) vakcinacija koja je doprinela oporavku turizma i saobraćaja i d) ekspanzivna monetarna politika koja je doprinela povoljnim uslovima finansiranja.

### BDP



U odnosu na treći kvartal, kada je BDP ostvario rast od 7,6% g-n-g, u četvrtom kvartalu je stopa rasta BDP-a usporila dinamiku (+7% g-n-g) iako je i to dosta visoka stopa, s obzirom na novi talas širenja virusa i činjenice da je treći paket podrške privredi za ublažavanje negativnih posledica na privredu uglavnom potrošen.

**Consolidated budget deficit/surplus compared to GDP**

Viewed from the supply side, the most important growth was realized in the wholesale and retail trade industry (plus 14.7 per cent), the art and entertainment industry (26.7 per cent), although with modest contribution to GDP creation (2.5 per cent). The construction industry continued its growth in the fourth quarter (plus 10.7 per cent), supported by both state as well as private investments. The processing industry recovered its growth rate in the fourth quarter (plus 4.3 per cent), after a modest growth by 2.3 per cent in the third quarter, supported by the end of the holiday season, which lasted longer during the summer of 2021, since in 2020, people used less vacation days due to mobility restrictions in other countries.

Although in 2021 agriculture was hit by a drought and realized a decline of 5.4 per cent annually (first to fourth quarter average), this did not have such a strong impact on the total economy compared to earlier years when we had droughts. Namely, great incentives given by the state to the economy, low interest rates, but also new industries that opened up in the meantime and were included in the international flow of products and services, as well as infrastructural investments, all contributed to economic growth no longer being so dependent on agriculture.

Viewed on the expenditures side, economic growth in the fourth quarter was generated by investments (plus 9.8 per cent y-o-y), household consumption (plus 7.3 per cent y-o-y) and state consumption (plus 5.8 per cent y-o-y). The net effect of exports on GDP growth was negative, as a result of imports growing faster in comparison to exports. Both categories slowed down their growth considerably in the fourth quarter, so that imports grew by 15.5 per cent (third quarter: plus 22.8 per cent), while exports grew by 13.9 per cent (third quarter: 22.4 per cent). We assume that the base effect contributed in part to the slowing down, but also the slowing down of export demand.

The unemployment rate continued dropping in the fourth quarter to 9.8 per cent, from 10.5 per cent in the third quarter, 11.1 per cent in the second quarter and 12.8 per cent in the first quarter. In the fourth quarter, formal employment increased (plus 26,000) compared to the third quarter, due to the rise of formally employed persons excluding agriculture, also, informal employment decreased (minus 33,100) due to the smaller number of informally employed persons in agriculture and excluding agriculture. Compared to the fourth quarter of 2020, when the unemployment rate was 10.7 per cent, in the fourth quarter of 2021, employment increased by 115,600, while simultaneously there were fewer people outside of the workforce (minus 141,600) and unemployment was reduced (minus 18,500).

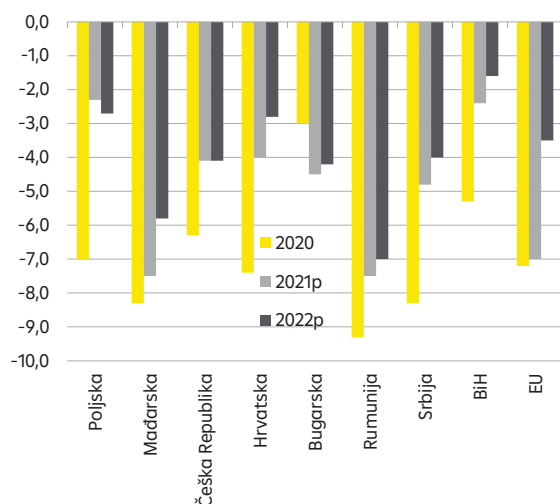
In 2021, industry grew by 6.3 per cent (2020: plus 0.4 per cent), as the result of a faster than expected recovery of the global economy during 2021 and the exceptional growth of export demand in the previous year. Also, the third program of support to the economy for mitigating the negative consequences of the spreading health crisis contributed positively. The industry structure shows growth in the segments of mining by 27.6 per cent since the beginning of the year, processing industry by 5.5 per cent since the beginning of the year and electricity production (plus 0.7 per cent).

However, a slowing down of the processing industry growth is evident since the month of September, due to growing production costs (rise in prices of fuels in global markets, which enticed the rise in oil prices in the local market, rise in prices of electricity and rise in prices of other inputs in the local market). In some industries, the delay in normalizing global supply chains, therefore delay in the delivery of half-finished products, had an impact on growth slowdown.

Rise in electronic trade, paying out of the net minimal wage, lending activity, no movement restrictions and vaccination of people, all together contributed to the consumption of food, drinks and tobacco rising by 7.4 per cent since the start of the year (2020: 2.8 per cent), consumption of non-alimentary products to rise by 12 per cent since the start of the year (2020: 9.9 per cent) and consumption of motor fuels to rise by 14.2 per cent since the start of the year (2020: minus 2.6 per cent).

The strong and fast recovery of global trade, due to the rising demand for goods, which was boosted by a slump in services demand, helped the growth of the domestic import of goods in 2021 by 26.8 per cent annually (2020: minus 2.7 per cent) and the import value amounted to € 21.6 billion. In 2021, import realized a growth of 24.6 per cent (2020: minus 3.8 per cent) and reached the value of € 28.6 billion. Import growth is partly the result of a rise in metal prices and prices of other products in global markets and the weakening of the euro in relation to the US dollar. As a result of the strong import growth, foreign trade deficit grew by 18.3 per cent annually, while export/import coverage grew to 75.6 per cent, compared to 74.3 per cent in 2020.

Konsolidovani budžetski deficit/suficit u odnosu na BDP



Gledano sa strane ponude, najznačajniji rast ostvaren je u sektoru trgovine na veliko i malo (+14,7%), sektoru umetnosti i zabave (26,7%), iako sa skromnim doprinosom stvaranju BDP-a (2,5%). Sektor građevinarstva je nastavio rast u četvrtom kvartalu (+10,7%) podržan kako državnim, tako i privatnim investicijama. Prerađivački sektor je popravio stopu rasta u četvrtom kvartalu (+4,3%), posle skromnog rasta od 2,3% u trećem kvartalu, podstaknut završetkom sezone godišnjih odmora koja je u letnjoj sezoni 2021. godine duže trajala, s obzirom da se tokom 2020. godine manje koristila usled dosta restrikcija u mobilnosti drugih zemalja.

Iako je 2021. godine poljoprivreda bila pogođena sušom i ostvarila pad od 5,4% godišnje (prosek od prvog do četvrtog kvartala), to nije imalo tako snažan uticaj na ukupnu ekonomiju kao ranijih godina kada smo imali suše. Naime, veliki podsticaji dati od strane države privredi, niske kamatne stope, ali i nove industrije koje su se otvorile u međuvremenu i uključile se u međunarodne tokove robe i usluga, kao i infrastrukturne investicije, doprinele su da rast ekonomije više ne zavisi u tolikoj meri od poljoprivrede.

Gledano sa rashodne strane, rast ekonomije u četvrtom kvartalu generisan je investicijama (+9,8% g-n-g), potrošnjom domaćinstava (+7,3% g-n-g) i potrošnjom države (+5,8% g-n-g). Neto efekat izvoza na rast BDP-a bio je negativan usled bržeg rasta uvoza od izvoza. Obe kategorije su dosta usporile rast u četvrtom kvartalu, tako da je uvoz porastao za 15,5% (treći kvartal: +22,8%), dok je izvoz porastao za 13,9% (treći kvartal: 22,4%). Pretpostavljamo da je usporavanju doprineo delimično efekat baze, ali i usporavanje izvozne tražnje.

Stopa nezaposlenosti nastavila je da pada u četvrtom kvartalu na 9,8% sa 10,5% u trećem kvartalu, 11,1% u drugom kvartalu i 12,8% u prvom kvartalu. U četvrtom kvartalu povećana je formalna zaposlenost (+26.000) u odnosu na treći kvartal, usled rasta formalno zaposlenih van poljoprivrede, a smanjena je neformalna zaposlenost (-33.100) usled smanjenja neformalno zaposlenih u poljoprivredi i van poljoprivrede. U poređenju sa četvrtim kvartalom 2020. godine, kada je stopa nezaposlenosti iznosila 10,7%, u 4. kvartalu 2021. povećana je zaposlenost za 115.600, uz istovremeno smanjenje stanovništva van radne snage (-141.600) i nezaposlenosti (-18.500).

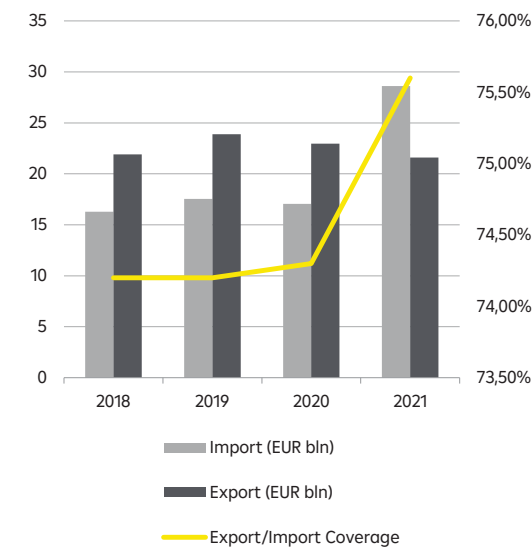
U 2021. godini industrija je ostvarila rast od 6,3% (2020: +0,4%), kao rezultat bržeg od očekivanog oporavka globalne ekonomije tokom 2021. godine i izuzetnog rasta izvozne tražnje tokom prethodne godine. Dalje, treći program podrške privredi za sprečavanje negativnih posledica širenja zdravstvene krize je dao pozitivan doprinos. Sektorska struktura pokazuje rast sektora rudarstva od 27,6% od početka godine, prerađivačkog sektora od 5,5% od početka godine i proizvodnje električne energije (+0,7%).

Međutim, evidentno je usporavanje rasta prerađivačkog sektora od septembra meseca usled rasta troškova proizvodnje (rast cene energenata na globalnim tržištima koji je podstakao rast cena nafte na domaćem tržištu, rast cena električne energije i rast cena ostalih inputa na domaćem tržištu). U nekim sektorima je na usporavanje rasta uticalo i kašnjenje u normalizaciji globalnih lanaca snabdevanja i samim time i kašnjenja u isporuci poluproizvoda.

Rast elektronske trgovine, isplate neto minimalne zarade, kreditna aktivnost, odsustvo restrikcija u kretanju i vakcinaciji stanovništva, sve zajedno su doprineli da potrošnja hrane, pića i duvana poraste za 7,4% od početka godine (2020: 2,8%), potrošnja neprehrambenih proizvoda da poraste za 12% od početka godine (2020: 9,9%) i potrošnja motornih goriva da poraste za 14,2% od početka godine (2020: -2,6%).

Brz i snažan oporavak globalne trgovine usled rasta tražnje za robom podstaknutog padom tražnje za uslugama, pomogao je rast domaćeg izvoza robe u 2021. godini od 26,8% godišnje (2020: -2,7%), a vrednost izvoza iznosila je 21,6 milijardi evra. Uvoz je ostvario rast u 2021. godini od 24,6% (2020: -3,8%) i dostigao vrednost od 28,6 milijardi evra. Rast uvoza delimično je rezultat rasta cena metala i cena ostalih proizvoda na globalnim tržištima i slabljenja evra u odnosu na dolar. Kao rezultat snažnog rasta uvoza, deficit spoljne trgovine porastao je za 18,3% godišnje, dok je pokrivenost uvoza izvozom porasla na 75,6% u poređenju sa 74,3% u 2020. godini.

Foreign Trade



In 2021, import growth of € 5.6 billion was achieved (2020: € minus 0.92 billion). The largest import growth was realized with ferrous metals, iron, steel, other metals, electrical machines and appliances, as well as road vehicles, chemical products (plastic in primary form and medica products), also oil import (partly due to the rise in oil prices in global markets). In 2021, import growth of € 4.6 billion was achieved (2020: € minus 0.48 billion), and the biggest export growth was realized in export of fruits and vegetables, metal ore and metal waste, chemical products (etheric oils, plastic in primary and other forms), ferrous metals, iron and steel, cauchouk products and electrical machinery, devices and appliances.

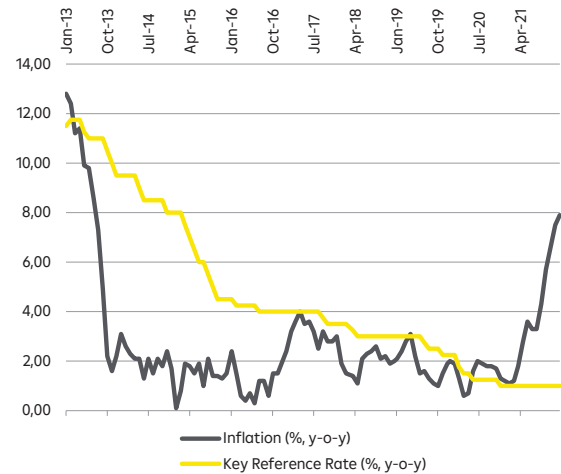
Foreign direct investments grew by 24.8 per cent in 2021, and amounted to € 3.6 billion, compared to € 2.2 billion in 2020. This was supported by the vaccination process, as well as by the government's measures, which supported the quick recovery of the economy. Further, the recovery in the growth of remittances is evident, reaching € 2.5 billion (plus 18.4 per cent annually).

After a modest growth of 1.3 per cent in 2020, the strong recovery of the local economy, the rise in energy and food prices, as well as drought in the country, contributed to the quickening inflation dynamics (7.9 per cent annually). The greatest contribution to such high inflation were prices of food and non-alcoholic beverages (plus 12.1 per cent annually), transport prices (plus 13.5 per cent annually), price of accommodation (plus 7.4 per cent annually), as well as drinks and tobacco prices (6.4 per cent annually). Production prices were also on the rise (December: plus 13.5 per cent annually), although a slowing down is evident (November: plus 15.1 per cent annually), mostly due to the government's decision to restrict the rise in electricity prices in the local market.

Further, prices that are paid by producers of agricultural products grew by 30.5 per cent annually in November of 2021, due to the drought in Serbia, the global sudden surge in prices of fertilizers and energy prices, but they are slowing down compared to the rise by 38.1 per cent in October becuase of the government's decision to restrict the rise in prices for key alimentary products (sugar, meat, bread, milk, oil) to the level of November 15th for a period of 60 days.

Compared to total inflation, base inflation was quite stable during the year 2021 and grew to 3.5 per cent after 2.1 per cent in 2020 and remained within the targeted inflation range (3 per cent plus/minus 1.5 per centage points), and it saw supported by the stable foreign exchange rate and stable inflatory expectations.

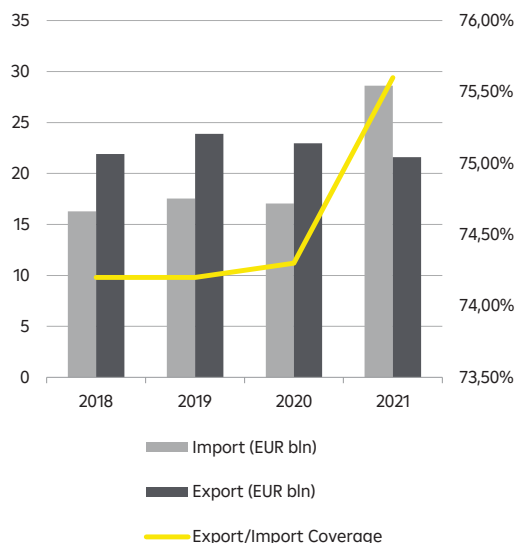
Key Reference Rate and Inflation



Even with the strong inflation growth from September 2021, both locally and in all Western markets, the National Bank of Serbia (NBS) did not change the key interest rate during 2021, so the rate was 1 per cent. However, since the month of September, the NBS began a process of sharpening monetary conditions through an increase of the repo rate on res+verse repo auctions (0.11 per cent beginning October to 0.50 per cent at the last auction in 2021) and drawing excess liquidity from the banking sector. Namely, since the beginning of October, the NBS stopped organizing auctions of repo repurchase of securities through which it was providing dinar liquidity to the banking sector.

The dinar continued a stable trend of movements in relation to the euro, thanks to the high foreign currency inflows (foreign direct investments, remittances) and banks' lending activity in conditions of issuing guarantee schemes by the government, it had a positive impact on currency strengthening. The foreign currency interventions of the NBS in 2021 fell (€ 0.65 billion) compared to € 1.5 billion in 2020. Apart from foreign

## Spoljna trgovina



U 2021. godini, ostvaren je rast uvoza od 5,6 milijarde evra (2020: -0,92 milijardi evra). Najveći rast uvoza ostvaren je kod obojenih metala, gvožđa, čelika, drugih metala, električnih mašina i aparata, te drumskih vozila, hemijskih proizvoda (plastika u primarnoj formi i medicinski proizvodi) i uvoza nafte (delimično usled rasta cena nafte na globalnim tržištima). U 2021. godini ostvaren je rast izvoza od 4,6 milijarde evra (2020: -0,48 milijardi evra), a najveći rast izvoza ostvaren je kod izvoza voća i povrća, metalnih ruda i otpada metala, hemijskih proizvoda (eterična ulja, plastika u primarnoj i ostalim formama), obojenih metala, gvožđa i čelika, proizvoda od kaučuka i električnih mašina, aparata i uređaja.

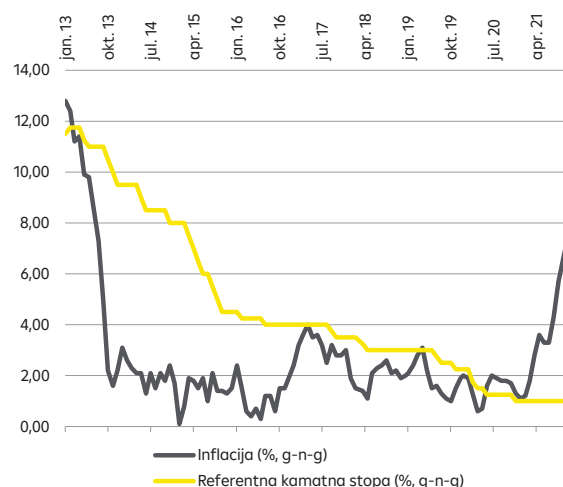
Strane direktne investicije porasle su za 24,8% u 2021. godini i iznosile su 3,6 milijarde evra u poređenju sa 2,9 milijarde evra u 2020. godini. Tome je doprineo proces vakcinacije stanovništva, kao i mere Vlade, koje su pomogle brz oporavak ekonomije. Dalje, vidljiv je i oporavak rasta doznaka na 2,5 milijarde evra (+18,4% godišnje).

Nakon skromnog rasta od 1,3% u 2020. godini, snažan oporavak domaće ekonomije, rast cena energije i cena hrane, kao i suša u zemlji, doprineli su ubrzanju dinamike inflacije (7,9% godišnje). Najveći doprinos tako visokoj inflaciji dale su cene hrane i bezalkoholnih pića (+12,1% godišnje), cene prevoza (+13,5% godišnje), stanovanja (+7,4% godišnje), te pića i duvana (6,4% godišnje). Proizvođačke cene su takođe bile u porastu (decembar: +13,5% godišnje), mada je evidentno usporavanje (novembar: +15,1% godišnje), uglavnom zbog odluke Vlade o ograničenju rasta cena električne energije na domaćem tržištu.

Dalje, cene proizvođača poljoprivrednih proizvoda porasle su za 30,5% godišnje u novembru 2021. godine zbog suše u Srbiji, globalnog naglog rasta cena đubriva i rasta cena energenata, ali usporavaju rast u odnosu na rast od 38,1% u oktobru mesecu usled odluke Vlade o ograničenju rasta cena ključnih prehrambenih proizvoda (šećer, meso, hleb, mleko, ulje) na nivo od 15. novembra na 60 dana.

U odnosu na ukupnu inflaciju, bazna inflacija je bila dosta stabilna tokom 2021. godine i porasla na 3,5% posle 2,1% u 2020. godini i ostala u okviru ciljanog raspona inflacije (3% +/- 1,5 pp), a bila je podržana stabilnim deviznim kursom i stabilnim inflatornim očekivanjima.

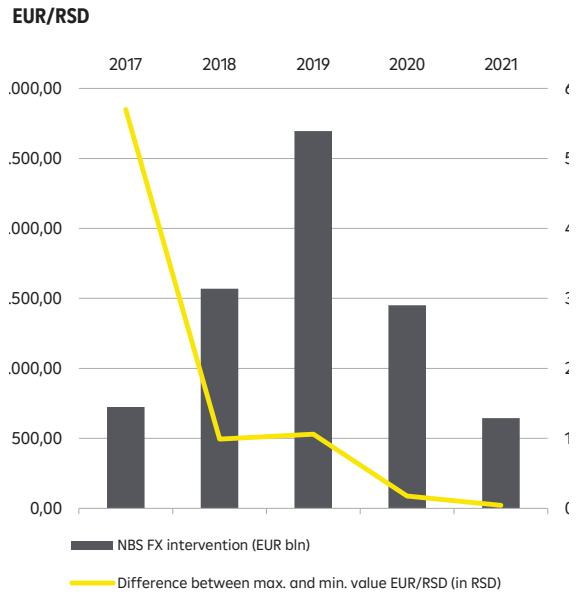
## Inflacija i referentna kamatna stopa



I pored snažnog rasta inflacije od septembra 2021. godine, kako kod nas, tako i na svim zapadnim tržištima, Narodna banka Srbije (NBS) nije menjala referentnu kamatnu stopu tokom 2021. godine, tako da je stopa iznosila 1%. Međutim, od septembra meseca, NBS je započela proces zaoštavanja monetarnih uslova kroz povećanje repo stope na reverzne repo aukcije (0,11% početkom oktobra na 0,50% na poslednjoj aukciji u 2021. godini) i povlačenje viška likvidnosti iz bankarskog sektora. Naime, NBS je od početka oktobra prestala da organizuje aukcije repo otkupa hartija od vrednosti preko kojih je bankarskom sektoru obezbeđivala dinarsku likvidnost.

Dinar je nastavio stabilan trend kretanja u odnosu na evro zahvaljujući visokim deviznim prilivima (strane direktne investicije, doznake) i kreditnom aktivnošću banaka u uslovima izdavanja garantnih šema od strane Vlade, imao je pozitivan efekat na jačanje valute. Devizne intervencije NBS u 2021. godini su pale (0,65 milijardi evra) u odnosu na 1,5 milijardi evra u 2020. godini. Pored deviznih priliva, važan faktor koji doprinosi stabilnosti

currency inflows, an important factor contributing to currency stability is the commitment of the NBS to keep the stability of the dinar, but also the foreign currency reserves, which reached the historic maximum of € 16.5 billion. Moderate pressure on dinar liquidity and mildly increased inflationary expectations supported the quite moderate growth of BELIBOR with 0.88 per cent in October to 0.94 per cent at the end of the year.



Although fiscal consolidation was not officially on the agenda in 2021, a less expansive policy was evident, supported by lower consumption (i.e. less subventions for stimulative measures, lower transfers to mandatory social security organizations), but also healthy tax income growth due to economic recovery. As a result, the budget deficit in 2021 fell to RSD 286.1 million (minus 37.7 per cent annually), significantly lagging behind the amount planned by the Budget Law (RSD 304.5 billion).

Economic recovery contributes to lower deficit this year, reflected through the higher level of income from taxes (plus 16.6 per cent annually), especially VAT in Serbia, companies' profit tax, as well as the result of growth in the net income of the economy in 2020, and, finally, excise duties. Budget expenditures grew by 2 per cent annually due to the fall in transfers to organizations of mandatory social security and subventions, however, capital expenditures marked a healthy growth, due to the initiation of new infrastructural projects. As a result of such a policy, the budget deficit in relation to the GDP fell to 4.8 per cent in 2021, after 8.3 per cent in 2020. Ratio improvement is the result of lower budget deficit on the one hand, but also economic growth.

In the course of 2021, public debt grew by only € 3.5 billion to the level of € 30.1 billion from external sources (plus € 3.1 billion), and in relation to the GDP it was 56.9 per cent (calculation of the Ministry of Finance). In the course of 2021, the Ministry of Finance issued three eurobonds in the European financial market, where an important turning point was made in the eurobonds

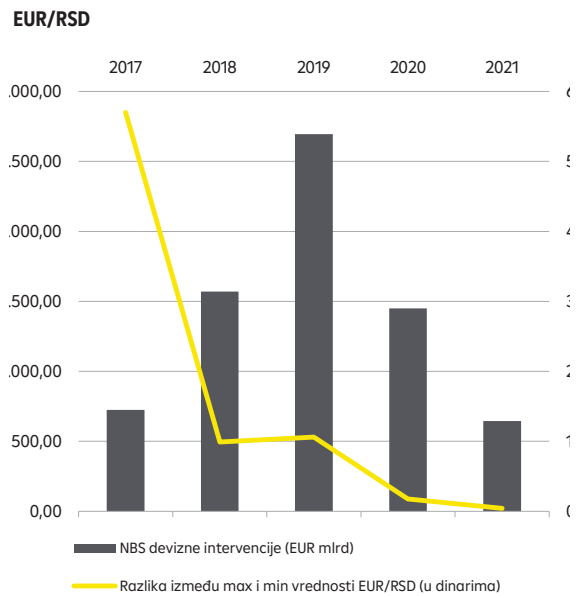
market, by issuing the first green bond (€ 1 billion), which will be due in 2028, apart from the conventional bond of € 750 million, which will be due in 2036, which is the longest maturity term of any eurobond issued by Serbia in the foreign market. At the start of the year, a eurobond was issued amounting to € 1 billion and with 12-year maturity. The green bond reached an exceptional 10 basis points of the green premium below fair value. Funds obtained by issuing a conventional bond have already been used to repay old debt.

Issuances of treasury bills by the Ministry of Finance in the local market in 2021 (denominated in dinars and in euros) amounted to € 3.95 billion (2020: € 2.72 billion), and securities in the value of € 1.34 billion were sold, while the needs of debt refinancing based on securities issued in the domestic market for the year 2021 amounted to € 1.1 billion.

Longer maturities were still the focus of investors, so that the 12.5-year maturity had a share of 43.7 per cent of the Ministry of Finance's t-bills bought (2021: 30 per cent). Apart from this maturity, interest also grew for five-year securities, whose share in the total securities sold increased to 30 per cent, from 20 per cent in 2021. The third maturity according to the share in the t-bills of the Ministry of Finance sold was the two-year maturity (21.2 per cent). With the aim of increasing the dinar debt share in the total public debt, issues of dinar-denominated securities made up 88.6 per cent of the total debt issued, much as in 2020.

The average yield on dinar-denominated securities grew mildly to 2.76 per cent from 2.74 per cent in 2020, where the drop in yields was visible up to September, and starting from October, there is a growing yield, due to the rise in inflation and the expected demand of investors for higher inflation premiums. In June, J.P. Morgan included dinar bonds of the Republic of Serbia in the renowned J.P. Morgan GBI-EM bond index, more precisely, three benchmark issues of dinar bonds, of original maturities of seven, ten and 12.5 years, maturing in the years 2026, 2028 and 2032, were included into index GBI-EM Global Diversified and GBI-Aggregate (GBI-AGG) and GBI-AGG Diversified indices. This inclusion of domestic bonds will have an impact on additional diversification of an already broad base of investors and increased liquidity of securities.

valute je posvećenost NBS očuvanju stabilnosti dinara, ali i devizne rezerve koje su dostigle najviši istorijski nivo od 16,5 milijardi evra. Umeren pritisak na dinarsku likvidnost i blago povećana inflatorna očekivanja, podržali su prilično umeren rast BELIBOR-a sa 0,88% u oktobru na 0,94% krajem godine.



Iako fiskalna konsolidacija zvanično nije bila na dnevnom redu u 2021. godini, manje ekspanzivna politika bila je očigledna, podržana manjom potrošnjom (tj. manje subvencija za stimulativne mere, manji transferi društvenim organizacijama), ali i zdravim rastom prihoda od poreza usled oporavka ekonomije. Kao rezultat, deficit budžeta je u 2021. godini pao na 286,1 milijardi dinara (minus 37,7% godišnje), zaostajući značajno za iznosom planiranim Zakonom o budžetu (304,5 milijardi dinara).

Nižem deficitu ove godine doprinosi oporavak ekonomije, koji se reflektuje kroz viši nivo poreskih prihoda (+16,6% godišnje), naročito PDV-a u zemlji, poreza na dobit preduzeća, a kao rezultat rasta neto dobiti privrede u 2020. godini i, na kraju, akciza. Rashodi budžeta su porasli za 2% godišnje usled pada transfera organizacijama obaveznog socijalnog osiguranja i subvencija, međutim kapitalni rashodi su beležili zdrav rast usled pokretanja novih infrastrukturnih projekata. Kao rezultat takve politike, deficit budžeta u odnosu na BDP pao je na 4,8% u 2021. godini posle 8,3% u 2020. godini. Pобољшanje racija je rezultat sa jedne strane nižeg deficita budžeta, ali svakako i rasta ekonomije.

Tokom 2021. godine, javni dug je porastao za samo 3,5 milijarde evra na nivo od 30,1 milijardi evra iz spoljnih izvora (+3,1 milijarde evra), a u odnosu na BDP iznosio je 56,9% (kalkulacija Ministarstva finansija). U toku 2021. godine, Ministarstvo finansija emitovalo je tri evro-obveznice na evropskom finansijskom tržištu, pri čemu je napravljena važna prekretnica na tržištu

evroobveznica, emitovanjem prve zelene obveznice (1 milijardu evra), koja dospeva 2028. godine, pored konvencionalne obveznice od 750 miliona evra, koja dospeva 2036. godine, što je najduži rok dospeća evroobveznice koju je do sada emitovala Srbija na inostranom tržištu. Početkom godine je emitovana evro-obveznica u vrednosti od jedne milijarde evra i ročnosti 12 godina. Zelena obveznica je postigla izuzetnih 10 bp zelene premije ispod fer vrednosti. Sredstva dobijena emitovanjem konvencionalne obveznice već su iskorišćena za otplatu starog duga.

Emisije blagajničkih zapisa Ministarstva finansija na domaćem tržištu tokom 2021. godine (denominovane u dinarima i evrima) iznosile su 3,95 milijarde evra (2020: 2,72 milijarde evra), a prodato je hartija od vrednosti (HOV) u vrednosti od 1,34 milijardu evra dok su potrebe refinansiranja duga po osnovu emitovanih HOV na domaćem tržištu duga za 2021. godinu iznosile 1,1 milijardu evra.

Duge ročnosti su i dalje u fokusu investitora, tako da je 12,5-godišnja ročnost učestovala sa 43,7% kupljenih B-zapisa Ministarstva finansija (2021: 30%). Pored ove ročnosti, interesovanje je poraslo i za petogodišnje HOV, čije je učešće u ukupno prodanim HOV povećano na 30% sa 20% u 2021. godini. I treća po učešću u prodanim B-zapisima Ministarstva finansija bila je ročnost od dve godine (21,2%). U cilju povećanja učešća dinarskog duga u ukupnom javnom dugu, emisije dinarski denominovanih HOV su, slično kao i 2020. godini, činile 88,6% ukupno emitovanog duga.

Prosečni prinosi na dinarski-denominovane HOV su blago porasli na 2,76% sa 2,74% u 2020. godini, pri čemu je pad prinosa bio prisutan do septembra, a od oktobra meseca kreće rast prinosa usled rasta inflacije i očekivano tražnje investitora za višim inflacionim premijama. U junu mesecu, J.P. Morgan uključio je dinarske obveznice Republike Srbije u renomirani indeks obveznica J.P. Morgan GBI-EM index, tačnije tri reperne emisije dinarskih obveznica, originalne ročnosti sedam, deset i 12,5 godina, a koje dospevaju 2026, 2028. i 2032. godine su uključene u indeks GBI-EM Global Diversified i GBI-Aggregate (GBI-AGG) i GBI-AGG Diversified indekse. Ovo uključivanje domaćih obveznica će uticati na dodatnu diversifikaciju već široke baze investitora i povećanu likvidnost hartija.

## Trends in the Banking Industry

The total lending activity of the banking industry had a somewhat higher growth rate (10.1 per cent), after 9.7 per cent in 2020, due to the higher issuing of loans to private individuals, but also to the corporate segment, despite the on-going health crisis. Namely, credit growth was supported by still low interest rates, economy growth, the opportunity of delayed loan repayment and the approval of a guarantee scheme of the Republic of Serbia in the amount of almost two billion euros, which was approved to the corporate segment, and with the aim of supporting both the banks, as well as the corporate segment to weather the crisis in a better way, to maintain employment and liquidity.

Corporate loans grew by 7.3 per cent, after 8 per cent in 2020, while loans to private individuals grew to 10.3 per cent, after a growth of 11.8 per cent in 2020. The volume of newly issued loans to the corporate segment grew in the course of 2021 by € 772.1 billion, compared to the year 2020 (plus € 786.6 billion), mostly due to growing liquidity and working capital loans, however, investment credit growth is also noticeable (plus 6.6 per cent annually), after 3.7 per cent in 2020. Regarding the industry structure, a great many industries were applying for liquidity loans, mostly the services industry, which was hit the hardest by the crisis (services of accommodation and hospitality, art, entertainment, other service segments), but also the processing industry and agriculture.

Issuing of loans to private individuals increased by € 1,128 million (2020: plus € 1,083 million), supported by the growth in mortgage loans (plus 16.8 per cent), after a growth of 13.6 per cent in 2020, then also cash loans (plus 10.1 per cent), after a growth of 14.6 per cent in 2020. This growth was supported by the moratorium on loan repayment, as well as by measures of the NBS. With mortgage loans, a reduction of citizens' mandatory downpayment for the purchase of their first housing real estate was enabled (from 20 per cent to 10 per cent), the minimal degree of finished construction of a building the purchase of which can be financed by a mortgage loan was lowered, the mortgage loan repayment period was prolonged by five years at the most.

With other loans (except the mortgage loan), a prolonged repayment period was enabled up to eight years. Banks were enabled to approve dinar loans up to the end of 2021 (up to RSD 90,000) to private individuals, with maturity up to two years, only with a signed statement on employment or pension. Further, commercial banks were enabled to approve loans for working capital and liquidity with a state guarantee, in the amount of up to € 2.5 billion.

Thanks to growth in crediting activity, to the strategy of dealing with non-performing loans and the implementation of the moratorium on loan repayment, the NPL ratio fell slightly to 2.8 per cent in the fourth quarter of 2021, compared to 3.1 per cent in the fourth quarter of 2020. In the case of private individuals, a mild growth to 4 per cent in the fourth quarter of 2021 was as also noted, after 3.6 per cent in the fourth quarter of 2020. The coverage of NPLs with value corrections was at a very high level of 90.6 per cent in the fourth quarter of 2021 (fourth quarter of 2020: 93.2 per cent). Also, capital adequacy was still very much above the required 12 per cent, and this ratio was at 21.7 per cent in December, 2021 (December, 2020: 22.4 per cent).

In the course of 2021, banks were investing their liquidity surplus into crediting the corporate segment and private individuals, but also into securities of the Ministry of Finance and the mandatory foreign currency reserves with the NBS. The loan/deposit coverage ratio grew to 93.1 per cent, after 88.7 per cent in 2020, because deposits had faster growth dynamics than loans. Total deposits continued their strong growth in 2021 (plus € 3.6 billion), after a growth of € 3.8 billion in 2020, due to the rise in deposits of private individuals, but also those of corporate entities. Corporate deposits grew in the preceding year by € 1,294 million, after € 1,424.5 million in 2020. Also, deposits of private individuals marked a record growth in 2021 of € 2,236 million, after € 1,494.9 million collected in 2020.

Mergers taking place in recent years brought about the reduced number of banks to the current 24. The most recent merger was the takeover of Crédit Agricole a.d. Novi Sad by Raiffeisen banka a.d. Beograd. Further, a merger of two state banks was completed, Poštanska štedionica a.d. Beograd and MTS banka a.d. Beograd, while EFG banka a.d. Beograd announced the takeover of Direktna banka a.d. Beograd. As a result of the new mergers, as well as the merger that took place in the past two to three years, seven banks will keep 70.8 per cent of the banking industry's assets. Such concentrating of the banking industry was necessary because of the necessity to digitalize banking products and the inability of smaller banks to keep on track of the innovation process.

## Kretanja u bankarskoj industriji

Ukupna kreditna aktivnost bankarskog sektora je imala nešto malo višu stopu rasta (10,1%) posle 9,7% u 2020. godini usled većeg plasmana kredita stanovništvu, ali i privredi, uprkos nastavku zdravstvene krize. Naime, rast kredita je bio podstaknut i dalje niskim kamatnim stopama, rastom ekonomije, omogućenog zastoja u otplati kredita i odobravanjem garantne šeme Vlade RS u iznosu od skoro dve milijarde evra koja je odobrena za privredu, a u cilju pomoći kako bankama, tako i privredi da lakše prebrode krizu, zadrže zaposlenost i likvidnost.

Krediti privredi su porasli za 7,3% posle 8% u 2020. godini, dok su krediti stanovništvu porasli na 10,3% posle rasta od 11,8% u 2020. godini. Volumen novoplasiranih kredita privredi je porastao tokom 2021. godine za 772,1 mln evra u poređenju sa 2020. godinom (+786,6 mln evra), najviše usled rasta kredita za likvidnost i obrtna sredstva, međutim, primetan je i rast investicionih kredita (+6,6% godišnje) posle 3,7% u 2020. godini. Posmatrajući sektorsku strukturu, veliki broj sektora je bio u potražnji za kreditima za likvidnost, a najviše sektor usluga koji je najviše bio pogođen krizom (usluge smeštaja i ishrane, umetnost, zabava, ostale uslužne delatnosti), ali i prerađivački sektor i poljoprivreda.

Plasman kredita stanovništvu je povećan za 1.128 miliona evra (2020: +1.083 miliona evra), podstaknut rastom stambenih kredita (+16,8%), posle rasta od 13,6% u 2020. godini, a potom i gotovinskih kredita (+10,1%), posle rasta od 14,6% u 2020. godini. Rast je bio podržan primenom moratorijuma na otplatu kredita, kao i merama NBS-a. Kod stambenog kreditiranja, omogućeno je smanjenje obaveznog učešća građana za kupovinu prve stambene nepokretnosti sa 20% na 10%, smanjen je minimalni stepen izgrađenosti objekta čiju je kupovinu moguće finansirati stambenim kreditom, produžen je rok otplate stambenog kredita za najduže 5 godina.

Kod ostalih kredita (izuzev stambenog) omogućeno je produženje roka otplate kredita do osam godina. Omogućeno je bankama da do kraja 2021. odobravaju dinarske kredite (do 90.000 dinara) stanovništvu, ročnosti do dve godine, samo s potpisanom izjavom o zaposlenju/penziji. Dalje, omogućeno je da poslovne banke uz garanciju države odobre kredite za obrtna sredstva i likvidnost, do 2,5 milijarde evra.

Zahvaljujući rastu kredita, strategiji rešavanja problematičnih kredita i primeni moratorijuma na otplatu kredita, ratio problematičnih kredita blago je pao na 2,8% u četvrtom kvartalu 2021. godine u poređenju sa 3,1% u četvrtom kvartalu 2020. godine. U slučaju stanovništva, takođe je zabeležen blagi rast na 4% u četvrtom kvartalu 2021. godine, posle 3,6% u četvrtom kvartalu 2020. godine. Pokrivenost problematičnih kredita ispravkama vrednosti bila je na izuzetno visokom nivou i iznosila je 90,6% u četvrtom kvartalu 2021. godine (četvrti kvartal 2020: 93,2%). Takođe, adekvatnost kapitala je i dalje dosta iznad propisanih 12%, a visina ovog racija u decembru 2021. godine iznosila je 21,7% (decembar 2020: 22,4%).

Tokom 2021. godine, banke su viškove likvidnosti plasirale u kreditiranje privrede i stanovništva, ali i u hartije od vrednosti Ministarstva finansija i devizne obavezne rezerve kod NBS. Racio pokrivenosti kredita depozitima porastao je na 93,1% posle 88,7% u 2020. godini jer su depoziti rasli bržom dinamikom od kredita. Ukupni depoziti nastavili su snažan rast u 2021. godini (+3,6 milijarde evra) posle rasta od 3,8 milijardi evra u 2020. godini usled rasta depozita stanovništva, ali i privrednih društava. Depoziti privrede porasli su u prethodnoj godini za 1.294 miliona evra posle 1.424,5 miliona evra u 2020. godini. Takođe, depoziti stanovništva zabeležili rekordan rast u 2021. godini od 2.236 miliona evra, posle 1.494,9 miliona evra prikupljenih u 2020. godini.

Spajanja koja su se desila poslednjih godina dovela su do pada broja banaka na sadašnjih 24. Poslednje spajanje je bilo preuzimanje Credit Agricole a.d. Novi Sad od strane Raiffeisen banke ad Beograd. Dalje, izvršeno je spajanje dve državne banke, Poštanske štedionice a.d. Beograd i MTS banke a.d. Beograd, dok je preuzimanje Direktne banke ad Beograd objavila EFG banka ad Beograd. Kao rezultat toga, zbog novih spajanja i onog koji se desio u protekle dve-tri godine, sedam banaka zadržava 70,8% aktive bankarskog sektora. Koncentracija bankarskog sektora bila je iznuđena neophodnošću digitalizacije bankarskih proizvoda i nemogućnošću manjih banaka da podrže proces inovacija.

# ESG Initiatives, Social Responsibility and Sustainability

Dedication to promoting the practice of socially responsible behavior and sustainable business can be seen as the most important business guidelines of Raiffeisen banka in Serbia. The bank was a market leader in many segments, guided also by the values promoted by the Raiffeisen Group (RBI), primarily responsibility in business – towards clients, partners, employees and the environment.

As a member of the RBI Group, which includes among its basic goals the contribution to realizing the UN sustainable development principles, Raiffeisen banka in Serbia has put the issues of sustainability and ESG initiatives at the very top of its business priorities.

The bank is committed to continuous improvement of its products, services and business processes, so as to make them as compliant to ESG principles as possible. In 2021, the focus was on raising awareness of all important topics, both with employees and with clients. With this aim, two online meetups were organized – the “Green Hour” for corporate clients – representatives of medium, large and multinational companies from Serbia, as well as “Green Day” for the bank’s employees. These online workshops were an opportunity to clarify ESG terminology in detail (especially in the wider sense than just ecology) and its importance for future business of each player in the corporate segment. The most important guidelines of EU regulations in the ESG segment, as well as the potential direction of further development of this issue in Serbia were shown. Corporate representatives had the chance of acquainting themselves also with the opportunities of cooperating with Raiffeisen banka in this segment, as well as the support and expertise that it can offer.

Constant efforts are invested with the aim of implementing best practice and policies of the RBI Group as concerns ESG concepts. In 2021, the screening of the existing credit portfolio in the corporate segment was performed, and it was found that as much as 7.5 per cent of total credits issued in this segment can be marked as ESG (green and social aspect).

In 2021, activities were continued that were directed to digitalizing business and introducing products and services for which no submission of paper documents is needed. Electronic and mobile application for clients in the segment of private individuals and the corporate segment, online factoring platform, fully online retail loans and digital accounts both for physical persons and for small and medium entrepreneurs – are significantly supporting the bank’s strategy of sustainable business and offering services that are preserving natural resources of the environment we live in.

Apart from ESG initiatives in the domain of crediting, the bank was always striving to approach responsibly those segments of society most in need of help. Support offered in the form of financial aid, but also voluntary work of employees, always concerns the most vulnerable or the weakest parts of the community, such as children and individuals with special needs, children without parental care, etc.

Socially responsible behavior of the bank also includes the bank’s activities through two charity organizations: “Budimir Boško Kostić” charity (founded in memory of the first chairman of the bank) and “H. Stepic CEE Charity” (whose founder is the first chairman of Raiffeisen Bank International, Dr. Herbert Stepic).

During 2021, the “H. Stepic CEE Charity”, with the support of Raiffeisen banka in Serbia, continued offering financial support for projects realized in Serbia. They supported the operation of the Day Care Center for children who live and/or work in the streets of three of our largest towns, Belgrade, Novi Sad and Niš.

Traditional projects were also continued last year, including the voluntary blood donation by the bank’s employees, so that the number of blood donors reached 66 employees in 2021.

# ESG inicijative, društvena odgovornost i održivost

Posvećenost promovisanju prakse društveno odgovornog ponašanja i održivog poslovanja, mogu se uvrstiti među najvažnije postulate rada Raiffeisen banke u Srbiji. Banka je u mnogim segmentima bila lider na tržištu, rukovodena i vrednostima koje promoviše Raiffeisen grupacija (RBI), a pre svih odgovornost u poslovanju – prema klijentima, partnerima, zaposlenima i sredini.

Kao članica RBI grupacije, koja među svojim osnovnim ciljevima ima doprinos ostvarenju UN principa održivog razvoja – Raiffeisen banka u Srbiji je pitanja održivosti i ESG inicijativa stavila u sam vrh prioriteta svog poslovanja.

Banka radi na kontinuiranom unapređivanju svojih proizvoda, usluga i poslovnih procesa, kako bi ih učinila što usklađenijima sa ESG principima. U 2021. godini fokus je stavljen na podizanje svesti o ovim važnim temama, kako kod zaposlenih, tako i kod klijenata. S tim ciljem organizovana su dva onlajn skupa – "Zeleni sat" za korporativne klijente – predstavnike srednjih, velikih i multinacionalnih kompanija iz Srbije, te "Zeleni dan" za zaposlene banke. Ove onlajn radionice bile su prilika da se detaljno pojašni ESG terminologija (naročito u širem smislu od isključivo ekoloških tema) i njena važnost za buduće poslovanje svakog aktera u privrednoj delatnosti. Predstavljene su i najvažnije smernice EU reglative u oblasti ESG-a, kao i potencijalan smer daljeg razvoja ovog pitanja u Srbiji. Privrednici su imali priliku da se upoznaju i sa mogućnostima saradnje sa Raiffeisen bankom u ovom domenu, te podrškom i ekspertizom koju ona može da im pruži.

Konstantni naponi ulažu se u cilju implementiranja najbolje prakse i politika RBI grupacije kad je reč o ESG konceptima. U 2021. godini izvršen je skrining postojećeg kreditnog portfolija u segmentu privrede, te je utvrđeno da čak 7,5% ukupnih plasmana ovom segmentu može da se označi kao ESG (zeleni i socijalni aspekt).

U 2021. nastavljene su aktivnosti usmerene ka digitalizaciji poslovanja i uvođenju proizvoda i usluga za koje nije potrebno dostavljanje dokumentacije u papirnoj formi. Elektronska i mobilna aplikacija za klijente u segmentu stanovništva i privrede, platforma za onlajn faktoring, zatim potpuno onlajn krediti za građane i digitalni računi kako za fizička lica, tako i za malu privredu – značajno podržavaju bančinu strategiju održivog poslovanja i pružanja usluge koja štedi prirodne resurse okruženja u kome živimo.

Pored ESG inicijativa u domenu kreditiranja, banka uvek teži da odgovorno pristupa onim segmentima društva kojima je pomoć najpotrebnija. Podrška koju pruža u formi finansijske pomoći, ali i volonterskog rada zaposlenih, uvek se odnosi na najugroženije ili najslabije delove zajednice, kao što su to deca i pojedinci sa posebnim potrebama, deca bez roditeljskog staranja, itd.

U društveno odgovorno ponašanje treba uvrstiti i delovanje banke preko dve humanitarne fondacije: „Budimir Boško Kostić“ (osnovane u znak sećanja na prvog direktora banke) i „H. Stepic CEE Charity“ (čiji osnivač je bivši predsednik Raiffeisen Bank International-a, dr Herbert Stepic).

U toku 2021. godine, humanitarna fondacija „H. Stepic CEE Charity“, uz podršku Raiffeisen banke u Srbiji, nastavila je da pruža finansijsku pomoć projektima koji se realizuju u našoj zemlji. Njima je podržan rad Svratišta za decu koja žive i/ili rade na ulicama naša tri najveća grada, Beograda, Novog Sada i Niša.

I protekle godine nastavljene su tradicionalne akcije u okviru kojih zaposleni banke dobrovoljno daju krv, a broj davalaca je u 2021. godini bio 66 zaposlenih.

Continuing the very successful voluntary project realized in the past eleven years for the New Year's and Christmas holidays, employees of Raiffeisen banka organized this volunteering project adjusted to the epidemic conditions as well. Money donations were collected for the purchase of New Year's gift bags for children with developmental problems in several institutions across Serbia. The bank doubled the amount collected by employees, which served to cover to a great extent the needs for traditional New Year's presents for these youngsters from vulnerable social groups.

The bank is traditionally supporting sports and culture, as important pillars of every society. By supporting sports clubs and associations, as well as renowned cultural institutions and events, the bank strives to promote authentic values which strengthen and enrich individuals, and thereby also the whole of society.

Apart from the philanthropic and socially responsible endeavours, the bank also recognizes the importance of responsible human resources management, and strives to provide a working environment where employees will be satisfied and work in positions suited to their knowledge and skills, with the opportunity of further professional and personal development.

The ecologic dimension of business concerns efforts the bank is investing in order to balance the need for economic development on the one hand and maintaining a healthy environment on the other. Energy savings, paper and electronic waste recycling is taken into account, and the installation system of the bank's head office are functioning on the principles of energy savings by implementing modern energy recuperation systems and optimizing technical parameters for ventilation and cooling.

The issue of business ethics and maintaining good business practice is certainly one of the most important, so that basic principles of the bank's business are transparency and ethical business, quality services and a broad product offer, constant customer care and responsible marketing, while respecting the current regulations and integrity of competitors.

Nastavljajući veoma uspešne volonterske akcije realizovane tokom prethodnih jedanaest godina uoči novogodišnjih i božićnih praznika, zaposleni Raiffeisen banke su krajem godine organizovali volontersku akciju prilagođenu epidemijskim uslovima. U okviru nje prikupili su novčane donacije za kupovinu novogodišnjih paketića za decu sa smetnjama u razvoju u više institucija širom Srbije. Banka je udvostručila iznos koji su zaposleni prikupili, čime je omogućeno da se u značajnoj meri pokriju potrebe za tradicionalnim novogodišnjim poklonima za ove mališane iz ugroženih društvenih grupa.

Banka tradicionalno pruža podršku sportu i kulturi, kao važnim stubovima svakog društva. Kroz pomoć sportskim klubovima i savezima, te istaknutim kulturnim institucijama i događajima, nastoji da promoviše prave vrednosti koje jačaju i oplemenjuju pojedince, a time i celokupno društvo.

Pored filantropskog i društveno odgovornog delovanja, banka prepoznaje i značaj odgovornog upravljanja ljudskim resursima, te se trudi da obezbedi radno okruženje u kome će zaposleni biti zadovoljni i raditi na pozicijama koje odgovaraju njihovim znanjima i veštinama, uz mogućnost daljeg profesionalnog i ličnog razvoja.

Ekološka dimenzija poslovanja odnosi se na napore koje banka ulaže kako bi uspostavila ravnotežu između potrebe za ekonomskim rastom sa jedne strane, i očuvanja zdravog okruženja sa druge. Vodi se računa o uštedi energije, reciklaži papira i elektronskog otpada, a instalacioni sistemi upravne zgrade banke funkcionišu po principima uštede energije primenom savremenih sistema rekuperacije energije i optimizacije tehničkih parametara za ventilaciju i hlađenje.

Pitanje poslovne etike i pridržavanje principa dobre poslovne prakse je svakako jedno od najvažnijih, tako da su osnovni principi bančinog poslovanja transparentnost i etičnost u radu, kvalitetna usluga i raznovrsna ponuda proizvoda, konstantna briga o klijentima i odgovoran marketing, uz poštovanje važeće regulative i integriteta konkurencije.

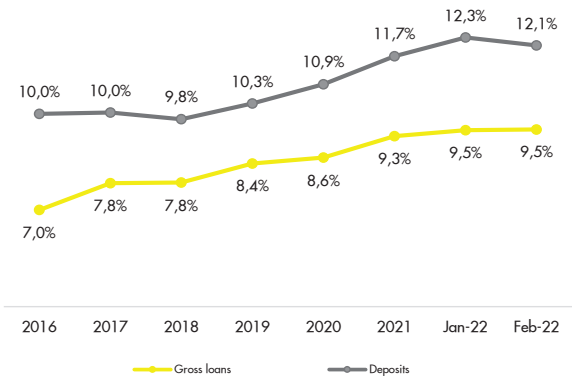
# Corporate Banking

In 2021, in line with positive market developments and overall economic growth, Corporate Banking managed to record another very successful business year, with significant asset portfolio growth and stable performance in all major product lines contributing to strong bottom-line profitability. At the same time, considering the new environment significantly influenced by the Covid-19 virus, the bank has shown a high degree of flexibility and adaptability to the new way of work, particularly related to enabling growth of new digital client platforms and the new way of communication with the bank's clients, while also clearly supporting new ESG initiatives and positioning itself as one of the market leaders in this segment.

## Development of Key Products

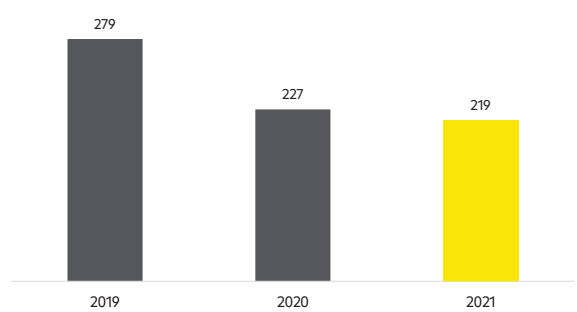
In terms of our key product assets and in line with the strategy to focus on top market performers and industries, the corporate segment grew its asset portfolio (plus 19 per cent y-o-y) and built up its market share to 9.5 per cent.

Market share - loans and deposits

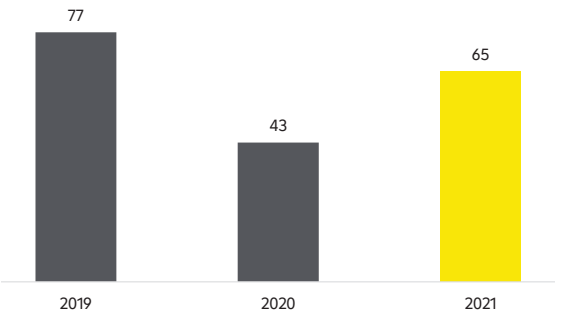


Maintaining long-term partnerships with its primary credit portfolio clients, focusing on well-structured deals and fully exploiting cross-border potential and the international strength of the RBI Group represent our key success factors. The corporate segment continued to grow its cross-border business with large multinational corporates active in more countries, with a special focus on tailor-made products and services (e.g., escrow accounts, project finance, M&A, etc.) by using RBI Group tools, such as Aqui tool, Group-wide sales competition and cross-selling workshops.

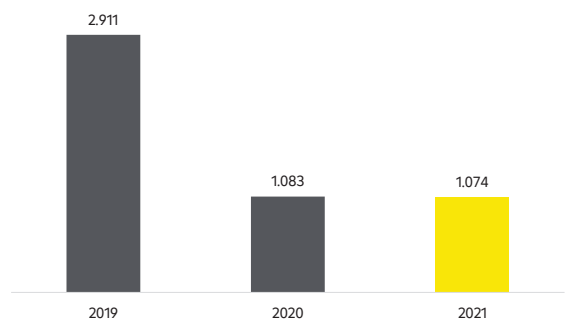
Number of newly acquired clients (GI>500 EUR)



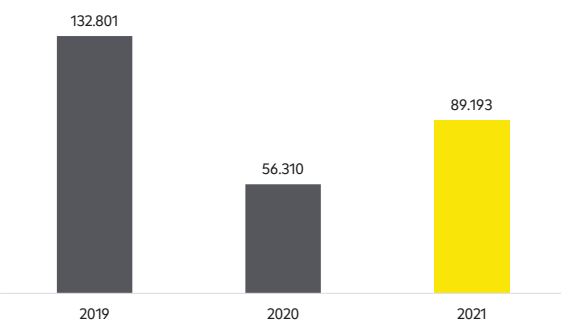
Number of new loan clients



GI New Clients



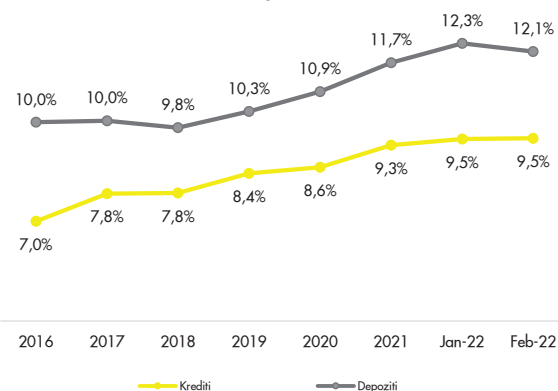
Volume of loans to new clients



# Poslovanje sa privredom

U 2021. godini, u skladu sa pozitivnim razvojem situacije na tržištu i sveukupnim rastom ekonomije, Sektor za poslovanje sa privredom uspeo je da zabeleži još jednu uspešnu poslovnu godinu, sa značajnim rastom aktive i stabilnim performansama u svim važnijim segmentima proizvoda, doprinoseći dobrom konačnom poslovnom rezultatu. Istovremeno, uzimajući u obzir izmenjeno okruženje značajno obeleženo uticajem virusa Kovid-19, banka je pokazala visok stepen fleksibilnosti i prilagodljivosti novim uslovima rada, a posebno u pogledu razvoja digitalnih platformi namenjenih klijentima i novih načina komunikacije sa klijentima banke, uz istovremenu veliku podršku novim ESG inicijativama i pozicioniranje kao jedna od vodećih banaka na tržištu u ovom segmentu.

**Tržišni udeo – krediti i depoziti**

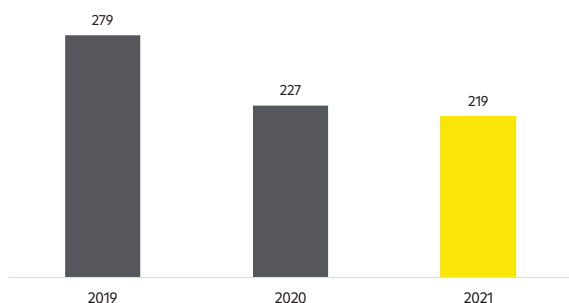


## Razvoj ključnih proizvoda

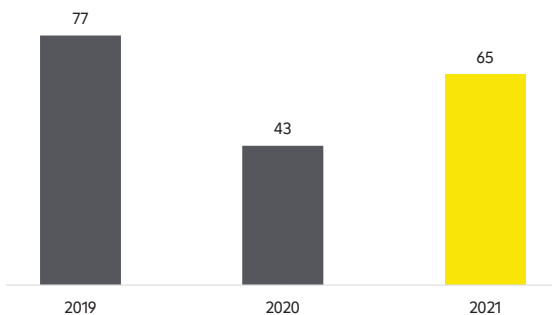
Kad je reč o ključnim proizvodima, u skladu sa strategijom da fokus bude na vodećim industrijama i kompanijama sa najboljim performansama na tržištu, Sektor za poslovanje sa privredom ostvario je rast svog portfolija aktive (+19% g-n-g) i povećao tržišno učešće na 9,5%.

Održavanje dugoročnih partnerstava sa klijentima iz svog primarnog kreditnog portfolija, usmerenje na dobro strukturisane poslove, kao i korišćenje celokupnog prekograničnog potencijala i međunarodne snage grupacije Raiffeisen Bank International, predstavljaju ključne faktore uspeha. Segment poslovanja sa privredom nastavio je da jača svoje prekogranično poslovanje sa velikim multinacionalnim kompanijama u više zemalja, sa posebnim fokusom na proizvode i usluge skrojene po meri ovih kompanija (npr. računi za posebne namene, projektno finansiranje, pripajanja i akvizicije, itd), i to korišćenjem alata RBI grupacije, poput „Aqui“ alata, prodajnog takmičenja na nivou grupacije i radionica na temu unakrsne prodaje.

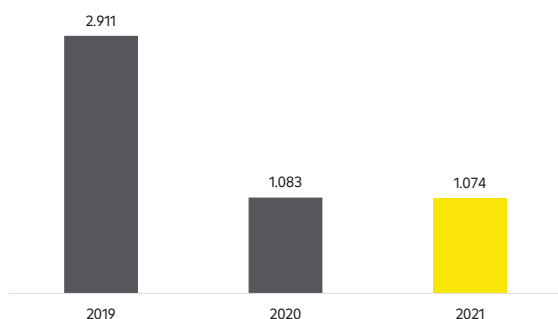
**Broj novoakviziranih klijenata**



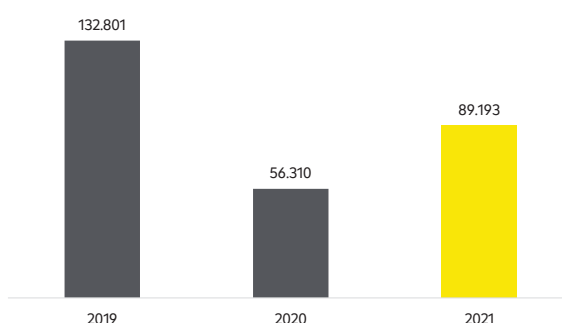
**Broj novih kreditnih klijenata**



**Bruto zarada od novih klijenata**



**Volumen kredita izdatih novim klijentima**



At the same time, client asset margins remained stable despite a competitive market environment characterized by low interest client rates, while on the liability side (despite significant pressure of negative market rates) the bank managed to preserve its broad client base, particularly in the segment of international clients, offering its clients quality service and modern services, which was reflected in excellent fee-business profitability.

Performance related to new customer acquisition was solid, with new customer acquisition of € 89.2 million new loans coming from new customers and 210 new corporate customers to the bank.

In terms of risk parameters, the prudent risk approach applied in the past years continued to result in an excellent portfolio quality (PD of 1.77 per cent) and a strong reduction of NPLs (currently 0.92 per cent).

## New Innovations and Initiatives

On the innovation side related to new digital and sales initiatives in 2021, Raiffeisen banka placed a special focus on the implementation of the digital strategy and roll-out of new client digital platforms, as well as on initiatives targeting superior customer experience and ease. Special attention was given to three key elements:

- 1. **Online Factoring Platform** was launched in November 2020, with a focus on the supply chain financing module and expanded with traditional factoring and bank module in the second quarter of 2021.

With the introduction of the Factoring Platform, factoring turnover grew by 300 per cent y-o-y, reaching a total volume of € 24.9 million YTD in 2021 and the number of clients increased by 80 per cent y-o-y.

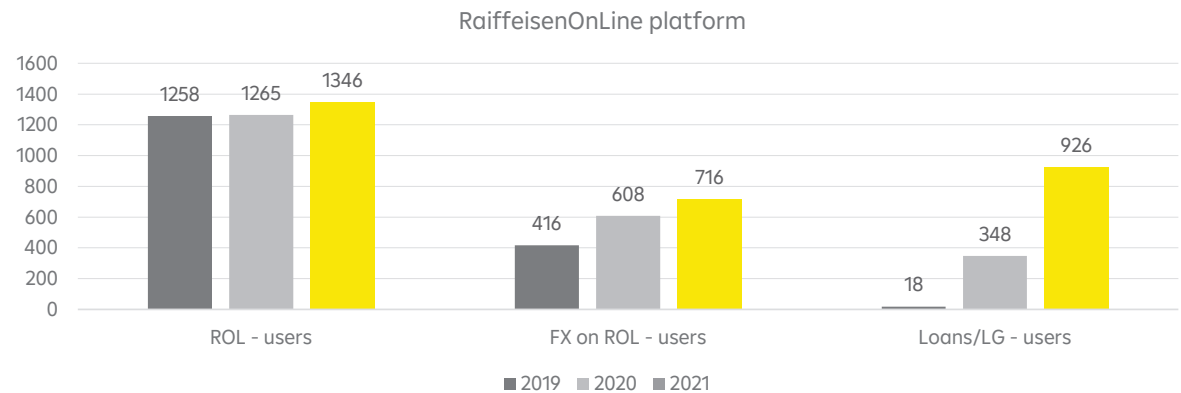
### 2. Digital client portals: Info Portal and DaVinci

- **Info Portal (local digital portal):** a new digital communication platform between clients and the bank with an automated KYC process was launched in 2020. The platform has significantly been upgraded with a new set of client-friendly functionalities (e.g., Raiffeisen services such as confirmations, notifications, contract documentation, product overview, etc.). More than 356 clients already signed into the platform, while 61 clients used it in 2021. Go-live of the second phase is expected in the first quarter of 2022.
- **DaVinci (RBI Group platform)** – mainly targeting Group clients, integration plan: eKYC and eFinance implementation starting already in Q4/2021, eAOP in 2022.

### 3. Active client acquisition to the existing Raiffeisen Online platform functionalities, with special focus on FX platform and credit/guarantee platform:

- The number of FX platform users increased by 18 per cent in 2021. A total share of 45 per cent of all FX customers are using the platform.
- The number of loan/guarantee platform users increased by 266 per cent in 2021. A total share of 25 per cent of all loan drawdowns/guarantee issuances are done digitally.

- 4. **ESG:** As an environmentally aware and responsible business partner, Raiffeisen banka is constantly making improvements in its products, services, and business processes so that they can be as much ESG compliant as possible. In 2021, our focus was on raising awareness internally and externally of



U isto vreme, margine klijenata ostale su stabilne uprkos veoma konkurentnom tržišnom okruženju koje karakterišu niske kamatne stope, dok je na strani obaveza (uprkos začajnom pritisku negativnih tržišnih stopa), banka uspela da očuva svoju široku bazu klijenata, posebno u segmentu internacionalnih klijenata, pružajući svojim klijentima kvalitetne i moderne usluge, što se ogleda u odličnoj profitabilnosti od naknada.

Rezultati ostvareni na polju akvizicije novih klijenata bili su solidni, sa 89,2 miliona evra novih kredita plasiranih novim klijentima, kao i 210 novih korporativnih klijenata koje je banka akvizirala. Što se tiče parametara rizika, strogi pristup riziku primenjen tokom prethodnih godina nastavljen je i u 2021. godini, a rezultirao je odličnim kvalitetom portfolija (verovatnoća neizvršenja obaveza 1,77%), kao i značajnim umanjnjem loših kredita (trenutno 0,92%).

## Inovacije i inicijative

Kad je reč o inovacijama u 2021. godini, Raiffeisen banka je poseban fokus stavila na implementaciju digitalne strategije i uvođenje novih digitalnih platformi za klijente, kao i na inicijative koje su za cilj imale superiorino korisničko iskustvo i jednostavnost korišćenja usluga. Posebna pažnja bila je usmerena na tri ključna elementa:

- 1. **Platforma za onlajn faktoring** uvedena je u novembru 2020, sa specijalnim fokusom na „Supply Chain“ faktoring modul, proširena na tradicionalni faktoring i bančin modul od drugog kvartala 2021. godine).

Uvođenjem ove platforme, volumen faktoring usluga porastao je za 300% godina na godinu, dostigavši 24,9 miliona evra YTD u 2021. godini, a broj klijenata porastao je za 80% godina na godinu.

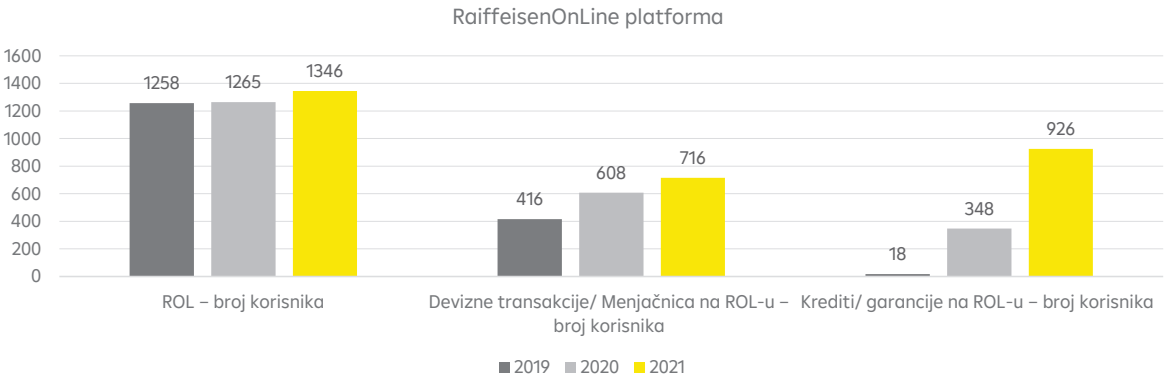
### 2. Digitalni portali za klijente: Infoportal i DaVinci

- **Infoportal (lokalni digitalni portal):** nova digitalna platforma za komunikaciju između klijenata i banke, sa automatizovanim procesom „upoznaj svog klijenta“ (KYC), uvedena je 2020. godine. Platforma je značajno poboljšana novim setom funkcionalnosti koje pojednostavljaju korišćenje od strane klijenata (npr. Raiffeisen usluge, kao što su: potvrde, obaveštenja, ugovorna dokumentacija, pregled proizvoda, itd). Preko 356 klijenata već se registrovalo na ovu platformu, dok je 61 klijent aktivno koristio platformu tokom 2021. godine. Početak rada druge faze očekuje se u prvom kvartalu 2022. godine.
- **DaVinci (platforma RBI grupacije)**
  - targetira uglavnom klijente same grupacije, integracioni plan: eKYC i eFinance implementacija počela je već u četvrtom kvartalu 2021. godine, a eAOP u 2022. godini.

### 3. Aktivna akvizicija klijenata na postojeće funkcionalnosti RaiffeisenOnLine platforme, sa posebnim fokusom na platformu za devizne transakcije i platformu za kredite/garancije:

- Broj korisnika platforme za devizne transakcije porastao je za 18% u 2021. godini. Ukupan udeo od 45% svih klijenata koji obavljaju devizne transakcije koristi platformu.
- Broj korisnika platforme za kredite/garancije povećan je za 266% u 2021. godini. Ukupan udeo od 25% svih povlačenja kredita/izdavanja garancija izvršen je digitalnim putem.

### 4. ESG: Kao odgovoran poslovni partner sa svešću o neophodnosti pažnje prema životnoj sredini, Raiffeisen banka konstantno poboljšava svoje proizvode, usluge i poslovne procese kako bi u što većoj meri bili u skladu sa ESG smernicama. U 2021.



ESG topics. For this reason, the bank organized one external event in 2021 ("Green Hour" for corporate clients, with participation of 121 clients) and an internal one ("Green Day" for our corporate colleagues, attended by 200 colleagues). We cooperate with our head office and other network banks on daily basis in order to implement group policies and best practices in terms of the ESG concept in our corporate credit procedures. In 2021, screening of the existing corporate client portfolio and market potential was performed to help us identify potential ESG transactions – in 2021, nearly 7.5 per cent of the corporate loan portfolio was marked as ESG (green and social aspect).

The bank also closely cooperates with the Serbian Association of Banks in terms of establishing a working group of domestic banks on sustainable finance. Also, we put our focus on digitalization and paperless processes. In that respect, we have implemented cash management, ROL and factoring digital and paperless platforms for clients, which significantly contributes to the bank's orientation towards sustainable operations.

**5. Maintain the current level of excellent service/ relationship management / superior customer experience:**

- Availability, advisory, product knowledge within the existing corporate organizational structure, along with excellent collaboration with back office,

- **"Small Ticket Lending"** pilot project with mid-market competence center in Tatra banka: acquire new clients and volumes in mid-market via faster and more efficient credit process for small clients/limits,
- Credit process optimization initiatives: digitalization and automation of credit process was initialized, as well as semi-automation of financial analysis on the new digital platform,
- **Business/Compliance KYC Initiatives** – BCF project, digital platform for KYC/account opening, improvement of existing process for group clients.

**6. Further development of cash management products** - (Future CMI & Web implementation, Cash Management Billing Solution, Swift GPI)

## Client Relationship Quality

High trust and stability of cooperation between the bank and its corporate clients were the key factor in overcoming challenges caused by the still unstable and complex market environment. By its committed approach, based primarily on quality, Raiffeisen banka will remain a reliable long-term partner to its clients in the future as well. This is confirmed by strong results of NPS client survey conducted in 2021, where the bank achieved an NPS indicator of 68 with a 39% client response rate.

godini, fokus banke bio je na podizanju svesti u pogledu ESG tema interno i eksterno. Zbog toga smo organizovali jedan eksterni događaj („Zeleni sat“ za klijente iz privrede, uz učešće 121 klijenta), kao i interni događaj („Zeleni sat“ za naše kolege – saradnike u poslovanju sa privredom, gde je učestvovalo 200 kolega). Saradujemo sa našom centralom, kao i sa drugim bankama iz naše mreže na dnevnom nivou kako bismo u naše procedure implementirali politike i najbolje prakse na temu ESG koncepta. Tokom 2021. godine izvršili smo skrining postojećeg portfolija kredita privredi i tržišnog potencijala kako bismo identifikovali potencijalne ESG transakcije – za 2021. godinu, skoro 7,5% portfolija kredita privredi označen je kao ESG (zeleni i socijalni aspekt).

Takođe, blisko saradujemo sa Udruženjem banaka Srbije na temu uspostavljanja radne grupe domaćih banaka za održivo finansiranje. Osim toga, fokus nam je i na digitalizaciji i procesima bez papira. U tom smislu, implementirali smo digitalne platforme bez papira za klijente za poslove upravljanja gotovinom, RaiffeisenOnLine i faktoring, što značajno doprinosi orijentaciji banke ka održivom poslovanju.

#### 5. Održavanje trenutnog nivoa odličnih usluga, upravljanja odnosima i odličnog korisničkog iskustva:

- Dostupnost, savetovanje, znanje o proizvodima, itd, u okviru postojeće organizacione strukture, uz odličnu saradnju sa pozadinskim službama.

- **„Small Ticket Lending“** pilot projekat u mid-market centru za kompetencije u Tatra banci: akvizicija novih klijenata u segmentu mid-market putem bržih i efikasnijih kreditnih procesa za male klijente/ limite.
- Inicijativa za optimizaciju kreditnog procesa: inicirana je digitalizacija i automatizacija kreditnog procesa, polu-automatizacija finansijske analize na novoj digitalnoj platformi.
- **Inicijativa za usklađenost poslovanja KYC** – BCF projekat, digitalna platforma za KYC/ otvaranje računa, poboljšanje postojećeg procesa za klijente grupacije.

#### 6. Dalji razvoj proizvoda za upravljanje gotovinom – (Future CMI & Web implementacija, rešenje za Cash Management Billing, Swift GPI)

## Kvalitet odnosa sa klijentima

Izraženo poverenje i stabilnost saradnje između banke i njenih klijenata iz privrede bili su ključni faktor u prevazilaženju izazova prouzrokovanih još uvek nestabilnim i složenim tržišnim okruženjem. Svojim posvećenim pristupom, zasnovanim prvenstveno na kvalitetu, Raiffeisen banka će i u budućnosti ostati pouzdan dugoročni partner svojim klijentima. Ovo potvrđuje jak rezultat ankete klijenata u pogledu NPS (Net Promoter Score) parametra, izvršene tokom 2021. godine, gde je banka ostvarila NPS parametar od 68, sa stopom odgovora klijenata od 39%.

# Retail Banking

A growth in lending activity in the retail segment was recorded in 2021, compared to the year 2020. The loan policy was relaxed in several instances, with the most important changes brought in mid-May 2021, and in the time since, the cash loan production volume reached the levels of 2019, the pre-pandemic year, which resulted in a stabilization of the bank's market share in the second half of the year (6.9 per cent since July). On the other hand, the volume of mortgage loans issued grew by approx. 40 per cent in 2021, compared to 2020, so, for the first time in a long time, growth in the mortgage loan market share was recorded – 7.4 per cent in November, same as in December.

## Digitalization and Innovations

As a result of the successful digital transformation and the bank's continued improvements, growth in the number of active mobile banking users was recorded by approx. 40 per cent.

Through the focus on innovation and the best user experience, agility and process efficiency, the offer of digital products and services of Raiffeisen banka is broadening exponentially. We have identified one of the key elements which improves digital transformation, and that is educating users of digital services through support and educational materials, as well as educating employees. In order to help colleagues from our branch network to become digital ambassadors, we have made this education interesting and fun, creating a special mobile application entitled "iMGoingDigital", with gamification elements (winning tokens for lessons and tests passed, rankings, awards with badges for special achievements).

Intensive work was done on the constant improvement and amassing of innovative loan products, where the "iCash loan" is especially prominent – the first model of this kind in the market and in the region, enabling the loan to be realized fully online, without the need to visit the bank. Apart from the excellent sales results, "iCash" is also the winner of the prestigious "Finovate 2020" global award as the best loan platform.

Thanks to the results realized, "iCash" was selected as the Group-wide solution to be used also in countries of the region, with certain adjustments. Modelled on "iCash" and developed in cooperation with partner internet shops that are market leaders in their field, the first fully online consumer "WEB" loan is also in our offer, available in 14 locations, aiming to additionally ease and invite internet shopping. Special attention was devoted to easier and more sophisticated usage of the mobile banking application, where the temporary blocking of payment cards and instant payment at internet points of sale was enabled by using the so-called "deep link" technology.

An important step forward in our digital offer was realized by introducing the "iAccount", a unique digital package in the market, enabling users the opening of a current account in 15 minutes, completely free of charge and fully online. With the "iAccount", users are immediately also obtaining a digital payment card, which enables the activation of digital wallets through the "RaiPay" or "Apple Pay" services. Just as with business activities with private individuals, significant improvements of processes and products, as well as further digitalization, were also undertaken in business activities with entrepreneurs, small and medium enterprises. Full redesigning of digital channels and migration to a more advanced platform were performed, which enabled the introduction of a range of new advanced functionalities, aiming to provide even better user experience and increasing the autonomy of the client, in the sense of empowering the client to perform even more banking transactions by him- or herself.

Just as with other similar digital products for the retail segment, "Business iCash" – a unique digital loan – was released in the market, aimed at entrepreneurs who are lump sum tax payers. Also, the "Business iAccount" was developed, aimed at both all kinds of entrepreneurs, as well as other legal entities. Within the process of opening the "Business iAccount", digital channels are opened to the user, so the client can start his/her business activities through Raiffeisen banka immediately by using the mobile banking application. Activities on the improvement of artificial intelligence in the process of serving clients were also continued, enabling voice interaction.

All these activities were followed by continuous work on improving the quality of the bank's services. The results of these endeavours are visible in the fact that in 2021, the number of clients who realized a loan by using digital channels came close to the number of loans contracted via traditional channels, the number of mobile banking users is recording a growth of 42 per cent, while the number of digitally acquired users grew by 120 per cent compared to the previous year, despite the strong competition in the banking industry.

Significant investments were also made into developing advanced analytics, where Raiffeisen banka has already realized a tangible impact on retail business (300 per cent investment returns, improved CEX for proactive product offers) and has become an international provider of analytics services at RBI Group level.

# Poslovanje sa stanovništvom

U 2021. godini zabeležen je rast kreditne aktivnosti u segmentu stanovništva, u odnosu na 2020. godinu. Kreditna politika relaksirana je u nekoliko navrata, s tim da su najznačajnije izmene urađene polovinom maja 2021. godine, od kada volumen produkcije keš kredita dostiže iznose iz 2019, predpandemijske godine, što je rezultiralo stabilizacijom tržišnog učešća banke u drugoj polovini godine (6.9% od jula). Sa druge strane, volumen isplaćenih stambenih kredita porastao je za oko 40% u 2021. u odnosu na 2020, te je po prvi put posle dužeg vremena zabeležen rast tržišnog učešća u stambenim kreditima – 7.4% u novembru, isto kao i u decembru.

## Digitalizacija i inovacije

Kao rezultat uspešne digitalne transformacije i kontinuiranih unapređenja banke, i u 2021. godini zabeležen je rast broja aktivnih korisnika mobilnog bankarstva za oko 40%.

Kroz usmerenje na inovaciju i najbolje korisničko iskustvo, agilnost i efikasnost procesa, ponuda digitalnih proizvoda i usluga Raiffeisen banke se eksponencijalno širi. Na tom putu identifikovali smo jedan od ključnih elemenata koji unapređuje digitalnu transformaciju, a to je edukacija korisnika digitalnih usluga kroz podršku i edukative materijale, kao i edukacija zaposlenih. Da bismo pomogli kolegama iz filijala da postanu digitalni ambasadori, edukaciju smo učinili zabavnom i zanimljivom, kreirajući posebnu mobilnu aplikaciju „iMGoingDigital“ sa gejmfifikovanim elementima (osvajanje novčića za lekcije i položene testove, rang liste, nagrade sa budžetima za posebna dostignuća).

Intezivno se radilo i na konstantnom unapređenju i omasovljavanju inovativnih kreditnih proizvoda, pri čemu se posebno izdvaja „iKeš kredit“ – prvi model te vrste na tržištu i u regionu, koji omogućava da se kredit realizuje u potpunosti onlajn, bez odlaska u banku. Pored odličnih prodajnih rezultata, „iKeš“ je dobitnik i prestižne „Finovate 2020“ globalne nagrade kao najbolja platforma za kreditiranje.

Zahvaljujući ostvarenim rezultatima, „iKeš“ je izabran kao grupno rešenje koje će se koristiti i u zemljama u regionu uz odgovarajuća prilagođavanja. Po uzoru na „iKeš“ i u saradnji sa partnerskim internet prodavnicama vodećim u svojim oblastima na tržištu, u ponudi je i prvi potpuno onlajn potrošački „WEB“ kredit dostupan na 14 lokacija, koji ima za cilj da dodatno olakša i podstakne internet kupovinu. Posebna pažnja posvećena je jednostavnijem i sofisticiranijem korišćenju aplikacije za mobilno bankarstvo, gde je omogućena privremena blokada platnih kartica i instant plaćanje na internet prodajnim mestima korišćenjem tzv. „deep link“ tehnologije.

Važan iskorak u digitalnoj ponudi ostvaren je i uvođenjem „iRačuna“, jedinstvenog digitalnog paketa na tržištu, koji korisnicima omogućava otvaranje tekućeg računa za 15 minuta potpuno besplatno i potpuno onlajn. Uz „iRačun“, korisnici istog trenutka dobijaju i digitalnu platnu karticu, što omogućava aktivaciju digitalnih novčanika kroz „Raipay“ ili „Apple pay“ usluge. Kao i u poslovanju sa fizičkim licima, značajna unapređenja procesa i proizvoda, kao i dalja digitalizacija, sprovedeni su i u poslovanju sa preduzetnicima, malim i srednjim preduzećima. Izvršeno je kompletno redizajniranje digitalnih kanala i migracija na napredniju platformu, a što je omogućilo uvođenje niza novih naprednih funkcionalnosti u cilju još boljeg korisničkog iskustva i povećanja autonomije klijenta u smislu osposobljenosti da još više bankarskih transakcija obavlja samostalno. Po uzoru na slične digitalne proizvode za stanovništvo, razvijen je i pušten na produkciju „Business iKeš“, jedinstven digitalni kredit na tržištu, namenjen preduzetnicima koji plaćaju paušalno svoje poreske obaveze.

Takođe, razvijen je i „Business iRačun“ namenjen kako svim vrstama preduzetnika, tako i ostalim pravnim licima. U sklopu procesa otvaranja „Business iRačuna“, korisniku se otvaraju digitalni kanali, tako da klijent istog momenta uz korišćenje aplikacije mobilnog bankarstva može da započne svoje poslovanje preko Raiffeisen banke. Nastavljene su i aktivnosti na unapređenju rada veštačke inteligencije u procesu usluživanja klijenata, uz omogućavanje glasovne interakcije.

Sve ove aktivnosti praćene su kontinuiranim radom na unapređenju kvaliteta usluga banke. Rezultati ovih napora vidljivi su u činjenici da se u 2021. godini broj klijenata koji su realizovali kredit korišćenjem digitalnih kanala približio broju kredita ugovorenih putem tradicionalnih kanala, broj korisnika mobilnog bankarstva beleži rast od 42%, dok je broj digitalno akviziranih korisnika porastao za 120% u odnosu na prethodnu godinu, uprkos snažnoj konkurenciji u bankarskom sektoru.

Značajno ulaganje izvršeno je i u razvoj napredne analitike, gde je Raiffeisen banka već ostvarila opipljiv uticaj na poslovanje sa stanovništvom (300% prinos na investicije, poboljšana CEX za proaktivne ponude proizvoda) i postala međunarodni pružalac analitičkih usluga na nivou cele RBI grupacije.

In order to improve user experience and client relationships, the bank has developed a platform enabling the banking staff to provide high-quality services. A modern web application is providing information so that the client is served in the best possible manner. The application contains a large number of business modules, and one of its greatest values is that it provides reliable and timely information from all communications channels, such as, e.g. applying for "iCash", call from the Contact Center or meeting with an employee of the bank. So, communication with clients was made much easier.

An important step was made in the of retail banking segment in 2021, compared to the mode of doing business up to that year, even in the face of challenges caused by the COVID-19 virus pandemic. In 2021, the process of branch office digitalization was begun, as well as shifting the branch offices into the agile mode of work, based on branch network transformation that was set up in the preceding years, shifting transactions to digital channels and multipurpose devices and introducing the first fully digital loan product.

Branch offices in the agile concept function either without or with limited use of classic cashiers, with a pronounced friendly and personal approach to client transactions. The concept of brand ambassador was introduced, whose primary role is to offer to our clients initial information concerning a product of the bank, as well as support or additional education regarding the usage of digital channels and multipurpose ATMs.

The new mode of work in branch offices enabled our employees to delve deeper into the needs of our clients, which resulted in better productivity of employees in branch offices modelled in the new concept, both as regards sales results, as well as mobile banking penetration, and also a significantly higher degree of employee satisfaction.

At the same time, intensive development of new services and improvements continued through the agile mode of work in the domain of developing retail and SME products and services, as well as introducing the agile mode of work in the domain of developing new functionalities of multipurpose devices.

## Small Enterprises and Entrepreneurs

Despite all the challenges caused by the pandemic of COVID-19 virus, the small enterprises and entrepreneurs segment realized another very successful business year, in fact, one of the most successful years since its existence. Loan volumes increased by 17.28 per cent compared to the previous year, predominantly owing to the very dedicated sales network, but also to campaigns that were organized, as well as due to the economy support program through the guarantee scheme of the Republic of Serbia and other guarantee schemes (EIF and Innovfin).

Simultaneously, the number of clients increased by 15.28 per cent, and deposits increased by 18.61 per cent y-o-y. All this resulted in an increase of total revenue by 9,14 per cent. With the good portfolio and good risk control costs, this segment realized a profit growth of 51 per cent y-o-y and realized a record CM6 of € 11,27 million. The approach to this business segment proved to be correct once more, first through the best Net Promoter Score (NPS) result in the market, and then also through the fact that this segment is the leading in the market according to the number of accounts opened by newly-founded enterprises in Serbia. Raiffeisen banka has a market share of 19.63 per cent with this parameter in dinar accounts and 25 per cent in foreign currency accounts.

The small enterprises and entrepreneurs segment continues constantly innovating the quality of products and services with a stress on digitalization, which proved to be the only valid strategy, aiming to further increase the number of active clients by introducing new sales channels and new client segments. So, in 2021, business with clients in the segment of agriculture (registered agricultural estates) was started, where the bank was able to issue 1.1 billion euros in a short time period and acquire 428 clients.

## Premium Banking

During the year 2021, special focus was placed into the transformation of the Premium business model, from branch to remote, in order to adjust Premium banking service to the expectations of the new and changing financial market.

The Premium Direct Service, which allows customers to communicate with their personal bankers via video technology and make video calls without visiting the branch, has recorded a growth in the customer base by 110 per cent compared to 2020, while the acquisition of Premium Direct clients increased by 325 per cent, compared to the year before. Premium Direct reached a 49 per cent penetration in the Premium customer base.

Apart from the existing video communication capacities, such as document/application view, file sharing, co-browsing, media library sharing, this service has been upgraded with new functionalities:

1. Video call with the personal banker can be conducted from a safe environment, directly from e-banking or mobile banking.
2. Complete communication and sharing of files between the client and the bank has been switched from e-mail to inbox in the e-banking or mobile banking application. By logging in and checking his inbox, a client can very easily upload all documents that are automatically shared with his personal banker.
3. Documents are signed with an electronic signature.

Kako bi poboljšala korisničko iskustvo i unapredila odnose sa klijentima, banka je razvila platformu koja omogućava bankarskim službenicima kvalitetno pružanje usluge. Moderna veb-aplikacija obezbeđuje informacije tako da klijent bude uslužen na najbolji mogući način. Aplikacija sadrži veći broj biznis modula, a jedna od njenih najvećih vrednosti je u tome što sadrži pouzdane i pravovremene informacije sa svih kanala komunikacije, kao što je, npr. apliciranje za „iKeš“, poziv Kontakt centra ili sastanak sa službenikom u banci. Samim tim, značajno je olakšana komunikacija sa klijentima.

U segmentu poslovanja sa stanovništvom tokom 2021. godine započeo je značajan iskorak u odnosu na dosadašnji način rada i pored toga što izazovi prouzrokovani pandemijom virusa kovid-19 nisu jenjavali. Tokom 2021. godine, započeo je proces digitalizacije ekspozitura i njihovo prebacivanje na agilni način rada, na temeljima transformacije mreže postavljenim prethodnih godina, izmeštanjem transakcija na digitalne kanale i višenamenske uređaje i uvođenjem prvog potpuno digitalnog kreditnog proizvoda.

Ekspoziture u agilnom konceptu funkcionišu bez ili sa ograničenom upotrebom klasičnih blagajni, a sa naglašenim održavanjem srdačnog ličnog pristupa u interakcijama sa klijentima. Uveden je koncept brend ambasadora, čija je primarna uloga da našim klijentima pruži prve informacije po pitanju proizvoda banke, kao i podršku ili dodatnu edukaciju za korišćenje digitalnih kanala i višenamenskih bankomata.

Novi način rada u ekspoziturama omogućio je zaposlenima da se dublje posvete potrebama klijenata, što je rezultiralo boljom produktivnošću zaposlenih u ekspoziturama po novom konceptu, kako po pitanju prodajnih rezultata, tako i po pitanju penetracije mobilnog bankarstva, kao i značajno višem stepenu zadovoljstva klijenata.

Istovremeno, nastavljen je intenzivni razvoj novih usluga i unapređenja kroz agilni načina rada u domenu razvoja proizvoda i usluga za stanovništvo, te mala i srednja preduzeća, započeo prethodne godine, kao i uvođenje agilnog načina rada u domenu razvoja novih funkcionalnosti višenamenskih uređaja.

## Mala preduzeća i preduzetnici

Uprkos svim izazovima prouzrokovanim pandemijom virusa kovid-19, segment poslovanja sa malim preduzećima i preduzetnicima imao je još jednu u nizu vrlo uspešnih poslovnih godina i jednu od najuspešnijih godina od kako postoji ovaj segment. Zahvaljujući, pre svega, vrlo posvećenoj prodajnoj mreži, ali i organizovanim kampanjama i programu podrške privredi preko garantne šeme Republike Srbije, kao i drugim garantnim šemama (EIF i Innovfin), kreditni volumeni povećani su za 17.28% u odnosu na prethodnu godinu.

Istovremeno, broj klijenata povećan je za 15,28%, a depoziti za 18,61% godina na godinu. Sve ovo rezultiralo je povećanjem ukupnih prihoda za 9.14%. Uz dobar kvalitet portfolija i dobru kontrolu troškova rizika, segment je ostvario rast profita od 51% godina na godinu i ostvario rekordan CM6 od 11.27 miliona evra. Pristup ovom segmentu poslovanja još jednom se pokazao kao ispravan, najpre kroz najbolji rezultat parametra NPS (Net Promoter Score) na tržištu, a zatim i kroz činjenicu da je ovaj segment lider na tržištu u broju otvorenih računa novoosnovanih preduzeća u Srbiji. Raiffeisen banka ima tržišno učešće od 19.63% kod ovog parametra u dinarskim računima i 25% u deviznim računima.

Segment poslovanja sa malim preduzećima i preduzetnicima nastavlja sa kontinuiranim poboljšanjem kvaliteta proizvoda i usluga sa akcentom na digitalizaciju, što se pokazalo kao jedina ispravna strategija, sa ciljem daljeg povećanja broja aktivnih klijenata kroz uvođenje novih kanala prodaje i novih segmenata klijenata. Tako smo u 2021. godini započeli poslovanje sa klijentima u agro segmentu (registrovana poljoprivredna gazdinstva), gde smo za relativno kratko vreme plasirali 1.1 miliona evra i došli do broja od 428 klijenata.

## Premium Banking

Tokom 2021. godine, poseban fokus usmeren je na transformaciju poslovnog modela Premium segmenta od filijala ka udaljenom pristupu, kako bi se usluga Premium bankarstva prilagodila očekivanjima novog i izmenjenog finansijskog tržišta.

Usluga Premium Direct, koja klijentima omogućava da komuniciraju sa svojim ličnim bankarima putem video tehnologije i video poziva, bez dolaska u poslovnici, zabeležio je rast od 110% u bazi klijenata u odnosu na 2020, dok je akvizicija Premium Direct klijenata uvećana za 325% u poređenju sa prethodnom godinom. Premium Direct dostigao je penetraciju od 49% baze klijenata u Premium segmentu.

Osim postojećih kapaciteta za video komunikaciju, kao što su pregled dokumenata/aplikacija, deljenje fajlova, zajednička pretraga, deljenje medijske biblioteke, ova usluga poboljšana je sledećim funkcionalnostima:

1. Video poziv sa ličnim bankarom može da se odvija iz sigurnog okruženja, direktno preko mobilnog ili elektronskog bankarstva.
2. Kompletna komunikacija i deljenje fajlova između klijenta i banke prebačeno je sa i-meja na inboks u aplikaciji mobilnog ili elektronskog bankarstva. Logovanjem i proverom svog inboksa, klijent može jednostavno da učitava sva dokumenta, koja se zatim automatski dele sa njegovim ličnim bankarom.
3. Dokumenta se potpisuju elektronskim potpisom.

The total customer base remained unchanged compared to the year before, with a significant change in customer behaviour and migration from standard branches to our remote service – Premium DIRECT.

Customers' self-service level reached 96 per cent. They chose the bank's internet and mobile application solutions for payments, as well as our multifunctional devices for cash transactions.

FX business continues to grow at all channels, but dominantly at internet and mobile banking. The number of unique users grew 4% y-o-y, while volumes grew 10% y-o-y.

In 2021, lending was very intensive, mainly in the mortgage business which brought a credit portfolio increase of 18.4 per cent y-o-y.

The year 2021 was marked by intensive work on developing the Affluent Advisory tool – a tablet and desktop tool for presenting the value proposition, products and services to customers in a more professional way. The tool will be used for collecting information on the customer's plans and goals and presentation of a holistic financial offer based on the customer's needs.

## Private Banking Development

A completely new service – Private Banking – was introduced as of June 2020, bearing the special brand name "Friedrich Wilhelm Raiffeisen". It is based on an individual approach, full discretion and search for comprehensive financial and banking solutions, as its fundamental values. Our ambition is to provide the highest level of service to our clients, to protect and enrich our client's assets, preserving wealth for future generations while developing a strong long-term relationship.

Apart from a dedicated personal banker, advanced remote banking options, Visa Infinite, the first metal card in Serbia with a special design, as well as other benefits, the core value proposition for our Private Banking clients is the investment advisory service. An experienced team of investment advisors focuses on matching the client's investment profile with adequate asset allocation, using local and Group knowledge and resources and best-in-class investment products, while constantly striving to improve our offer.

Our products' offer currently includes the local UCITS investment funds, government bonds and structured products – certificates, in our governed investment strategy model, as well as brokerage and custody service for trading on local and most of the foreign financial markets, as an additional feature.

At the end of 2021, assets under management of the "Friedrich Wilhelm Raiffeisen" segment reached € 233 million and increased by € 146.1 million or by 171% y-o-y, driven by deposit portfolio growth of 179 per cent and investment portfolio (investment funds and certificates) growth of 150 per cent. The number of Private Banking clients reached 446 and increased 96 per cent y-o-y.

In order to increase the service level and the quality of financial and investment advisory services, in the course of 2021, Raiffeisen banka developed the "Financial Advisory" tool as a platform for professional management of customers' needs and their assets in Raiffeisen banka.

## Card Business

The bank continues the growth trend in the segment of card business, both as concerns issuing cards, as well as concerning payment cards acceptance.

In 2021, constant development and improvement of digital payments continued via digital wallets for users of Android and iOS mobile phones and devices. The bank offered its own solution for payments via Android mobile phones entitled RaiPay, but it also enabled the registration and usage of payment cards through the Apple Pay wallet. RaiPay application was improved security-wise, biometrics was introduced as a way of user authentication, overview of daily limits, available balance, as well as a detailed overview of transactions and cards.

Apart from RaiPay and Apple Pay payment applications for users of Visa and Mastercard payment cards, the bank also introduced payments via Garmin Pay application for users of Visa cards who own Garmin watches. By introducing the stated solutions, the bank reached the very top of the digital payment segment in the Serbian market.

The bank also offers many benefits for credit card users, and one of the most important ones is instant card issuing, which is also a unique service in the market – the entire process of approval and issuing of a credit card is completed in 15 minutes, with just one visit of the client to the branch office. A strong focus on credit card users brought the bank to a 22 per cent market share as regards credit cards issued.

The number of POS terminals is growing continuously, in 2021 increased by 15 per cent, and as concerns transactions and turnover, growth by 70 per cent in the number of transactions and almost 100 per cent in turnover is recorded. Also, growth in the network of merchants opting for e-commerce is evident, 20 per cent compared to the preceding year, which contributed to a growth by approx. 60 per cent as regards the

Ukupna baza klijenata ostala je nepromenjena u poređenju sa prethodnom godinom, sa značajnom izmenom ponašanja klijenata i migracijom iz standardnih poslovnica na naš servis na daljinu – Premium DIRECT.

Nivo samousluživanja klijenata dostigao je 96%. Klijenti su izabrali rešenja internet i mobilne aplikacije banke za plaćanja, kao i multifunkcionalne uređaje za transakcije gotovinom.

Menjački poslovi Premium klijenata nastavljaju rast na svim kanalima, a dominantno na internet bankarstvu i mobilnoj aplikaciji. Broj korisnika usluge porastao je za 4%, dok je obim trgovanja porastao za 10%.

Tokom 2021. godine kreditiranje je bilo veoma intenzivno, uglavnom u segmentu stambenih kredita, što je dovelo do uvećanja kreditnog portfolija od 18,4% godina na godinu.

Godinu 2021. obeležio je intenzivan rad na razvoju alata pod nazivom „Affluent Advisory“ – alat za tablet i desktop za predstavljanje konkurentne ponude vrednosti, proizvoda i usluga klijentima na profesionalniji način. Alat će se koristiti za prikupljanje informacija o planovima i ciljevima klijenta, kao i prezentaciju sveobuhvatne finansijske ponude zasnovane na potrebama klijenta.

## Razvoj Privatnog bankarstva

Potpuno nova usluga – Privanto bankarstvo – uvedena je od juna 2020. godine, pod posebnim tržišnim imenom „Friedrich Wilhelm Raiffeisen“. Zasniva se na ličnom pristupu, punoj diskreciji i potragom za sveobuhvatnim finansijskim i bankarskim rešenjima, kao svojim osnovnim vrednostima. Naša ambicija je da našim klijentima obezbedimo najviši nivo usluge, za zaštitimo i uvećamo imovinu klijenta, čuvajući bogatstvo za buduće generacije dok istovremeno razvijamo jake dugoročne veze.

Osim posvećenog ličnog bankara, opcijama za napredne bankarske usluge na daljinu, zatim Visa Infinite – prve metalne kartice u Srbiji specijalnog dizajna, kao i drugih prednosti, osnovna konkurentna prednost za naše klijente Privatnog bankarstva jeste savetodavna usluga po pitanju investiranja. Iskusi tim investicionih savetnika usmeren je na to da za klijentov investicioni profil odredi odgovarajuću alokaciju sredstava, korišćenjem znanja i resursa kako lokalno, tako i cele Raiffeisen grupacije, najboljih proizvoda u toj investicionoj klasi, uz konstantno poboljšanje ponude.

Ponuda naših proizvoda trenutno uključuje lokalne UCITS fondove, obveznice Vlade i strukturirane proizvode – sertifikate, po modelu strategije regulisanog investiranja, kao i kastodi i brokerske usluge za trgovanje na domaćem i većini stranih finansijskih tržišta, kao dodatni atribut.

Krajem 2021. godine, sredstva pod upravljanjem segmenta „Friedrich Wilhelm Raiffeisen“ dostigla su 233 miliona evra i uvećana su za 146,1 milion evra, ili za 171% godina na godinu, kao rezultat rasta portfolija depozita od 179% i rasta investicionog portfolija (investicioni fondovi i sertifikati) od 150%. Broj klijenata Privatnog bankarstva dostigao je 446 i uvećao se za 96% godina na godinu.

Kako bi se uvećao nivo usluge, kvalitet naših finansijskih i investicionih usluga, tokom 2021. godine Raiffeisen banka je razvila alat „Financial Advisory“ kao platformu za profesionalno upravljanje potrebama klijenata i njihovom imovinom u Raiffeisen banci.

## Kartično poslovanje

Banka nastavlja trend rasta i u segmentu kartičnog poslovanja, kako u pogledu izdavanja kartica, tako i u pogledu prihvata platnih kartica.

Tokom 2021. godine nastavlja se sa konstantnim razvojem i usavršavanjem digitalnog plaćanja putem digitalnih novčanika za korisnike Android i iOS mobilnih telefona i uređaja. Banka je ponudila sopstveno rešenje za plaćanje putem Android mobilnih telefona pod nazivom RaiPay, ali je takođe omogućila registraciju i korišćenje platnih kartica kroz Apple Pay novčanik. RaiPay aplikacija unapređena je u pogledu sigurnosti, uvedena je biometrija kao način autentifikacije korisnika, pregled dnevnih limita, raspoloživog stanja, kao i pregled detalja transakcije i kartice.

Pored RaiPay i Apple Pay platnih aplikacija za korisnike Visa i Mastercard platnih kartica, banka je uvela i plaćanje putem Garmin Pay aplikacije za korisnike Visa kartica koji poseduju Garmin satove. Uvođenjem navedenih rešenja banka je dospela u sam vrh segmenta digitalnih plaćanja na tržištu Srbije.

Banka ima u ponudi mnoge pogodnosti za korisnike kreditnih kartica, a kao jedna od najznačajnijih je i tzv. trenutno izdavanje kartice (instant card issuing), što je ujedno i jedinstvena usluga na tržištu – kompletan proces odobravanja i izdavanja kreditne kartice odvija se u roku od 15 minuta, sa samo jednim dolaskom klijenta u filijalu. Snažan fokus na korisnike kreditnih kartica doveo je banku do tržišnog učešća od 22% u pogledu plasmana po kreditnim karticama.

Broj POS terminala kontinuirano raste, u 2021. godini povećan je za 15%, a kada se posmatraju transakcije i promet, beleži se rast od 70% u broju transakcija i skoro 100% u prometu. Takođe, zabeležen je rast i u mreži trgovaca koji se opredeljuju za elektronsku trgovinu (e-commerce), 20% odnosu na prethodnu godinu, što je doprinelo rastu od oko 60% po broju i prometu

transactions number and turnover. The bank's cooperation with renowned providers of payment services is contributing to this, as well as the fact that we are also offering the concept of "universal internet shop" for merchants who need a comprehensive solution, the online shop, with the already integrated e-commerce platform of Raiffeisen banka.

Raiffeisen banka brought another fully innovative service for card and mobile payments to the Serbian banking market – RaiPOS application. This application turns the mobile phone or another smart device with Android platform into a POS terminal. RaiPOS application can be used anywhere any time for acceptance of contactless

payments via Visa and Mastercard payment cards, as well as payments through digital wallets. It enables fast, easy and safe payments using NFC technology and the Tap to Phone solution, offering entrepreneurs and legal entities an opportunity to grow sales.

Concerning IPS payments, apart from the service at the merchant's physical point of sale, Raiffeisen banka is one of only two banks in the market to enable this service also on the internet point of sale. We are expecting more notable results in this domain in 2022.

transakcija. Tome doprinosi i saradnja banke sa renomiranim pružaocima platnih usluga, kao i činjenica da u ponudi imamo i rešenje „univerzalne internet prodavnice“ za trgovce kojima je potrebno kompletno rešenje, online shop, koje već sadrži integrisanu platformu za e-trgovinu Raiffeisen banke.

Kao potpunu inovaciju, Raiffeisen banka donela je još jednu uslugu za prihvatanje kartičnog i mobilnog plaćanja na srpsko bankarsko tržište – RaiPOS aplikaciju. Aplikacija pretvara mobilni telefon ili drugi pametni uređaj sa Android platformom u POS terminal. RaiPOS aplikacija može da se koristi bilo gde i bilo kada za prihvatanje beskontaktnih plaćanja putem

VISA i Mastercard platnih kartica, kao i plaćanja preko digitalnih novčanika. Omogućava lako, brzo i bezbedno plaćanje korišćenjem NFC tehnologije i rešenja Tap to Phone, nudeći preduzetnicima i pravnim licima priliku da povećaju prodaju.

Kada su u pitanju IPS plaćanja, pored usluge na fizičkom prodajnom mestu trgovca, Raiffeisen banka je jedna od svega dve banke na tržištu koje su ovu uslugu omogućile i na internet prodajnom mestu. Značajnije rezultate na ovom polju očekujemo u 2022. godini.

# Treasury and Investment Banking

The Treasury and Investment Banking Division greatly contributed to the achievement of the bank's total results and maintaining one of the leading positions in the market in 2021. The bank realized a high level of dinar and foreign currency liquidity during the entire year, as a result of professional management of the bank's assets.

## Money Market, Foreign Exchange Trading and Managing the Bank's Assets and Liabilities

The National Bank of Serbia (NBS) continued the monetary policy of inflation rate targeting in 2021 as well.

In the course of the year, the key interest rate remained unchanged at 1 per cent, so that the economy and citizens would be supported by more beneficial financing terms and in order to mitigate the effect of the crisis caused by the Covid-19 virus pandemic. However, with the more dynamic inflation growth since September, the NBS was restricting monetary policy through increasing the repo rate on reverse repo auctions and withdrawing surplus liquidity from the banking sector. The weighted average rate on repo auctions grew from 0.11 per cent (beginning October) to 0.50 per cent at the last auction at the end of the year. Inflation accelerated growth to 7.9 per cent in 2021, compared to the growth of 1.3 per cent in 2020. Such high inflation was primarily the result of rising oil and food prices in global markets, as well as drought in the country. Compared to total inflation, base inflation was stable throughout the year and grew to 3.5 per cent and remained within the targeted inflation corridor (3 per cent plus/minus 1.5 percentage points).

The dinar exchange rate was stable and ranged from 117.5496 to 117.5925. The total turnover on the interbank market amounted to € 10,88 billion in 2021.

Stability in conditions of a health crisis was provided by more intense inflow of foreign direct investments and incoming payments, credit activity that was supported by the government's guarantee schemes and economic recovery, as well as foreign currency interventions of the NBS, amounting to € 645 million (net purchase).

Raiffeisen banka was among the leading banks in foreign currency trading and foreign currency banknotes trading on the interbank foreign currency market. The Treasury and Investment Banking Division of Raiffeisen banka realized a market share of 16.50 per cent in trading products with corporate clients and 13.71 per cent in trading with banks, thereby confirming its leading position in the market.

In the Covid-19 pandemic crisis environment, and with the aim of supporting the financial system, the NBS organized two-week and three-month FX swap auctions, as well as repo buying auctions of dinar securities, thereby providing additional foreign currency and dinar liquidity at more beneficial interest rates. Also, this way the NBS was acting in prevention to stabilize rates on the money market as well.

## Financial Institutions Correspondence

During the year, Raiffeisen banka continued maintaining and further developing the cooperation with international and local financial institutions, with the aim of nurturing long-term partnerships, considering such partnerships essential for the development and success of mutual business activities.

With the support of Raiffeisen Bank International AG, reflecting a long-lasting and established business tradition, Raiffeisen banka was again a significant and reliable partner, meeting the needs and requirements of clients in the most professional manner.

As a result of cooperation with the European Investment Fund (EIF), through the guarantee schemes InnovFin, COSME and COSME digitalization financed by the EU, the bank continued supporting small and medium-sized enterprises with relaxed collateral terms in 2021 as well, intended for working capital and investing into long-term innovative business ventures, focusing on business processes digitalization, as well as Covid-19 support.

In 2021, the bank, as the partner of the Republic of Serbia, continued implementing the Contract on Guarantee for Corporate Crediting with the aim of mitigating negative consequences of the pandemic, as well as the Contract on Crediting Guarantee due to the prolonged negative impact of the pandemic.

# Sektor sredstava i investicionog bankarstva

Sektor sredstava i investicionog bankarstva značajno je doprineo ostvarenju ukupnih rezultata banke i očuvanju pozicije među liderima na tržištu u 2021. godini. Banka je tokom cele godine imala visok nivo dinarske i devizne likvidnosti kao rezultat profesionalnog upravljanja sredstvima banke.

## Tržište novca, trgovanje devizama i upravljanje aktivom i pasivom banke

Narodna banka Srbije (NBS) je u 2021. godini nastavila sa monetarnom politikom targetiranja stope inflacije. Tokom godine, referentna kamatna stopa ostala je nepromenjena, na nivou od 1%, kako bi se podržala privreda i stanovništvo povoljnim uslovima finansiranja, a sve u cilju ublažavanja efekata krize uzrokovane pandemijom virusa kovid-19. Međutim, sa dinamičnijim rastom inflacije od septembra meseca, NBS zaoštrava monetarnu politiku kroz povećanje repo stope na reverznim repo aukcijama i povlačenjem viška likvidnosti iz bankarskog sektora. Prosečna ponderisana stopa na repo aukcijama je sa 0,11% (početkom oktobra) porasla na 0,50% na poslednjoj aukciji krajem godine. Inflacija je ubrzala rast na nivo od 7,9% u 2021. godini u poređenju sa rastom od 1,3% u 2020. godini. Tako visoka inflacija je u najvećoj meri posledica rasta cena nafte i hrane na globalnim tržištima, kao i suše u zemlji. U odnosu na ukupnu inflaciju, bazna inflacija bila je stabilna tokom godine i porasla je na 3,5%, te tako ostala u okviru ciljanog raspona inflacije (3% +/- 1,5pp).

Kurs dinara prema evru bio je stabilan i kretao se u rasponu od 117,5496 do 117,5925. Ukupan promet na međubankarskom tržištu iznosio je 10,88 milijardi evra u 2021. godini.

Stabilnost u uslovima zdravstvene krize obezbeđena je pojačanim prilivom stranih direktnih investicija i doznaka, kreditnom aktivnošću koja je bila podržana Vladinim garantnim šemama i oporavkom ekonomije, kao i deviznim intervencijama NBS-a, koje su iznosile 645 miliona evra (neto kupovina).

Raiffeisen banka bila je među vodećim bankama u trgovanju devizama i efektivnim stranim novcem na međubankarskom deviznom tržištu. Sektor sredstava Raiffeisen banke ostvario je tržišno učešće od 16,50% u trgovanju sa korporativnim klijentima i 13,71% u trgovini sa bankama, čime je potvrdio lidersku poziciju na tržištu.

Narodna banka Srbije je u uslovima krize prouzrokovane virusom kovid-19, a u cilju podrške finansijskom sistemu, organizovala dvonedeljne i tromesečne devizne svop aukcije, kao i repo aukcije kupovine dinarskih hartija od vrednosti i time obezbedila dodatnu deviznu i dinarsku likvidnost po povoljnijim kamatnim stopama. Takođe, ovim je Narodna banka Srbije preventivno delovala na stabilizaciju stopa na novčanom tržištu.

## Odnosi sa finansijskim institucijama

Tokom godine, Raiffeisen banka nastavila je da održava i dodatno unapređuje saradnju sa međunarodnim i domaćim finansijskim institucijama, u cilju negovanja dugoročnog partnerstva koji smatra od suštinskog značaja za razvoj i uspešnost zajedničkog poslovanja.

Uz podršku Raiffeisen Bank International, kao odraza duge i dokazane tradicije u radu, Raiffeisen banka je uspela da bude značajan i pouzdan partner, kao i da izuzetno profesionalno ispunjava potrebe i zahteve klijenata.

Kao rezultat saradnje sa Evropskim investicionim fondom (EIF), banka je i u 2021. godini nastavila da kroz garancijske šeme InnovFin, COSME i COSME digitalisation, finansiranu od strane EU, obezbeđuje značajnu podršku malim i srednjim preduzećima uz relaksirane uslove obezbeđenja, namenjene za obrtna sredstva i ulaganja u dugoročne inovativne poslovne poduhvate, sa akcentom na oblast digitalizacije poslovnih procesa kao i kovid-19 podrške.

Tokom 2021. godine, banka je, kao partner Republike Srbije, nastavila sprovođenje Ugovora o garanciji za kreditiranje privrede sa ciljem ublažavanja negativnih posledica pandemije, kao i Ugovora o garanciji za kreditiranje usled produženog negativnog uticaja pandemije.

## Broker-Dealer Business

In the first half of the year, we witnessed a great demand for dinar bonds of the Republic of Serbia. At the auction with maturity August '32, held on Jan. 19, 2021, RSD 27.5 billion were sold, which is the greatest amount of this bond sold at one auction.

In March 2021, Moody's credit agency raised Serbia's credit rating from Ba3 to Ba2.

At the end of June, the long-year work and significant efforts on promoting the capital market resulted in three series of dinar benchmark bonds to be included in the JP Morgan index (maturity 2026, 2028 and 2032).

In September, the Republic of Serbia offered on the interbank market two series of Eurobonds ("dual tranche"). The bond maturing in September '28 (Serbia28), was sold in the amount of one billion euros, with yield 1.262 per cent. The other bond maturing in September '36 (Serbia36), with the longest maturity up to now, was sold in the amount of € 750 million, with the yield 2,305 per cent.

The bond maturing in September '28 is the first green bond issued by the Republic of Serbia and with the successful closing of the sales process, Serbia became the only European country outside the EU to issue such an instrument. Raiffeisen Bank International was one of the issuing agents..

The time of issuing the two issues of Eurobonds proved to be perfect, since inflation grew on the monthly level by 1.4 per cent in September, which is the greatest growth on a monthly level in the year. Simultaneously, inflation continued growing significantly in CEE as well, where central banks have started significantly raising their reference rates, which brought about aggressive sales of Serbian dinar bonds as well, mostly by foreign clients. Yields on bonds of the longest maturities grew by 100-130 bps.

The stable course was not enough to maintain demand for dinar bonds at the earlier level. The Public Debt Administration organized in December several buy-back auctions in order to send a positive signal to investors and stabilize the market.

The mentioned factors mostly contributed to the volume of dinar bonds sold in the local market being by 44.8 per cent lower compared to 2020 (RSD 159 billion compared to RSD 290 billion). In such circumstances, Raiffeisen banka remained one of the leading market participants, offering professional service and expert support to local and foreign investors.

Both indices of the Belgrade Stock Exchange recorded growth slightly greater than 9 per cent, while the value of the turnover realized was by 15 per cent lower. In the second half of the year, an agreement was reached between the Belgrade and the Athens stock exchanges, where the Athens Stock Exchange should acquire 10.24 per cent of the total number of stocks of the Belgrade Stock Exchange, while the Belgrade Stock Exchange should migrate to the trading platform of the Athens Stock Exchange. Also, the two stock exchanges will be addressing local institutions together with the aim of further developing the Serbian capital market.

## Custody Services

The Ministry of Finance of the Republic of Serbia adopted a strategy of capital market development, and one of the primary goals is to increase market liquidity through including international institutions offering clearing and balancing services.

That is why we are very proud to have been able to realize cooperation with Clearstream, the leading institution for services of clearing and balancing. Appreciating the quality of our services, Clearstream chose the Raiffeisen Group as the exclusive local agent, to include, through us, the Serbian market in its global network and so enable to foreign investors direct balancing of state bonds denominated in dinars. This is proof that the Raiffeisen Group is actively participating in the development of the Serbian capital market.

## Research

The "Raiffeisen Research" analyst network of Raiffeisen Group continued its work on improving the general understanding of economic trends in the period of the outbreak of the health crisis of unprecedented scale caused by the spreading of Covid-19 virus. By sending regular Covid-19 Economic Update CEE reports, we were informing our clients about the measures (financial and regulative) brought by the governments both in Serbia and across the region. Also, through reports (Covid and Economic Update for individual countries, Covid-19 Compendium Global Markets, Covid-19 CEE Compendium), we were regularly providing information regarding the movements in global financial markets caused by this crisis, as well as a more comprehensive understanding of economic trends in publications ("Short Note", quarterly and monthly "Economic Report").

By regular monitoring and a thorough analysis of key indicators, key events on the macroeconomic scene were promptly reported on ("Research Alert") and then, in accordance with new tendencies, models developed for the forecast of future economic trends were suitably adjusted.

## Brokersko-dilerski poslovi

U prvoj polovini godine bili smo svedoci velike tražnje za dinarskim obveznicama Republike Srbije. Na aukciji dospeća avgust 2032. održanoj 19.01.2021. prodato je 27.5 milijardi dinara, što je najveći prodati iznos ove obveznice na jednoj aukciji.

U martu 2021, kreditna agencija „Moody's“ podigla je kreditni rejting Srbije sa Ba3 na Ba2.

Krajem juna dugogodišnji rad i značajni naponi na promociji tržišta kapitala dali su rezultat uključenjem tri serije srpskih dinarskih benchmark obveznica u J.P. Morgan indeks (dospeće 2026, 2028. i 2032).

U septembru mesecu, Republika Srbija ponudila je na međunarodnom tržištu dve serije evro obveznica („dual tranche“). Obveznica sa dospećem septembar 2028. (Serbia28) prodata je u iznosu od milijardu evra, na prinosu 1.262%. Druga obveznica sa dospećem septembar 2036. (Serbia36), do sada najduže dospeće, prodata je u iznosu od 750 miliona evra, na prinosu 2.305%.

Obveznica sa dospećem septembar 2028, prva je zelena obveznica koju je Republika Srbija emitovala i uspešnim završetkom procesa prodaje postala jedina evropska zemlja izvan EU koja je emitovala ovakav instrument. Raiffeisen Bank International bila je jedan od agenata emisije.

Vreme izdavanja dve emisije evro obveznica pokazalo se kao savršeno, budući da je u septembru inflacija na mesečnom nivou porasla za 1.4%, što je najveći porast na mesečnom nivou u toku godine. U isto vreme, inflacija je nastavila značajno da raste i u srednjoj i istočnoj Evropi, gde centralne banke počinju sa značajnim podizanjem svojih referentnih stopa, što je dovelo do agresivnih prodaja i na srpskim dinarskim obveznicama, najviše od strane inostranih klijenata. Prinosi na obveznicama najdužih ročnosti porasli su za 100-130 baznih poena.

Stabilan kurs nije bio dovoljan da održi tražnju za dinarskim obveznicama na ranijem nivou. Uprava za javni dug je u decembru organizovala više buy back aukcija kako bi investitorima poslala pozitivan signal i stabilizovala tržište.

Pomenuti faktori su najvećim delom uticali na to da je obim prodatih dinarskih obveznica na domaćem tržištu u 2021. godini bio za 44.8% niži u odnosu na 2020. godinu (159 milijardi dinara u odnosu na 290 milijardi dinara). U takvim okolnostima, Raiffeisen banka ostala je jedan od vodećih tržišnih učesnika, pružajući profesionalnu uslugu i stručnu pomoć domaćim i stranim investitorima.

Oba indeksa Beogradske berze zabeležila su rast nešto veći od 9%, dok je vrednost ostvarenog prometa manja za 15%. U drugoj polovini godine postignut je sporazum između Beogradske i Atinske berze, kojim bi Atinska berza trebalo da stekne 10.24% ukupnog broja akcija Beogradske berze, dok bi Beogradska berza trebalo da izvrši migraciju na trgovačku platformu Atinske berze. Takođe, dve berze će zajednički nastupati ka domaćim institucijama u pravcu daljeg strategijskog razvoja srpskog tržišta kapitala.

## Kastodi usluge

Ministarstvo finansija Republike Srbije usvojilo je Strategiju razvoja tržišta kapitala, a jedan od primarnih ciljeva je povećanje likvidnosti tržišta kroz uključivanje međunarodnih institucija koje nude usluge kliringa i saldiranja.

Zbog toga smo veoma ponosni što smo sa Clearstream-om, vodećom institucijom za poslove kliringa i saldiranja, uspeli da ostvarimo saradnju. Ceneći kvalitet naših usluga, Clearstream je izabrao Raiffeisen grupu kao ekskluzivnog lokalnog agenta, da preko nas u svoju globalnu mrežu uključi srpsko tržište i tako omogućiti stranim investitorima direktno saldiranje državnih obveznica denominovanih u dinarima. Ovo je dokaz da Raiffeisen grupa aktivno učestvuje u razvoju srpskog tržišta kapitala.

## Istraživanja

Mreža analitičara Raiffeisen grupacije – „Raiffeisen Research“, nastavila je sa radom na unapređenju opšteg razumevanja ekonomskih tokova u periodu nastavka zdravstvene krize nezapamćenih razmera uzrokovane širenjem virusa kovid-19. Redovnim slanjem izveštaja „COVID-19 Economic Update CEE“, informisali smo klijente o merama (finansijskim i regulativnim) koje su donosile vlade kod nas i u regionu. Dalje, kroz izveštaje „COVID-19 and Economic Update“ po zemljama, „COVID-19 Compendium Global Markets“ i „COVID-19 CEE Compendium“, redovno smo izveštavali o dešavanjima na globalnim finansijskim tržištima uzrokovanim ovom krizom, te doprineli celishodnijem sagledavanju lokalnih ekonomskih trendova u okviru naših publikacija („Short Note“, te kvartalni izveštaj i mesečni „Ekonomske izveštaj“).

Redovnim praćenjem i temeljnom analizom ključnih indikatora, promptno se izveštavalo o ključnim makroekonomskim indikatorima („Research Alert“), a zatim su se, u skladu sa novim tendencijama, adekvatno prilagođavali modeli razvijeni za procenu budućih ekonomskih tokova.

# Raiffeisen Leasing

Even with the negative impact of the Coronavirus pandemic, the leasing industry marked a significant growth in sales, especially in the segment of passenger vehicles and light delivery vehicles.

Raiffeisen Leasing demonstrated in 2021 a clear commitment to nurturing and developing long-term relationships with its clients, reflected in the constant improvement of products and services. To offer even more attractive terms to its clients, Raiffeisen Leasing focused special attention to the further development of strengthening partnerships with the network of the most important dealers, as well as to developing strategic partnerships with the best-selling vehicle brands in Serbia through an array of mutual projects.

In accordance with market demands, Raiffeisen Leasing was primarily focused on vehicle financing in 2021 as well. The total value of new sales at the end of the year amounted to € 83.83 million, with the vehicle financing share amounting to € 76.13 million.

Raiffeisen Leasing was dedicated to the further improvement of procedures and organization in the segment of risk management in 2021. Through professional risk management, a stable and sustainable portfolio growth was realized, reaching € 128.421 million. Also, special attention was focused on the constant improvement of processes with the aim of increasing efficiency and cost reduction.

Maintaining one of the leading positions in the market, reaching the optimum balance between the growth of business volume and keeping the costs of risk and profitability at an adequate level, strengthening cooperation with existing clients, dealers and insurance companies, as well as constant improvement and designing products in accordance with high standards, remain key goals set by Raiffeisen Leasing for the year 2022.

# Raiffeisen Leasing

Lizing industrija je 2021. godine zabeležila značajan rast plasmana, posebno u segmentu putničkih i lakih dostavnih vozila i pored negativnog uticaja pandemije korona virusa.

Raiffeisen Leasing pokazao je i tokom 2021. godine jasnu opredeljenost ka negovanju i razvijanju dugoročnih odnosa sa svojim klijentima koja se ogleda u konstantnom unapređenju proizvoda i usluga. Kako bi svojim klijentima ponudio još atraktivnije uslove, Raiffeisen Leasing je posebnu pažnju posvetio daljem jačanju partnerskih odnosa sa mrežom najznačajnijih diler, kao i razvijanju strateške saradnje sa najprodavanijim automobilskim brendovima u Srbiji kroz niz zajedničkih akcija.

U skladu sa zahtevima tržišta, Raiffeisen Leasing je i tokom 2021. godine pre svega bio usmeren na finansiranje vozila. Ukupna vrednost novih plasmana na kraju godine iznosila je 83.83 miliona evra, od čega su vozila finansirana sa 76.13 miliona evra.

Raiffeisen Leasing je tokom 2021. godine bio posvećen i daljem unapređenju procedura i organizacije u segmentu upravljanja rizicima. Kroz profesionalno upravljanje rizicima obezbeđen je stabilan i održiv rast portfolija, koji je dostigao nivo od 128.421 miliona evra. Takođe, posebna pažnja usmerena je na konstantno unapređenje procesa sa ciljem povećanja efikasnosti i smanjenja troškova.

Očuvanje jedne od vodećih pozicija na tržištu, postizanje optimalnog balansa između rasta obima poslovanja i održavanja troškova rizika i profitabilnosti na adekvatnom nivou, jačanje saradnje sa postojećim klijentima, dilerima i osiguravajućim kućama, te stalno unapređenje i kreiranje proizvoda u skladu sa visokim standardima, predstavljaju ključne ciljeve koje je Raiffeisen Leasing odredio za 2022. godinu.

# Raiffeisen Future

## Voluntary Pension Fund Management Company

Raiffeisen Future a.d. Beograd, VPFMC manages two voluntary pension funds: Raiffeisen Future VPF and Raiffeisen Euro Future VPF.

Raiffeisen Future VPF has a variable currency structure of assets and invests mainly into debt securities. The fund has been successfully operating since 2007 with the rate of return since inception at 8.04 per cent p.a.. The annual rate of return in 2021 was 0.40 per cent. The value of the fund's investment unit as at Dec. 31, 2021, amounted to RSD 3,189.70. The net assets of the fund as at Dec. 31, 2021, were RSD 6.2 billion, which represented an annual growth of 5.5 per cent.

Raiffeisen Euro Future VPF started operating in 2015. The fund is most suitable for those clients who prefer their long-term savings to be invested in euro-denominated securities. In accordance with the fund's investment policy, 99 per cent of the assets are invested in euro-denominated investment instruments, while 1 per cent of the assets consists of dinar money deposits in the fund's account. The annual rate of return in 2021 was 2.18 per cent in EUR. The realized rate of return since inception as at Dec. 31, 2021, was 2.44 per cent p.a. in EUR. Considering that the fund's assets are invested exclusively in euro-denominated securities, the relevant return for the fund's members is the return expressed in euro. The net assets of this fund were RSD 383 million on Dec. 31, 2021.

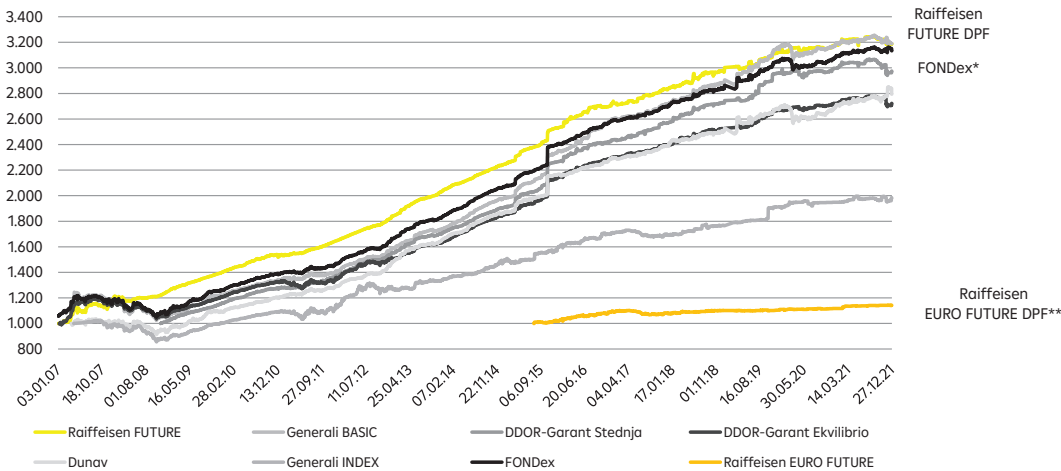
The number of members saving in both funds is 45,163. In 2021, the company's business model with a focus on development of sales through the branch office network of Raiffeisen banka, as well as on the growth of the share of individual payments, contributed to the greatest growth in the number of new members compared to the industry. The number of new members in both funds was 4,296, while the number of new members in the industry was 9,239.

Market share measured by total assets under management in both funds is 13.41%.

High quality service is provided to the members of both Raiffeisen Future VPF and Raiffeisen Euro Future VPF by the team of professionals with extensive experience in the VPF industry. In addition, there are 370 professionals licensed by the National Bank of Serbia at 82 Raiffeisen banka branches throughout Serbia at the members' disposal.

Members may choose between the two funds with different investment policies, in terms of the currency structure, or they can pay contributions simultaneously into both funds.

Movement of FONDex\* index value and Investment Unit values of VPFs in the period of Jan. 03, 2007 - Dec. 31, 2021



Source of the values of VPFs' investment units and FONDex: the National Bank of Serbia, [www.nbs.rs](http://www.nbs.rs)

\*Index FONDex – unique movement trends indicator of investment units of all VPFs

\*\*The fund began its business operations on July 24, 2015. The investment unit's starting value of RSD 1,000 is prescribed by the National Bank of Serbia.

# Raiffeisen Future

Društvo za upravljanje dobrovoljnim penzijskim fondom

Društvo za upravljanje dobrovoljnim penzijskim fondom Raiffeisen Future a.d. Beograd, upravlja sa dva dobrovoljna penzijska fonda-DPF: Raiffeisen Future i Raiffeisen Euro Future.

Raiffeisen Future DPF ima promenljivu valutnu strukturu i pretežno ulaže imovinu u dužničke hartije od vrednosti. Fond uspešno posluje od 2007. godine sa prinosom od početka poslovanja od 8,04% na godišnjem nivou. U 2021. godini, ostvaren je prinos od 0,40%. Vrednost investicione jedinice fonda na dan 31.12.2021. godine iznosi 3.189,70 dinara. Neto imovina fonda na dan 31.12.2021. iznosi 6,2 milijarde dinara, što predstavlja godišnji rast od 5,5%.

Raiffeisen Euro Future DPF počeo je sa radom 2015. godine. Fond je namenjen svim klijentima koji žele da njihova dugoročna štednja bude investirana u evro denominovane hartije od vrednosti. U skladu sa investicionom politikom, 99% imovine ulaže se u evro denominovane investicione instrumente, dok 1% imovine čine dinarska sredstva na računu fonda. U 2021. godini fond je ostvario prinos od 2,18% u evrima. Ostvaren prinos od početka poslovanja fonda na dan 31.12.2021. godine iznosi 2,44% u evrima na godišnjem nivou. S obzirom na to da se imovina fonda ulaže isključivo u evro denominovane hartije od vrednosti, relevantan prinos za članove fonda je prinos izražen u evro valuti. Neto imovina fonda na dan 31.12.2021. iznosi 383 miliona dinara.

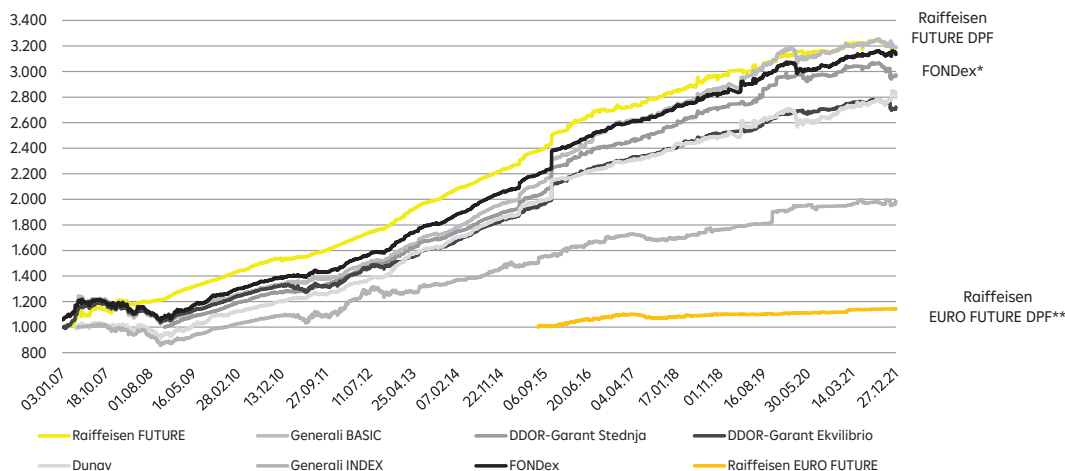
Ukupan broj članova koji štedi u oba fonda iznosi 45.163. U 2021. godini poslovni model Društva sa fokusom na razvoj prodaje preko mreže Raiffeisen banke, kao i na rast učešća individualnih uplata, doprineo je ostvarivanju najvećeg rasta broja novih članova u odnosu na industriju. Broj novih članova u oba fonda iznosio je 4.296, dok je broj novih članova u industriji 9.239.

Tržišno učešće neto imovine oba fonda kojima Društvo upravlja iznosi 13,41%.

Visok kvalitet usluge članovima DPF Raiffeisen Future i Raiffeisen Euro Future pruža tim profesionalaca sa dugogodišnjim iskustvom u industriji. Takođe, članovima je na raspolaganju 370 profesionalaca licenciranih od strane Narodne banke Srbije u 82 filijale Raiffeisen banke širom Srbije.

Članovi mogu da biraju između dva fonda sa različitim investicionom politikom u pogledu valutne strukture, ili pak mogu da ulažu u oba fonda istovremeno.

## Kretanje vrednosti FONDEX-a\* i investicionih jedinica fondova u periodu od 03.01.2007. - 31.12.2021.



Izvor podataka za vrednosti FONDEX-a i investicionih jedinica: Narodna banka Srbije [www.nbs.rs](http://www.nbs.rs)

\* Indeks FONDEX – jedinstveni pokazatelj trenda kretanja investicionih jedinica svih DPF

\*\*Fond je počeo da posluje 24.07.2015. godine. Početnu vrednost investicione jedinice od RSD 1.000 propisuje Narodna banka Srbije.

# Raiffeisen INVEST

Raiffeisen INVEST a.d. Beograd Asset Management Company realized a historic result in 2021 by growing the fund's assets under management and confirmed its leading position in the investment fund market in Serbia. At the end of 2021, the value of assets under management amounted to € 460 million, where a growth of 53 per cent was realized and a market share of 70 per cent was maintained, compared to the total net assets value of all UCITS funds in Serbia.

The UCITS fund Raiffeisen CASH – a money market fund, by investing funds into cash deposits and short-term debt securities, realized annual returns of 0.88 per cent (in dinars) for its members in 2021, while the fund's net assets rose by almost 25 per cent and amounted to the dinar countervalue of almost € 171 million at the end of the year.

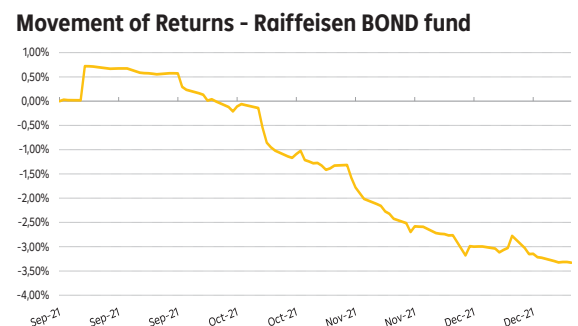
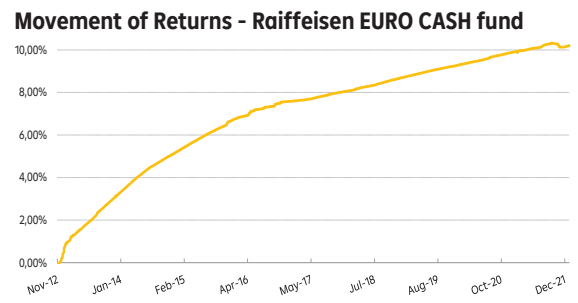
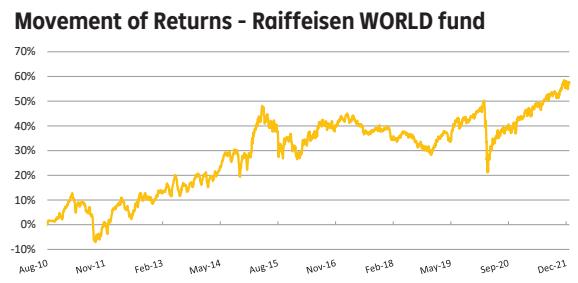
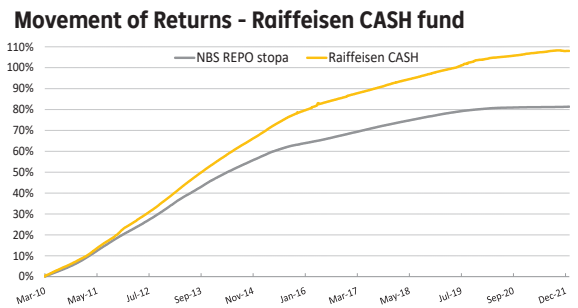
The UCITS fund Raiffeisen EURO CASH – a money market fund, by investing funds into money deposits with banks and short-term debt securities denominated in euros, was able to secure liquidity at the highest level possible for its members and thus realized annual returns in euros of 0.31 per cent (in euros), while the fund's net assets grew by almost 80 per cent and amounted to approx. € 273.2 million at the end of 2021, so this fund maintained its position as the largest UCITS fund in Serbia.

The UCITS fund Raiffeisen WORLD, established in August 2010 as an equity fund, but changed into a balanced fund in September 2015, with a multi-asset strategy of investing mostly into shares and bonds of developed and developing countries with the aim of realizing positive returns in the long term, but with accepting moderate risk. The returns of this UCITS fund were in 2021 strongly affected by positive movements in the capital market, especially positive movements in the global shares market, so that in 2021, thanks to professional management, this fund realized annual returns of 9.64 (in euros). The fund's net asset value grew by 12.5 per cent and amounted to approx. € 12.4 million at the end of 2021.

In September 2021, Raiffeisen INVEST organized Raiffeisen BOND – a revenue, i.e. bond UCITS fund and thereby made it possible for its clients, by their investing into this fund for a period longer than one year, and by accepting moderate risks, to realize positive returns from interest earnings on money deposits and price changes of debt securities and money market instruments into which the fund's assets were invested. The fund's net asset value amounted to approx. € 4 million at the end of 2021.

During 2021, the investment fund market in Serbia saw a significant growth in the net asset amount of UCITS funds of almost 50 per cent, so it amounted to almost € 660 million at the end of 2021.

Raiffeisen INVEST plans to continue its investing activities in 2022 as well, in order to make it possible for the clients of Raiffeisen banka, through responsible and professional investing into investment funds, to realize returns corresponding to their investment goals, depending on their risk appetite and the investment horizon.



# Raiffeisen INVEST

Raiffeisen INVEST a.d. Beograd Društvo za upravljanje je u 2021. godini ostvarilo istorijski rezultat rastom imovine fondova pod upravljanjem i potvrdilo lidersku poziciju na tržištu investicionih fondova u zemlji. Krajem 2021. godine vrednost imovine pod upravljanjem iznosila je oko 460 miliona evra, čime je ostvaren rast od 53% i zadržano tržišno učešće od oko 70% u odnosu na ukupnu vrednost neto imovine svih UCITS fondova u zemlji.

UCITS fond Raiffeisen CASH – novčani fond, ulaganjem u instrumente tržišta novca i dinarske novčane depozite je u 2021. godini ostvario godišnji prinos od 0,88% (u dinarima) za svoje članove, a neto imovina fonda porasla je za skoro 25% i na kraju godine iznosila oko 171 miliona evra u dinarskoj protivvrednosti.

UCITS fond Raiffeisen EURO CASH – novčani fond, ulaganjem u instrumente tržišta novca i novčane depozite kod banaka denominovane u evrima, profesionalnim upravljanjem za svoje članove obezbedio je likvidnost na najvišem mogućem nivou i ostvarenje godišnjeg euriskog prinosa od 0,31% (u evrima), a neto imovina fonda porasla je za skoro 80% i na kraju 2021. godine iznosila je 273,2 miliona evra, a ovaj fond je zadržao poziciju najvećeg UCITS fonda u zemlji.

UCITS fond Raiffeisen WORLD organizovan je avgusta 2010. godine kao fond akcija, ali je u septembru 2015. godine promenjena vrsta fonda u balansirani fond, sa strategijom ulaganja u različite klase imovine, odnosno „multi-asset“ strategijom investiranja većinom u akcije i obveznice razvijenih zemalja i zemalja u razvoju, a u cilju ostvarivanja pozitivnog prinosa u dugom roku, ali i uz prihvatanje umerenog rizika. Prinos ovog UCITS fonda je tokom 2021. godine bio pod snažnim uticajem pozitivnih kretanja na tržištu kapitala, a posebno pozitivnih kretanja na tržištu akcija na globalnom nivou, tako da je fond u 2021. godini profesionalnim upravljanjem ostvario godišnji prinos od 9,64% (u evrima). Vrednost neto imovine fonda porasla je za 12,5% i na kraju 2021. godine iznosila približno 12,4 miliona evra.

U septembru 2021. godine, Raiffeisen INVEST organizovao je Raiffeisen BOND – prihodni, odnosno obveznički UCITS fond i time svojim članovima omogućio da ulaganjem u ovaj fond u periodu dužem od godinu dana i uz prihvatanje umerenog rizika, ostvare pozitivan prinos zaradom od kamata na novčane depozite i promene cena dužničkih hartija od vrednosti i instrumenata tržišta novca u koje je imovina fonda uložena. Vrednost neto imovine fonda je na kraju 2021. godine iznosila približno 4 miliona evra.

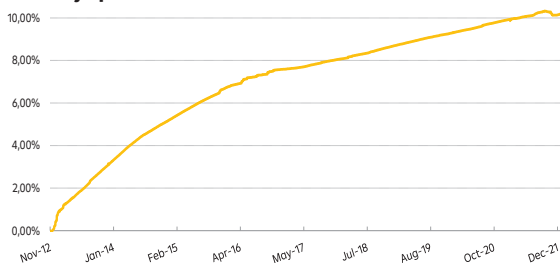
Tokom 2021. godine, na tržištu investicionih fondova u zemlji došlo je da značajnog porasta visine neto imovine UCITS fondova od skoro 50%, tako da je na kraju 2021. godine iznosila oko 660 miliona evra.

Raiffeisen INVEST planira da i u 2022. godini nastavi sa investicionim aktivnostima kako bi, odgovornim i profesionalnim upravljanjem, klijentima Raiffeisen banke omogućio da kroz ulaganje u investicione fondove, ostvare odgovarajući prinos u skladu sa investicionim ciljevima, zavisno od stepena rizika koji su spremni da prihvate i vremenskog horizonta investiranja.

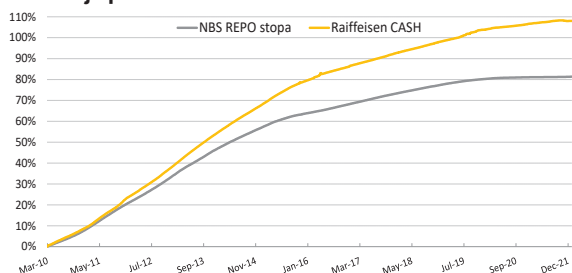
## Kretanje prinosa fonda Raiffeisen WORLD



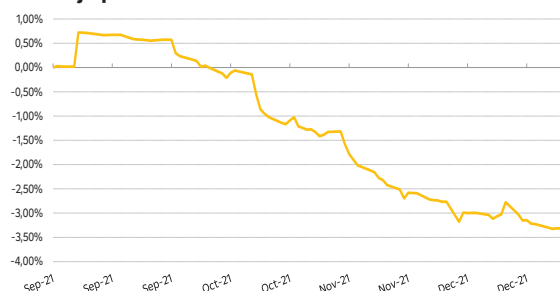
## Kretanje prinosa fonda Raiffeisen EURO CASH



## Kretanje prinosa fonda Raiffeisen CASH



## Kretanje prinosa fonda Raiffeisen BOND



# Branch Network

## Head Office

**Raiffeisen banka a.d.**

Đorđa Stanojevića 16  
11070 Novi Beograd  
Phone: (+381 11) 3202 100  
Fax: (+381 11) 2207 080  
SWIFT Code: RZBSRSBG

## Regional Centres

**Beograd I**

Terazije 27  
11000 Beograd

**Beograd II**

Đorđa Stanojevića 16  
11070 Novi Beograd

**Beograd III**

Resavska 1  
11000 Beograd

**Beograd IV**

Bulevar Zorana Đinđića 64a  
11070 Novi Beograd

**Jug**

Srete Mladenovića 2  
34000 Kragujevac

**Sever**

Bulevar oslobođenja 56a  
21000 Novi Sad

**Zapad**

Gradsko šetalište bb  
32000 Čačak

## Belgrade I Region

**Beograd**

- Resavska 1
- Terazije 27
- Cara Dušana 78
- Vojvode Milenka 38
- 27. marta 31
- Kralja Petra 14
- Bulevar oslobođenja 7-9
- Bulevar kralja Aleksandra 171
- Bulevar kralja Aleksandra 328
- Maksima Gorkog 75
- Ruzveltova 10
- Mirijeovski venac 27
- Marijane Gregoran 58
- Kursulina 41

## Belgrade II Region

**Beograd**

- Đorđa Stanojevića 16
- Jurija Gagarina 151
- Bulevar umetnosti 4
- Glavna 13m
- Prvomajska 101
- Bulevar Mihajla Pupina 181
- Bulevar Zorana Đinđića 64a
- Milutina Milankovića 1ž
- Mladenovac, Kralja Petra I 241a

**Požarevac**

Moše Pijade 10

**Smederevo**

Vojvode Đuše 13-17

**Smederevska Palanka**

Prvog srpskog ustanka 89

## Belgrade III Region

**Beograd**

- Bulevar kralja Aleksandra 171
- Ustanička 64a
- Bratstva i jedinstva 73
- Grge Andrijanovića 2
- Vojvode Stepe 214
- Crnotravska 7-9
- Lazarevac, Dimitrija Tucovića 1

**Vršac**

Trg Svetog Teodora Vršackog 37

**Pančevo**

Generala Petra Aračića 4 - 6

**Zrenjanin**

Kralja Aleksandra Karađorđevića 41

## Belgrade IV Region

**Beograd**

- Trgovačka 5
- Radnička 9
- Bulevar vojvode Mišića 37
- Požeška 81a
- Obrenovac, Kneza Mihajla 6
- Partizanske avijacije 12
- Patrijarha Dimitrija 14
- Vidikovački venac 80b
- Bulevar Mihajla Pupina 4
- BW Galerija, Vudro Vilson 12

# Mreža filijala

**Šabac**

Masarikova 7

**Stara Pazova**

Kralja Petra I 1

**Loznica**

Kneza Miloša 2

**Indija**

Novosadska 1

**Ruma**

Orlovićeva 4

**Sremska Mitrovica**

Kralja Petra I 20

Region „North”

**Novi Sad**

- Bulevar oslobođenja 56a
- Bulevar cara Lazara bb
- Pozorišni trg 3
- Veselina Masleše 30

**Bačka Palanka**

Kralja Petra I 11

**Temerin**

Novosadska 348

**Subotica**

Trg slobode 5

**Sombor**

Avrama Mrazovića 1

**Vrbas**

Maršala Tita 91

**Kikinda**

Trg srpskih dobrovoljaca 28

Region „South”

**Kragujevac**

- Srete Mladenovića 2
- Nikole Pašića 7

**Niš**

- Balkanska 13
- Vizantijski bulevar bb
- Obrenovićeva 35

**Vranje**

Stefana Prvovenčanog 58

**Pirot**

Pirotskih oslobodilaca bb

**Leskovac**

Bulevar oslobođenja 154

**Zaječar**

Krfska 16

**Bor**

Trg Nikole Pašića 5

Region „West”

**Čačak**

- Gradsko šetalište bb
- Braće Spasića bb

**Valjevo**

Karađorđeva 123

**Prijepolje**

Valterova 20

**Novi Pazar**

AVNOJ-a 7/3

**Kraljevo**

Hajduk Veljkova 16

**Paraćin**

Vožda Karađorđa 31

**Užice**

Dimitrija Tucovića 91

**Arandelovac**

Knjaza Miloša 259

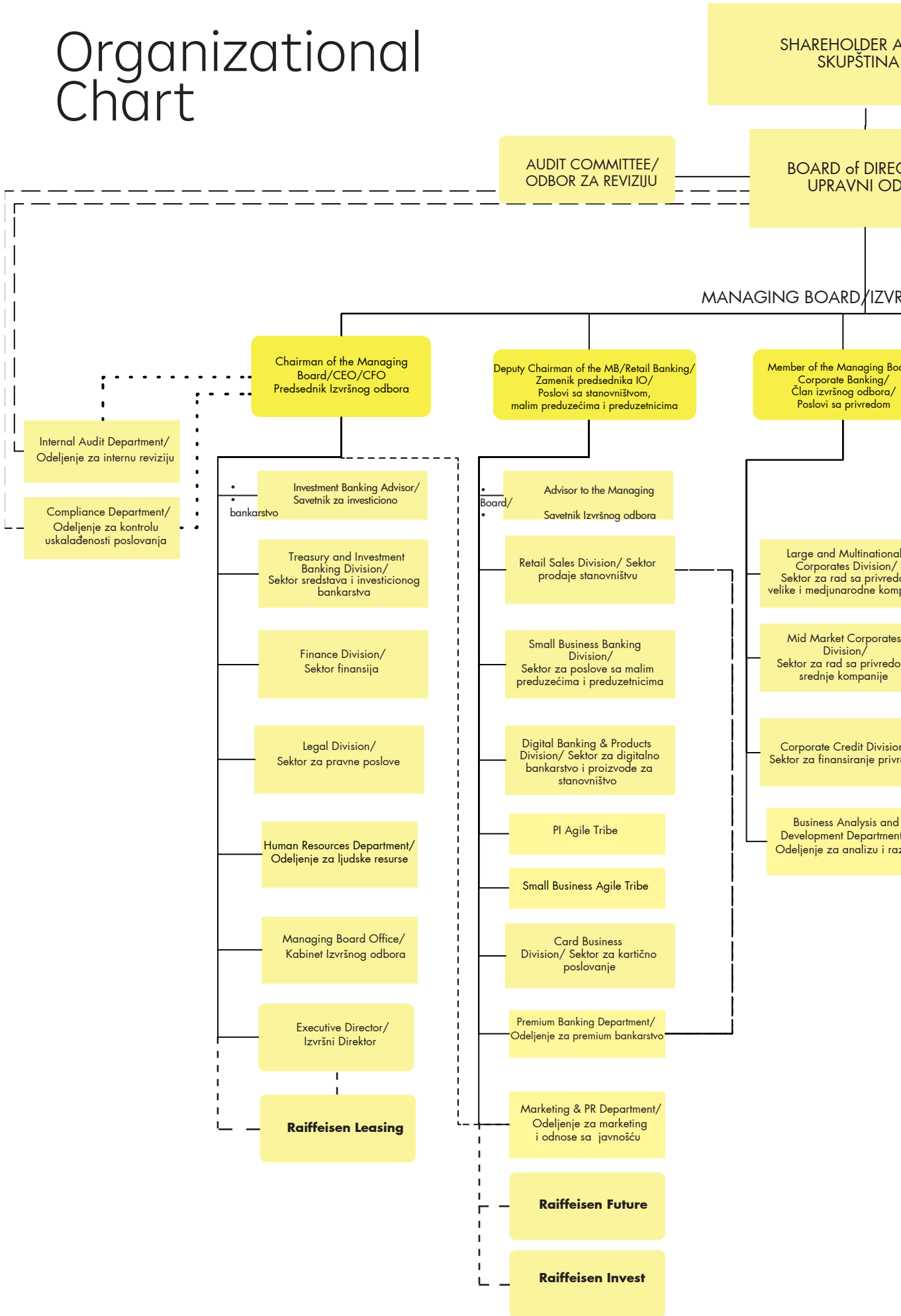
**Jagodina**

Kneginje Milice 16a

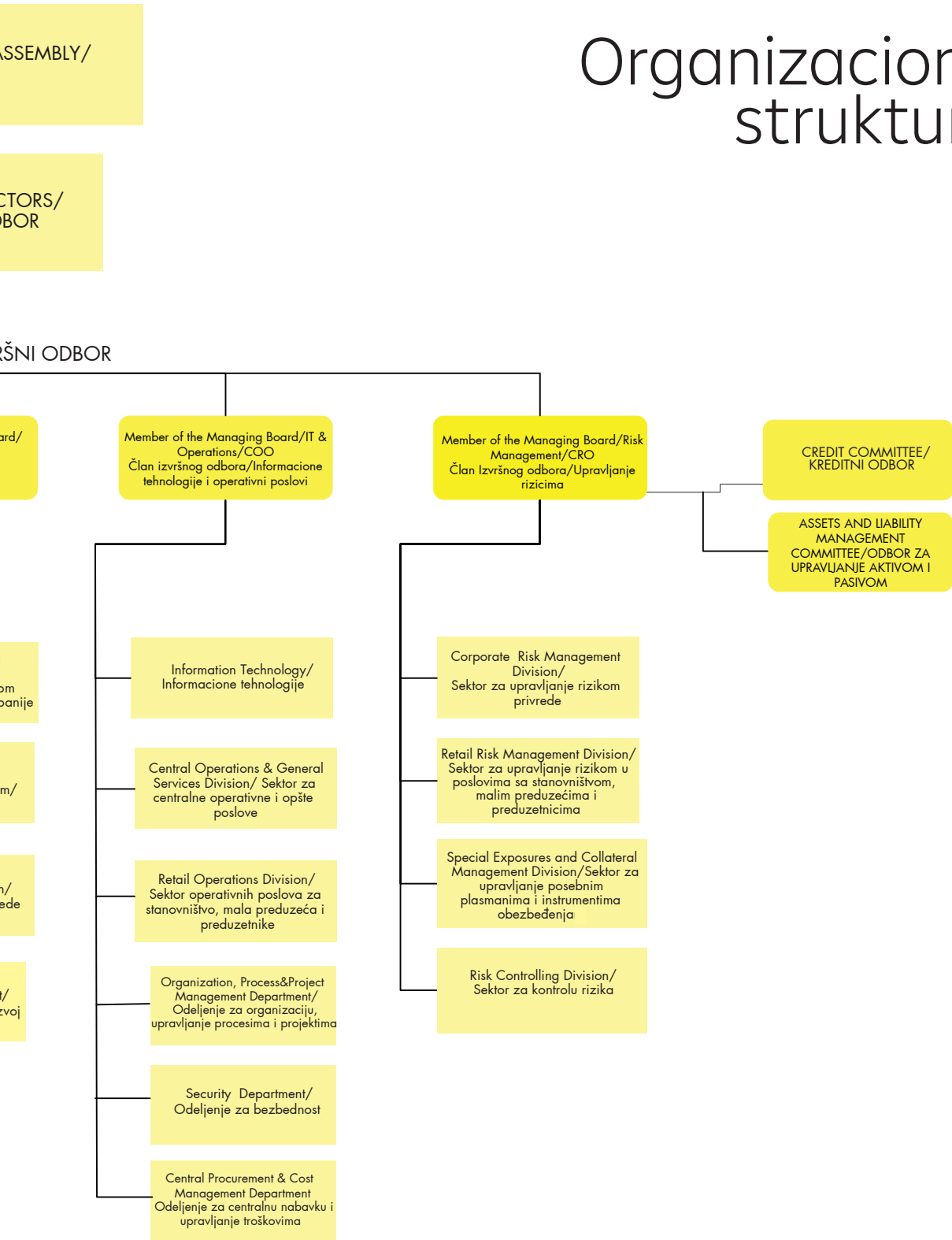
**Kruševac**

Majke Jugovića 8

# Organizational Chart



# Organizaciona struktura



**LEGEND:**  
—— Business & administrative reporting line  
- - - Business reporting line  
..... Administrative reporting line

# Addresses

## Raiffeisen Bank International AG

### Austria

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1030 Vienna  
Tel: +43-1-71 707-0  
SWIFT/ BIC: RZBATWW  
www.rbinternational.com  
ir@rbinternational.com  
communications@rbinternational.com

## CEE banking network

### Albania

Raiffeisen Bank Sh.A.  
European Trade Center  
Bulevardi "Bajram Curri"  
1000 Tirana  
Tel: +355-4-23 81 381  
SWIFT/BIC: SGSBALTX  
www.raiffeisen.al

### Belarus

Priorbank JSC  
V. Khoruzhey St. 31-A  
220002 Minsk  
Tel: +375-17-28 9-9090  
SWIFT/BIC: PJCBY2X  
www.priorbank.by

### Bosnia and Herzegovina

Raiffeisen Bank d.d.  
Bosna i Hercegovina  
Zmaja od Bosne bb  
71000 Sarajevo  
Tel: +387-33-75 50 10  
SWIFT/BIC: RZBABA2S  
www.raiffeisenbank.ba

### Bulgaria

Raiffeisenbank (Bulgaria) EAD  
55 Nikola I. Vapzarov Blvd.  
Business Center EXPO 2000 PHAZE III  
1407 Sofia  
Tel: +359-2-91 985 101  
SWIFT/BIC: RZBBGSGF  
www.rbb.bg

### Croatia

Raiffeisenbank Austria d.d.  
Magazinska cesta 69  
10000 Zagreb  
Tel: +385-72-626 262  
SWIFT/BIC: RZBHHR2X  
www.rba.hr

### Czech Republic

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14078 Prague 4  
Tel: + 420-412 440 000  
SWIFT/BIC: RZBCCZPP  
www.rb.cz

### Hungary

Raiffeisen Bank Zrt.  
Váci út 116-118  
1133 Budapest  
Tel: +36-1-48 444-00  
SWIFT/BIC: UBRTHUHB  
www.raiffeisen.hu

### Kosovo

Raiffeisen Bank Kosovo J.S.C.  
Robert Doll St. 99  
10000 Pristina  
Tel: +383-38-222 222  
SWIFT/BIC: RBKOKPR  
www.raiffeisen-kosovo.com

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Calea Floreasca 246C  
014476 Bucharest  
Tel: +40-21-30 610 00  
SWIFT/BIC: RZBRROBU  
www.raiffeisen.ro

### Russia

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St. Troitskaya 17/1  
129090 Moscow  
Tel: +7-495-777 99 00  
SWIFT/BIC: RZBMRUMM  
www.raiffeisen.ru

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Djordja Stanojevića 16  
11070 Novi Beograd  
Tel: +381-11-32 021 00  
SWIFT/BIC: RZBSRSBG  
www.raiffeisenbank.rs

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Hodžovo námestie 3  
81106 Bratislava 1  
Tel: +421-2-59 19-1000  
SWIFT/BIC: TATRSKBX  
www.tatrabanka.sk

### Ukraine

Raiffeisen Bank Aval JSC  
Vul Leskova 9  
01011 Kiev  
Tel: +38-044-490 8888  
SWIFT/BIC: AVALUAUK  
www.aval.ua

# Adrese

## Leasing companies

### Austria

Raiffeisen-Leasing Gesellschaft m.b.H.  
Mooslackengasse 12  
1190 Vienna  
Tel: +43-1-71 601-0  
[www.raiffeisen-leasing.at](http://www.raiffeisen-leasing.at)

### Albania

Raiffeisen Leasing Sh.a.  
European Trade Center  
Bulevardi "Bajram Curri"  
Tirana  
Tel: +355-4-22 749 20  
[www.raiffeisen-leasing.al](http://www.raiffeisen-leasing.al)

### Belarus

"Raiffeisen-Leasing" JLLC  
V. Khoruzhey 31-A  
220002 Minsk  
Tel: +375-17-28 9-9394  
[www.rl.by](http://www.rl.by)

### Bosnia and Herzegovina

Raiffeisen Leasing d.o.o. Sarajevo  
Zmaja od Bosne bb.  
71000 Sarajevo  
Tel: +387-33-254 340  
[www.rlbh.ba](http://www.rlbh.ba)

### Bulgaria

Raiffeisen Leasing Bulgaria OOD  
32A Cherni Vrah Blvd. Fl.6  
1407 Sofia  
Tel: +359-2-49 191 91  
[www.rlbh.bg](http://www.rlbh.bg)

### Croatia

Raiffeisen Leasing d.o.o.  
Radnicka cesta 43  
10000 Zagreb  
Tel: +385-1-65 9-5000  
[www.raiffeisen-leasing.hr](http://www.raiffeisen-leasing.hr)

### Czech Republic

Raiffeisen-Leasing s.r.o.  
Hvězdova 1716/2b  
14078 Prague 4  
Tel: +420-2-215 116 11  
[www.rl.cz](http://www.rl.cz)

### Hungary

Raiffeisen Corporate Lizing Zrt.  
Váci út 116-118  
1133 Budapest  
Tel: +36-1-486 5177  
[www.raiffeisenlizing.hu](http://www.raiffeisenlizing.hu)

### Kosovo

Raiffeisen Leasing Kosovo LLC  
Rr. UCK p.n. 222  
10000 Pristina  
Tel: +383-38-222 222-340  
[www.raiffeisenleasing-kosovo.com](http://www.raiffeisenleasing-kosovo.com)

### Romania

Raiffeisen Leasing IFN S.A.  
Calea Floreasca 246 D  
014476 Bucharest  
Tel: +40-21-36 532 96  
[www.raiffeisen-leasing.ro](http://www.raiffeisen-leasing.ro)

### Russia

OOO Raiffeisen-Leasing  
Smolenskaya-Sennaya Sq. 28  
119121 Moscow  
Tel: +7-495-72 1-9980  
[www.raiffeisen-leasing.ru](http://www.raiffeisen-leasing.ru)

### Serbia

Raiffeisen Leasing d.o.o.  
Djordja Stanojevića 16  
11070 Novi Beograd  
Tel: +381-11-220 7400  
[www.raiffeisen-leasing.rs](http://www.raiffeisen-leasing.rs)

### Slovakia

Tatra-Leasing s.r.o.  
Hodžovo námestie 3  
811 06 Bratislava  
Tel: +421-2-5919-3168  
[www.tatraleasing.sk](http://www.tatraleasing.sk)

### Slovenia

Raiffeisen Leasing d.o.o.  
Letališka cesta 29a  
1000 Ljubljana  
Tel: +386-8-281-6200  
[www.raiffeisen-leasing.si](http://www.raiffeisen-leasing.si)

### Ukraine

LLC Raiffeisen Leasing Aval  
Stepan Bandera Av. 9  
Build. 6 Office 6-201  
04073 Kiev  
Tel: +38-044-590 24 90  
[www.rla.com.ua](http://www.rla.com.ua)

## Branches and representative offices – Europe

### France

RBI Representative Office Paris  
9-11 Avenue Franklin D. Roosevelt  
75008 Paris  
Tel: +33-1-45 612 700

### Germany

RBI Frankfurt Branch  
Wiesenhüttenplatz 26  
60 329 Frankfurt  
Tel: +49-69-29 921 924

### Poland

RBI Poland Branch  
Ul. Grzybowska 78  
00-844 Warsaw  
Tel: +48-22-578 56 00

### Sweden

RBI Representative Office  
Nordic Countries  
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11360 Stockholm  
Tel: +46-8-440 5086

### UK

RBI London Branch  
Tower 42, Leaf C, 9th Floor  
25 Old Broad Street  
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## Branches and representative offices – Asia

### China

RBI Beijing Branch  
Beijing International Club Suite 200  
2nd Floor  
Jianguomenwai Dajie 21  
100020 Beijing  
Tel: +86-10-65 32-3388

RBI Representative Office Zhuhai  
Room 2404, Yue Cai Building  
No. 188, Jingshan Road, Jida,  
Zhuhai, Guangdong Province  
519015, P.R. China  
Tel: +86-756-32 3-3500

### India

RBI Representative Office Mumbai  
501, Kamla Hub, Gulmohar Road, Juhu  
Mumbai – 400049  
Tel: +91-22-26 230 657

### Korea

RBI Representative Office Korea  
#1809 Le Meilleur Jongno Town  
24 Jongno 1ga  
Seoul 110-888  
Tel: +82-2-72 5-7951

### Singapore

RBI Singapore Branch  
50 Raffles Place  
#31-03 Singapore Land Tower  
Singapore 048623  
Tel: +65-63 05-6000

### Vietnam

RBI Representative Office  
Ho-Chi-Minh-City  
35 Nguyen Hue Str.,  
Harbour View Tower  
Room 601A, 6th Floor, Dist 1  
Ho-Chi-Minh-City  
Tel: +84-8-38 214 718, +84-8-38 214 719

## Selected specialist companies

### **Austria**

Kathrein Privatbank Aktiengesellschaft  
Wipplingerstraße 25  
1010 Vienna  
Tel: +43-1-53 451-300  
[www.kathrein.at](http://www.kathrein.at)

Raiffeisen Bausparkasse Gesellschaft m.b.H.  
Mooslackengasse 12  
1190 Vienna  
Tel: +43-1-54 646-0  
[www.bausparen.at](http://www.bausparen.at)

Raiffeisen Centrobank AG  
Tegetthoffstraße 1  
1015 Vienna  
Tel: +43-1-51 520-0  
[www.rcb.at](http://www.rcb.at)

Raiffeisen Factor Bank AG  
Mooslackengasse 12  
1190 Vienna  
Tel: +43-1-21 974-57  
[www.raiffeisen-factorbank.at](http://www.raiffeisen-factorbank.at)

Raiffeisen Kapitalanlage-Gesellschaft m.b.H.  
Mooslackengasse 12  
1190 Vienna  
Tel: +43-1-71 170-0  
[www.rcm.at](http://www.rcm.at)

Raiffeisen Wohnbaubank Aktiengesellschaft  
Mooslackengasse 12  
1190 Vienna  
Tel: +43-1-71 707-0  
[www.raiffeisen-wohnbaubank.at](http://www.raiffeisen-wohnbaubank.at)

Valida Holding AG  
Mooslackengasse 12  
1190 Vienna  
Tel: +43-1-31 648-0  
[www.valida.at](http://www.valida.at)

# Financial Statements

RAIFFEISEN BANKA A.D. BEOGRAD

Separate financial statements  
for the year ended 31 December 2021  
prepared in accordance with  
International Financial Reporting Standards

19 April 2022

# Finansijski izveštaj

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## **INDEPENDENT AUDITORS' REPORT**

### **TO THE OWNERS OF RAIFFEISEN BANKA A.D. BEOGRAD**

#### **Opinion**

We have audited the separate financial statements of Raiffeisen banka a.d., Beograd (hereinafter: the "Bank"), which comprise the separate balance sheet as at December 31, 2021, and the separate income statement, separate statement of other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **Basis for Opinion**

We conducted our audit in accordance with the standards on auditing applicable in the Republic of Serbia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Serbia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other matter**

The Bank presented its separate annual business report and consolidated annual business report as a single report and issued it along with the consolidated financial statements.

The separate financial statements of the Bank for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on 16 April 2021.

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

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

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

### **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

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

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

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

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

Belgrade, April 19, 2022

Jelena Čvorović  
Certified Auditor  
Deloitte d.o.o., Beograd



# SEPARATE STATEMENT OF PROFIT OR LOSS

Year Ended December 31

	Note	2021	2020 reclassified
Interest income	6, 3(c)	10,063,150	9,893,894
Interest expense	6, 3(c)	(258,667)	(231,366)
<b>Net interest income</b>		<b>9,804,483</b>	<b>9,662,528</b>
Fee and commission income	7, 3(d), 2(i)	9,745,702	8,426,650
Fee and commission expense	7, 3(d), 2(i)	(2,697,816)	(2,347,790)
<b>Net fee and commission income</b>		<b>7,047,886</b>	<b>6,078,860</b>
Net gain / (loss) on change in fair value of financial instruments	5, 3(e)	55,188	(90,341)
Net (loss) / gain on derecognition of financial assets measured at fair value	3(k)	(22,852)	462,512
Net gains / (losses) on hedging	3(f)	957,913	(378,186)
Net (losses) / gains on foreign exchange differences and effects of foreign currency clause	8, 3(b), 2(i)	(800,406)	756,424
Net impairment gain/(loss) on financial assets	9, 3(k)	(572,464)	(1,683,843)
Net gain on derecognition of financial instruments measured at amortized cost	10	415,704	74,434
Other operating income	10	95,826	78,073
<b>Operating income, net</b>		<b>16,981,278</b>	<b>14,960,461</b>
Personnel expenses	11	(3,420,287)	(3,217,916)
Depreciation and amortisation	20, 21, 3(w), 3(q), 3(r)	(1,251,669)	(1,208,933)
Other income	12.1	235,675	233,459
Other expenses	12.2	(4,726,706)	(4,586,684)
<b>Profit before income tax</b>		<b>7,820,291</b>	<b>6,180,387</b>
Income tax expense	13, 3(j)	(963,211)	(651,039)
<b>Profit for the year</b>		<b>6,857,080</b>	<b>5,529,348</b>

The accompanying notes form an integral part of these separate financial statements

Belgrade, 16 April 2021

For and on behalf of the Management Raiffeisen banka a.d., Beograd

ZP Petrović

Zoran Petrović  
Chairman of the Managing Board



Nenad Sibinović

Nenad Sibinović  
Member of the Managing Board/COO

# SEPARATE STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31

	Note	2021	2020
Profit for the year		6,857,080	5,529,348
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Equity instruments at FVOCI – net change in fair value		58,811	(58,929)
Items that are or may be reclassified subsequently to profit or loss			
Debt investment at FVOCI – net change in fair value		(489,525)	251,921
Cash flow hedging - valuation		60,467	(13,975)
Changes in deferred tax assets arising from other comprehensive income		64,359	(35,642)
Other comprehensive income, net of tax		(305,888)	143,045
Total other comprehensive income for the period		6,551,195	5,672,393

The accompanying notes form an integral part  
of these separate financial statements

# SEPARATE STATEMENT OF FINANCIAL POSITION

As of December 31

	Note	2021	2020
<b>Assets</b>			
Cash and balances with central banks	14, 3(l)	90,618,192	86,432,095
Receivables arising from derivatives	15, 3(k)	13,669	51,496
Securities	16, 3(k), 3(p)	88,625,239	70,342,791
Loans and receivables to banks and other financial institutions	17, 3(k), 3(o)	26,603,238	24,620,212
Loans and receivables to customers	18, 3(k), 3(o)	216,672,440	186,914,250
Receivables from derivatives held for hedging against risks	3(k), 3(n), 4(c)	586,824	13,211
Investments in subsidiaries	19	1,293,433	1,234,622
Intangible assets	21, 3(q)	951,433	831,133
Property, plant and equipment	20, 3(i), 3(r)	5,940,649	6,095,587
Deferred tax assets	22, 3(j)	453,601	414,675
Other assets	23	897,355	759,340
<b>Total assets</b>		<b>432,656,073</b>	<b>377,709,412</b>
<b>Liabilities and equity</b>			
Liabilities arising from derivatives	3(k)	9,220	2,014
Deposits and other liabilities from banks, other financial institutions and central bank	24, 3(t)	2,340,980	4,926,799
Deposits and other liabilities from other customers	25, 3(t)	366,617,048	303,752,087
Liabilities arising from derivatives held for hedging against risks	3(k), 3(n)	58,837	498,508
Provisions	26, 3(u)	2,351,202	2,143,270
Current tax liabilities	3(j)	272,697	28,452
Other liabilities	27	2,534,543	2,794,696
<b>Total liabilities</b>		<b>374,184,527</b>	<b>314,145,826</b>
Share capital	28, 3(x)	27,466,158	27,466,158
Profit for the year	28, 3(x)	6,956,409	11,742,560
Reserves	28, 3(x)	24,048,979	24,354,868
<b>Total equity</b>	<b>28, 3(x)</b>	<b>58,471,546</b>	<b>63,563,586</b>
<b>Total</b>		<b>432,656,073</b>	<b>377,709,412</b>

The accompanying notes form an integral part of these separate financial statements

# SEPARATE STATEMENT OF CHANGES IN EQUITY

Year Ended December 31

	Share capital	Profit reserves	Revaluation reserves	Profit	Total
Balance as at 1 January 2020	27,466,158	23,353,465	858,358	6,213,212	57,891,193
Profit for the year	-	-	-	5,529,348	5,529,348
Other comprehensive income			143,045		143,045
Total comprehensive income			143,045	5,529,348	5,672,393
Transactions with owners of the Bank					
Dividends paid	-	-	-	-	-
Balance as at 31 December 2020	27,466,158	23,353,465	1,001,403	11,742,560	63,563,586
Balance as at 1 January 2021	27,466,158	23,353,465	1,001,403	11,742,560	63,563,586
Profit for the year	-	-	-	6,857,080	6,857,080
Other comprehensive income			(305,889)		(305,889)
Total comprehensive income	-	-	(305,889)	6,857,080	6,551,191
Transactions with owners of the Bank				(11,643,231)	(11,643,231)
Dividends paid	-	-	-	(11,643,231)	(11,643,231)
Balance as at 31 December 2021	27,466,158	23,353,465	695,514	6,956,409	58,471,546

The accompanying notes form an integral part of these separate financial statements

# SEPARATE STATEMENT OF CASH FLOWS

Year Ended December 31

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash inflow from operating activities</b>	<b>21,483,179</b>	<b>16,558,207</b>
Inflow from interest	10,115,319	9,951,733
Inflow from fees and commissions	9,753,062	5,737,610
Inflow from other operating activities	1,614,798	898,864
<b>Cash outflow in operating activities</b>	<b>(11,876,767)</b>	<b>(11,090,346)</b>
Outflow from interest	(258,552)	(232,555)
Outflow from fees and commission	(2,757,919)	(1,715,273)
Outflow from gross salaries, benefits and other personal expenses	(3,390,867)	(3,263,632)
Outflow from taxes, contributions and other duties charged to income, excluding corporate income tax	(1,213,898)	(617,103)
Outflow from other operating expenses	(4,255,531)	(5,261,783)
<b>Net cash inflow from operating activities before increase or decrease in financial placements and deposits</b>	<b>9,606,412</b>	<b>5,497,861</b>
<b>Cash inflow from placements, deposits taken and other liabilities</b>	<b>58,699,223</b>	<b>56,419,499</b>
Net inflow from receivables based on derivatives designed to protect against risks and changes in the fair value of items that are subject to risk protection	-	138,861
Net inflow from deposits and other liabilities to banks, other financial institutions, central bank and customers	58,692,017	56,017,055
Net inflow from other financial liabilities	7,206	-
Net inflow from financial derivatives held for hedging against risks and change in fair value of hedged items	-	263,583
<b>Cash outflow from placements, deposits taken and other liabilities</b>	<b>(27,902,460)</b>	<b>(58,469,027)</b>
Net outflow from loans and receivables to banks, other financial institutions, central banks and clients	(18,726,057)	(42,171,284)
Net outflow from securities and other financial investment not intended to be invested	(8,163,119)	(16,281,241)
Net outflow from receivables from derivatives held for hedging against risks and change in fair value of hedged items	(573,613)	-
Net outflow from other financial liabilities	-	(16,502)
Net outflow from liabilities arising from derivatives held for hedging against risks and change in fair value of hedged items	(439,671)	-
<b>Net cash inflow from operating activities before profit tax</b>	<b>40,403,175</b>	<b>3,448,333</b>
Income tax paid	(693,629)	(794,954)
Dividends paid	(11,061,069)	-
<b>Net cash inflow from operating activities</b>	<b>28,648,477</b>	<b>2,653,379</b>

# SEPARATE STATEMENT OF CASH FLOWS

Year Ended December 31 (continued)

	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash inflow from investing activities</b>	<b>7,538,989</b>	<b>6,961,650</b>
Inflow from investments in investment securities	7,527,162	6,961,310
Inflow from sale of intangible assets, property, plant and equipment	11,827	340
<b>Cash outflow from investing activities</b>	<b>(17,090,029)</b>	<b>(8,219,655)</b>
Outflow from investments in investment securities	(15,867,463)	(6,987,170)
Outflow for purchase of intangible assets, property, plant and equipment	(1,222,566)	(1,232,485)
<b>Net cash inflow from investing activities</b>	<b>(9,551,040)</b>	<b>(1,258,005)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash outflow from financing activities</b>	<b>(1,027,391)</b>	<b>(1,657,383)</b>
Cash outflows from borrowings	(1,027,391)	(1,657,383)
<b>Net cash outflow from financing activities</b>	<b>(1,027,391)</b>	<b>(1,657,383)</b>
<b>TOTAL CASH INFLOW</b>	<b>87,721,391</b>	<b>79,969,356</b>
<b>TOTAL CASH OUTFLOW</b>	<b>(69,651,345)</b>	<b>(80,231,365)</b>
<b>NET INCREASE IN CASH</b>	<b>18,070,046</b>	<b>(262,009)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 14.2)</b>	<b>44,147,345</b>	<b>44,258,319</b>
<b>POSITIVE EXCHANGE RATE DIFFERENCES</b>	<b>336,648</b>	<b>171,035</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 14.2)</b>	<b>62,574,039</b>	<b>44,167,345</b>

The accompanying notes form an integral part of these separate financial statements

## 1. THE BANK'S ESTABLISHMENT AND ACTIVITY

Raiffeisenbank Jugoslavija a.d. Beograd (hereinafter: "the Bank") was established in 2001 and was registered with the Commercial Court in Belgrade on 10 April 2001 (decision no. VFi-3724/01). In 2003, Raiffeisenbank Jugoslavija a.d. Beograd has changed its name to Raiffeisenbank a.d. Beograd. This change was registered in Commercial Court in Belgrade on 24 April 2003, under number XI Fi 4800/03. On 9 October 2006, the Bank changed its name from Raiffeisenbank a.d. to Raiffeisen banka a.d, in accordance with the Decision of Serbian Business Register Agency no. BD 159711/2006.

In accordance with the Law on Banks, the Act on Incorporation and the Statute, the Bank is registered to perform the following activities:

- deposit and credit operations;
- foreign exchange and currency exchange operations;
- payment transactions;
- issuing payment cards;
- Securities transactions (issuing securities and custody bank operations, etc.);
- broker dealer business;
- issuance of guarantees, bills of exchange and other forms of guarantees;
- purchase, sale and collection of receivables (factoring, forfeiting, etc.);
- insurance brokerage;
- mediation activities for related parties founded by the Bank and rendering services to related parties founded by the Bank, in areas for which those entities do not have their own organizational units.

By the decision of the National Bank of Yugoslavia no. 86/2001 from 11 April 2001, the Bank was granted a license to conduct payment transactions and credit operations with foreign countries ("the great authority").

The Bank's managing bodies are: Shareholders' Assembly, Board of Directors and Managing Board. Members of the Board of Directors are appointed by the Shareholders' Assembly. At least one-third of the members of the Board of Directors are persons independent from the Bank, that is, persons who do not have direct or indirect ownership in the Bank, nor in the members of the banking group which is the ultimate owner of the Bank. Legal representative of the Bank is the Chairman of the Management. The Bank also formed the following committees: the Board for monitoring the Bank's operations (Audit Committee), the Credit Committee and the Assets and Liabilities Management Committee.

The Bank performs its operations with headquarters in New Belgrade, at Djordje Stanojevic Street no. 16 and through its regional centers - Regional Center Belgrade 1 (11 branches and 4 outlets), Regional Center Belgrade 2 (with one local branch, 6 branches and 5 outlets), Regional Center Belgrade 3 (6 branches and 2 outlets), Regional Center Belgrade 4 (with one regional branch, one local branch, 7 branches and 6 outlets), Regional Center North (with two local branches, 6 branches and 2 outlets), Regional Center West (with one regional branch, 4 local branches, 4 branches, 2 outlets) and Regional Center South (with one regional branch, one local branch, 3 branches, 5 outlets).

As at 31 December 2021 the Bank has 1,510 employees (31 December 2020: 1,496)

Tax identification number of the Bank is 100000299.

## 2. BASIS OF PREPARATION

### a) Statements of compliance

These separate financial statements (hereinafter: separate financial statements or financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS). These are also compliant with the regulations of the National Bank of Serbia governing the financial reporting of banks.

These financial statements are separate (unconsolidated) statements of the Bank. The Bank has prepared consolidated financial statements in accordance with IFRS at the same issuing date as separate financial statements. The consolidated financial statements are published on Bank's internet site and submitted to the Business Registry and are publicly available.

The accompanying financial statements are presented in the form prescribed by the Decision on the Forms and Contents of Items in Financial Statement Forms for Banks (Official Gazette of the Republic of Serbia No. 101/2017, 38/2018 and 103/2018,93/2020).

### b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following position which are valued at fair value:

- financial instruments at fair value through profit or loss,
- financial instruments at fair value through other comprehensive income,
- assets and liabilities from trading activities.

### c) Functional and presentation currency

The financial statements are presented in thousands of Serbian Dinars ("RSD") which is the Bank's functional and presentation currency. All financial information is presented in Serbian Dinars rounded to the nearest thousand, unless stated otherwise.

### d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical estimates in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in Note 3.1.

## 2. BASIS OF PREPARATION (continued)

### e) Adoption of the New Standards and Revised/Amended Standards Effective for the Current Year

In 2021, the Bank has adopted and applied the following new standards and amendments to the existing standards that are effective for annual periods beginning on or after January 1, 2021:

- Amendments to IFRS9 "Financial Instruments", IAS39 "Financial Instruments: Recognition and Measurement", IFRS7 "Financial Instruments: Disclosures", IFRS4 "Insurance Contracts" and IFRS16 "Leases" Interest Rate Benchmark Reform - Phase 2;
- Amendments to IFRS4 IFRS4 "Insurance Contracts" - deferral of IFRS9;
- Amendments to IFRS16 "Leases": Covid-19-Related Rent Concessions beyond 30 June 2021.

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

### f) New and Revised IFRS Standards in Issue but not yet Effective

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

- Amendments to IFRS3 Business Combinations; IAS16 Property, Plant and Equipment; IAS37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020" applicable to reporting starting from 1 January 2022
- IFRS 17 Insurance Contracts; including Amendments to IFRS 17 applicable to reporting starting from 1 January 2023
- Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current
- Amendments to IAS1 Presentation of Financial Statements - Disclosure of Accounting policies
- Amendments to IAS8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

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

### g) Going concern

The financial statements are prepared in accordance with the going concern concept, which assumes that the Bank will continue in operation for the foreseeable future.

### h) Reconciliation of receivables and liabilities

In accordance with effective legislation, the Bank reconciled its receivables and liabilities with its customers and borrowers as at 31 October 2021. Not confirmed receivables amount RSD 38,858 thousand, while not confirmed liabilities amounts RSD 773 thousand. The unconfirmed amounts of receivables and liabilities do not impact the financial statement amounts.

2. BASIS OF PREPARATION (continued)

i) Comparative information

Comparative information in the accompanying financial statements represents the data from the Bank's separate financial statements for 2020.

In accordance with the instructions of the National Bank of Serbia, in 2021 the Bank has performed reclassification of income and expenditure on the purchase and sale of foreign currency and effective foreign currency from "Net foreign exchange gains/losses and currency clause effects" to "Net fee and commission income". The Bank has also reclassified data for 2020, the effects of which are presented below:

	2020 Before reclassification	Reclassified	2020 After reclassification
Fee and commission income	5,746,576	2,680,074	8,426,650
Fee and commission expense	(1,765,830)	(581,960)	(2,347,790)
Net fee and commission income	3,980,746	2,098,114	6,078,860
Net income from exchange rate differences and the effects of the contracted currency clause	2,764,197	(2,098,114)	666,083
Total	6,744,943	-	6,744,943

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Bank.

a) Separate financial statements and consolidation

The Bank has control over following entities, which are not consolidated in these financial statements:

Company	Equity investment
Društvo za upravljanje dobrovoljnim penzijskim fondom Raiffeisen Future a.d., Beograd	100%
Društvo za upravljanje investicionim fondovima Raiffeisen Invest a.d., Beograd	100%
Raiffeisen Leasing d.o.o., Beograd	100%

In separate financial statements these investments are measured at fair value through other comprehensive income. More information on this valuation is provided in Note 19.

The Bank prepared consolidated financial statements in accordance with IFRS at the same issuing date as separate financial statements. Consolidated financial statements of the Bank represents sub-consolidated financial statements since the Parent company of the Bank prepares ultimate consolidated financial statements (Note 2.a).

In accordance with the Law on Accounting, article 41, the Bank decided to merge an individual annual business report and consolidated business report into a single report. In accordance with the above, the Bank, as a parent, decided to present the annual individual business report and consolidated annual business report as one report, which will contain information of importance for the economic entity within the consolidated financial statements. The Consolidated business report is submitted to Business Register Agency, published on their site and is publicly available.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### b) Foreign currency

Transactions in foreign currencies are translated into Dinars at the average exchange rate of the National bank of Serbia ("NBS") prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies which are stated at cost, are translated at the average exchange rate of NBS ruling at the reporting date.. Non-monetary assets denominated in foreign currency are translated at the average exchange rate of NBS ruling at the date of transaction.

Foreign currency difference arising on payment transaction during the year, as well as foreign currency differences arising on translation on the balance sheet date are recognized in Statement of profit or loss as Net gains/(losses) on foreign exchange differences and effect of foreign currency clause. Contingent liabilities at balance sheet date are translated into Dinars at the middle exchange rate of NBS prevailing at the balance sheet date.

Receivables and liabilities with foreign currency clause are translated into Dinars at the average exchange rate of NBS prevailing at the balance sheet date. Foreign currency difference arising on such transactions are recognized in Statement of profit or loss as Net gains/(losses) on foreign exchange differences and effect of foreign currency clause.

Official exchange rates for major currencies used in the translation of the statement of financial position items denominated in foreign currencies were as follows:

Currency	31.12.2021	31.12.2020
CHF	113.6388	108.4388
USD	103.9262	95.6637
EUR	117.5821	117.5802

Interest income and expense

#### (i) Effective Interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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

- Any origination fees received by the Bank relating to the creation or acquisition of a financial asset. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction. These fees are an integral part of generating an involvement with the resulting financial instrument;
- Any commitment fees received by the entity to originate a loan when the loan commitment is not measured at FVTPL and it is probable that the Bank will enter into a specific lending arrangement. These fees are regarded as compensation for an ongoing involvement with the acquisition of a financial instrument. If the commitment expires without the entity making the loan, the fee is recognised as revenue on expiry;

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Interest income and expense (continued)

- Any origination fees paid on issuing financial liabilities measured at amortised cost. These fees are an integral part of generating an involvement with a financial liability. The Bank distinguishes fees and costs that are an integral part of the effective interest rate for the financial liability from origination fees and transaction costs relating to the right to provide services, such as investment management services.

Fees that are part of the effective interest rate are recognized in the income statement at effective interest rate model, except for financial instrument with no predefined annuity plan, such as loan facilities, credit cards and overdrafts, where linear model of recognition is used.

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

- Fees charged for servicing a loan;
- Commitment fees to originate a loan when the loan commitment is not measured at FVTPL and it is unlikely that a specific lending arrangement will be entered into; and
- Loan syndication fees received by an entity that arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

#### *(ii) Amortized costs and gross carrying amount*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

#### *(iii) Calculation of interest income and expenses*

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves

For information on when financial assets are credit-impaired, see Note 3 (k) (viii).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Interest income and expense (continued)

##### (iv) Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- Interest on financial assets and financial liabilities measured at amortised cost;
- Interest on debt instruments measured at FVOCI;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest expense, calculated by using effective interest rate, presented in the statement of profit or loss and OCI includes:

- Financial liabilities measured at amortised cost; and
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

#### d) Fee and commission income and expense

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. Fee and commission income include transfer payments in foreign currency, domestic payments transactions, loan administration, guarantee, letter of credit business and other banking services.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

#### e) Net gains/(losses) on financial assets held for trading

Net gains/(losses) on financial assets held for trading comprise gains fewer losses related to trading assets and liabilities and includes all realised and unrealised fair value changes.

#### f) Net gains/(losses) on hedging

Net gains/(losses) on hedging comprise gains fewer losses related to change in fair value of derivatives held for hedging against risks.

#### g) Net gains/(losses) on financial assets designated at fair value through profit or loss

Net gains/(losses) on financial assets designated at fair value through profit or loss comprise gains minus losses related to financial assets designated at fair value through profit or loss, and includes all realised and unrealised fair value changes.

#### h) Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are presented in Other operating income.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**i) Leases**

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*(i) Bank as a lessee*

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**Right-of-use assets**

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, which includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, estimated costs of dismantling and removing the underlying asset or restoring the site, less any lease incentives received.

For subsequent measurement of right-of-use, the Bank uses the cost model. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 20 at the balance sheet position Property, plant and equipment.

Right-of-use assets are subject to impairment in line with the Bank's policy as described in Note 3(s) Impairment of non-financial assets.

**Lease liabilities**

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

After initial recognition, lease liabilities are measured at amortized costs, using effective interest rate method.

Lease liabilities are presented as part of Other liabilities line in the statement of financial position ( Note 27). Payments for short-term or low value leases are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line Other expenses in the statement of profit or loss.

Rental expenses for short term or low value leases are presented in the Note 12.2.

*(ii) Bank as a lessor*

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in Other operating income in the statement of profit or loss due to its operating nature.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### j) Tax

##### (i) Current income tax

Tax on profit represents an amount calculated and payable under the Serbian Corporate Income Tax Law. The income tax rate for 2021 is 15% (2020: 15%). In accordance with effective regulation, tax payer is obliged to calculate income tax for reporting period and to file tax return.

Taxable profit includes the profit shown in the statutory Statement of income and adjustments for permanent differences, as defined by the Serbian Tax Law. Such adjustments comprise mainly adding back certain disallowed expenses and deducting certain capital expenditure and investments incurred during the year.

##### (ii) Deferred income tax

Deferred income tax is provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and the tax effects of income tax losses available for carry forward and tax credits, to the extent that it is probable that the future taxable profits will be available against which the deductible temporary differences and tax losses carry forward can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. At as 31 December 2021, deferred tax is measured at tax rate of 15% (31 December 2020: 15%). Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

##### (iii) Other taxes and contributions

According to the relevant legislation in the Republic of Serbia, the Bank pays various taxes and contributions, such as service tax, tax on investments in equity and contributions on salaries and wages. These are included under other expenses.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments

##### (i) Recognition

Settlement date accounting has been adopted to record transactions except FX transactions which are accounted at trade date.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Financial assets at fair value through profit or loss are initially recognized at fair value, while transaction costs are recognize as expense in Statement of profit or loss.

##### (ii) Classification

IFRS 9 contains new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics.

For the Bank three classification categories for financial assets are applied:

- Financial assets measured at amortized cost (AAC)
- Financial assets measured at fair value through OCI (FVOCI)
- Financial assets measured at fair value through profit or loss (FVTPL)

The Bank recognizes loans (Note 17 and 18 ) and certain securities (Note 16) as financial assets measured at amortized costs. Loans and receivables as non-derivative financial assets with fixed or determinable payments that are not quoted in the active market and which the Bank does not intend to sell in the short term. Securities measured at amortized costs relate to Government bonds.

The Bank also classifies securities as measured at fair value through OCI and at fair value through profit and loss (Note 16).

A financial asset are measured at amortized cost if both of the following conditions are met and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A business model's objective can be to hold financial assets to collect contractual cash flows even when some sales of financial assets have occurred or are expected to occur. IFRS 9 gives the following examples of sales that may be consistent with the hold-to-collect business model:

- The sales are due to an increase in the credit risk of a financial asset;
- The sales are infrequent (even if significant), or are insignificant individually and in aggregate (even if frequent);
- The sales take place close to the maturity of the financial asset and the proceeds from the sales approximate the collection of the remaining contractual cash flows.

For the Bank, the sale and of more than 10% of the portfolio (carrying value) during a rolling 3 year period will potentially be considered 'more than infrequent' unless these sales are immaterial as a whole.

'Close to maturity' will be applied similarly to the guidance for held to maturity financial assets under IAS 39. A maturity less than 3 month can be seen as close to maturity.

A financial asset is classified as subsequently measured at FVOCI if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

On initial recognition of an equity instrument that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis for each investment and essentially covers strategic interests that are not fully consolidated.

All other financial assets – i.e. financial assets that do not meet the criteria for classification as subsequently measured at either amortised cost or FVOCI – are classified as subsequently measured at fair value, with changes in fair value recognised in profit or loss. In addition, the Bank has the option at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency – i.e. an 'accounting mismatch' – that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

A financial asset is classified into one of these categories on initial recognition.

#### Business model assessment

The Bank make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The following is considered as evidence when assessing which business model is relevant:

- How the performance of the business model (and the financial assets held within that business model) are evaluated and reported to the Bank's key management personnel;
- How the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed;
- How managers of the business are compensated – e.g. whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- The frequency, value and timing of sales in prior periods, the reasons for such sales, and its expectations about future sales activity and
- Whether sales activity and the collection of contractual cash flows are each integral or incidental to the business model ("hold-to-collect" versus "hold and sell" business model).

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**k) Financial instruments (continued)**

*(ii) Classification (continued)*

**Analysis of Contractual Cash Flow Characteristics**

Once the Bank determines that the business model of a specific portfolio is to hold the financial assets to collect the contractual cash flows (or by both collecting contractual cash flows and selling financial assets), it must assess whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For this purpose, principal is defined as the fair value of the financial assets on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. This assessment is carried out on an instrument by instrument basis on the date of initial recognition of the financial asset.

In assessing whether the contractual cash flows are solely payments of principal and interest the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features
- Prepayment, extension terms
- Leverage features
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Contractually linked instruments.

**Non-recourse loans** - In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

- Whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- The fair value of the collateral relative to the amount of the secured financial asset;
- The ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- Whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- The Bank's risk of loss on the asset relative to a full-recourse loan;
- The extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- Whether the Bank will benefit from any upside from the underlying assets.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### (ii) Classification (continued)

Contractually linked instruments - Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- The contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- The underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- The exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

IASB issued an IFRS 9 amendment regarding prepayment features with negative compensation. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract". In contrary, financial instruments are measured mandatorily at FVTPL.

#### **Modification of Time Value of Money and the Benchmark Test**

Time value of money is the element of interest that provides consideration for only the passage of time. It does not take into account other risks (credit, liquidity etc.) or costs (administrative etc.) associated with holding a financial asset.

In some cases, the time value of money element may be modified (imperfect). That would be the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case the Bank must assess the modification as to whether the contractual cash flows still represent solely payments of principal and interest, i.e. the modification term does not significantly alter the cash flows from a 'perfect' benchmark instrument. This assessment is not an accounting policy choice and cannot be avoided simply by concluding that an instrument, in the absence of such an assessment, will be measured at fair value. For the following main contractual features that can potentially modify the time value of money a benchmark test will be applied:

- Reset rate frequency does not match interest tenor
- Lagging indicator
- Smoothing clause
- Grace period
- Secondary market yield reference.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### (iii) Reclassification

Financial assets are not reclassified after initial recognition, except in periods after the change of Bank's business model used for management of financial assets.

##### (iv) Modification

#### Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

The Bank has prescribed in its accounting policies a set of qualitative and quantitative criteria that it considers when modifying financial assets in order to assess whether the modification is substantial or not.

For qualitative criteria, the Bank has defined the following criteria as those that lead to a significant change of the financial asset (qualitative criteria for substantial modification):

- change in currency and / or;
- introduction of a clause that would cause financial resources not to meet the SPPI criterion,
- change in the type of instrument (eg conversion of a loan into a bond).

As quantitative criteria, the Bank has defined the following criteria that lead to a significant change in the financial asset (quantitative criteria of substantial modification):

- the change in the NPV from the new cash-flows discounted by the original EIR compared to the NPV of the original cash-flows is in absolute terms is equal or greater than 10%; or - equal or greater than TEUR 100; or - both (equal or greater than 10% and equal or greater than TEUR 100)
- the change in the NPV from the new cash-flows discounted by the original EIR compared to the NPV of the original cash-flows is in absolute terms is equal or greater than TEUR 100 and
- the change in the NPV from the new cash-flows discounted by the original EIR compared to the NPV of the original cash-flows is in absolute terms is equal or greater than 10% and equal or greater than TEUR 100. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (Note 3 (k) (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:
  - Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
  - Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### *(iv) Modification (continued)*

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method

#### **Financial liabilities**

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different compared to the original cash flows (more than 10%). In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

k) Financial instruments (continued)

The classification of assets and liabilities is presented as follows:

	Financial assets at amortized cost	Financial assets at FVtPL	Financial assets at FVtOCI	Financial liabilities at am- ortized cost	Financial liabilities at FVtPL	Non- financial assets and li- abilities	Equity	31.12.2021
<b>Assets</b>								
Cash and balances with central banks	90,618,192							90,618,192
Receivables arising from derivatives		13,669						13,669
Securities	28,184,454	3,480,028	56,960,756					88,625,239
Loans and receivables to banks and other financial institutions	26,603,238							26,603,238
Loans and receivables to customers	216,672,440							216,672,440
Receivables from derivatives held for hedging against risks		586,824	586,824					586,824
Investments in subsidiaries			1,293,433					1,293,433
Intangible assets						951,433		951,433
Property, plant and equipment						5,940,649		5,940,649
Deferred tax assets						453,601		453,601
Other assets	360,971					536,384		897,355
<b>Total assets</b>	<b>362,439,295</b>	<b>4,080,521</b>	<b>58,254,189</b>	<b>-</b>	<b>-</b>	<b>7,882,067</b>	<b>-</b>	<b>432,656,073</b>

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

The classification of assets and liabilities is presented as follows:

	Financial assets at amortized cost	Financial assets at FVtPL	Financial assets at FVtOCI	Financial liabilities at amortized cost	Financial liabilities at FVtPL	Non- financial assets and liabilities	Equity	31.12.2021
<b>Liabilities and equity</b>								
Liabilities arising from derivatives					9,220			9,220
Deposits and other liabilities from banks, other financial institutions and central bank				2,340,980				2,340,980
Deposits and other liabilities from other customers				366,617,048				366,617,048
Liabilities arising from derivatives held for hedging against risks					58,837			58,837
Provisions						2,351,202		2,351,202
Current tax liabilities						272,697		272,697
Other liabilities				458,021		2,076,522		2,534,543
<b>Total liabilities</b>	-	-	-	<b>369,416,049</b>	<b>68,057</b>	<b>4,700,421</b>		<b>374,184,527</b>
Share capital							27,466,158	27,466,158
Profit for the year							6,956,409	6,956,409
Reserves							24,048,979	24,048,979
<b>Total equity</b>	-	-	-	-	-	-	<b>58,471,546</b>	<b>58,471,546</b>
<b>Total</b>	-	-	-	<b>369,416,049</b>	<b>68,057</b>	<b>4,700,421</b>	<b>58,471,546</b>	<b>432,656,073</b>

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

k) Financial instruments (continued)

	Financial assets at amortized cost	Financial assets at FVtPL	Financial assets at FVtOCI	Financial liabilities at amortized cost	Financial liabilities at FVtPL	Non- financial assets and liabilities	Equity	31.12.2020.
<b>Assets</b>								
Cash and balances with central banks	86,432,095							86,432,095
Receivables arising from derivatives		51,496						51,496
Securities	19,846,874	597,659	49,898,260					70,342,791
Loans and receivables to banks and other financial institutions	24,620,212							24,620,212
Loans and receivables to customers	186,914,250							186,914,250
Receivables from derivatives held for hedging against risks		13,211						13,211
Investments in subsidiaries			1,234,622					1,234,622
Intangible assets						831,133		831,133
Property, plant and equipment						6,095,587		6,095,587
Deferred tax assets						414,675		414,675
Other assets	305,453					453,887		759,340
<b>Total assets</b>	<b>318,118,883</b>	<b>662,366</b>	<b>51,132,882</b>	<b>-</b>	<b>-</b>	<b>7,795,282</b>	<b>-</b>	<b>377,709,412</b>

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

	Financial assets at amor- tized cost	Financial assets at FVtPL	Financial assets at FVtOCI	Financial liabilitied at amor- tized cost	Financial liabilities at FVtPL	Non- financial assets and li- abilities	Equity	31.12.2020.
<b>Liabilities and equity</b>								
Liabilities arising from derivatives					2,014			2,014
Deposits and other liabilities from banks, other financial institutions and central bank				4,926,799				4,926,799
Deposits and other liabilities from other customers				303,752,087				303,752,087
Liabilities arising from derivatives held for hedging against risks					498,508			498,508
Provisions						2,143,270		2,143,270
Current tax liabilities						28,452		28,452
Other liabilities				505,034		2,289,662		2,794,696
<b>Total liabilities</b>	-	-	-	<b>309,183,920</b>	<b>500,522</b>	<b>4,461,384</b>	-	<b>314,145,826</b>
Share capital							27,466,158	27,466,158
Profit for the year							11,742,560	11,742,560
Reserves							24,354,868	24,354,868
<b>Total equity</b>	-	-	-	-	-	-	<b>63,563,586</b>	<b>63,563,586</b>
<b>Total</b>	-	-	-	<b>309,183,920</b>	<b>500,522</b>	<b>4,461,384</b>	<b>63,563,586</b>	<b>377,709,412</b>

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

k) Financial instruments (continued)

All gains and losses, realised and unrealised, on financial instruments are presented in the table below:

	Net gains/ (losses) 2021	Net gains/ (losses) 2020
Financial assets at amortized cost	11,881,047	11,475,228
Financial assets at fair value through profit and loss	65,655	12,898
Financial assets at fair value through other comprehensive income	1,074,656	1,075,219
Financial liabilities at amortized cost	(258,667)	(231,366)
Financial liabilities at fair value through profit and loss	-	-

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### (v) *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

##### (vi) *Amortised cost measurement*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

##### (vii) *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach and the income approach.

In some cases a single valuation technique will be appropriate, in other cases, multiple valuation techniques will be adequate to applied. If multiple valuation techniques are used to measure fair value, the results (i.e., respective indications of fair value) shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### *(viii) Impairment*

The Bank recognises loss allowances for financial assets and provision for financial guarantees and loan commitments for expected credit losses (hereinafter: ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

IFRS 9 prescribes a three-stage model for impairment based on changes in credit quality since initial recognition. This model requires that a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1" financial instruments.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2" financial instruments.

Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis. According to IFRS 9 when measuring expected credit losses it is necessary to consider forward-looking information. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

In Bank, as practical expedient, it is assumed that securities with investment grade should not be assessed to see whether the credit risk on a security has increased significantly. Here investment grade is defined by recognised external rating agencies as a rating between AAA-BBB (Standard's & Poor's, Fitch) and Aaa-Baa (Moody's). If information from recognised external rating agencies is not available the equivalent internal ratings can be mapped to the external ratings. This mapping should consider the market participant perspective taking into account all of the terms and conditions of the security. In cases where there is no external or internal rating the probability of default which is equivalent to investment grade can be used if available.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### *(viii) Impairment (continued)*

##### Measurement of Expected Credit Losses

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit losses these are:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses;
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

For the Bank credit risk comes from the risk of suffering financial loss, should any of our customers, clients or market counterparties fail to fulfil their contractual obligations to us. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as, financial guarantees, letters of credit, and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities, including trading portfolio assets and derivatives, as well as settlement balances with market counterparties and reverse repurchase agreements.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD). This is the predominant approach which will be used for the purposes of measuring expected credit losses under IFRS 9.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**k) Financial instruments (continued)**

*(viii) Impairment (continued)*

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive
- When the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. These assets are in Stage 1. When the credit risk on a financial instrument has increased significantly since initial recognition the Bank measures the loss allowance at an amount equal to the lifetime expected credit losses. These assets are in Stage 2.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

**Restructured financial assets**

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

**Credit-impaired financial assets**

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for a security because of financial difficulties;
- Purchase or origination of financial assets with deep discount that reflects the incurred credit losses.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### *(viii) Impairment (continued)*

#### **Significant Increase in Credit Risk**

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

##### **Quantitative Criteria**

The Bank uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios. For quantitative staging the Bank compares the lifetime PD curve at measurement data with the forward lifetime PD curve at the date of initial recognition. For the estimation of the lifetime PD curve at the date of initial recognition assumptions are made about the structure of the PD curve. On the one hand, in the case of highly rated financial instruments, it is assumed that the PD curve will deteriorate over time. On the other hand, for low rated financial instruments, it is assumed that the PD curve will improve over time. The degree of improvement or deterioration depends on the level of the initial rating. In order to make the two curves comparable the PDs are scaled down to annualized PDs.

Given the different nature of products between non-retail and retail, the methods for assessing potential significant increases also slightly differ. In general, a significant increase in credit risk is considered to have occurred with a relative increase in the PD of up to 250% although this amount can be lower due to several limiting factors such as closeness to maturity and portfolios of products.

For retail exposures on the other hand, the remaining cumulative PDs are compared as the logit difference between "Lifetime PD at reporting date" and "Lifetime PD at origination conditional to survival up to the reporting date". A significant increase in credit risk is considered to have occurred once this logit difference is above a certain threshold. The threshold levels are calculated separately for each portfolio which is covered by individual rating-based lifetime PD models. Based on historical data, the thresholds are estimated as the 50th quantile of the distribution of the above-mentioned logit differences on the worsening portfolio. This way, 50% of the worsening in the lifetime PDs with the highest magnitude is deemed significant. That usually translates to PD increase between 150% - 300%, dependent on the default behavior of the different portfolios.

A financial instrument must be transferred to stage 2 with regard to the below mentioned threshold.

##### **Qualitative Criteria**

The Bank uses qualitative criteria as a secondary indicator of significant increase in credit risk for all material portfolios. A movement to Stage 2 takes place when the criteria below are met.

For sovereign, bank, corporate and project finance portfolios, if the borrower meets one or more of the following criteria:

- External market indicators;
- Changes in contract terms;
- Changes to management approach;
- 30 Days Past Due;
- Expert judgement.

The assessment of significant increase in credit risk incorporates forward-looking information and will be performed on a quarterly basis at a deal level for all non-retail portfolios held by the Bank.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### *(viii) Impairment (continued)*

For retail portfolios, if the borrower meets one or more of the following criteria:

- Forbearance
- Default of other exposure of the same customer (PI segment),
- Holistic approach - Applicable for cases where new forward-looking information becomes available for a segment or portion of the portfolio and this information is not yet captured in the rating system. Upon identifying such cases the Management shall measure this portfolio with lifetime expected credit losses (as collective assessment).

The assessment of significant increase in credit risk incorporates forward-looking information and will be performed on a monthly basis at a deal level for all retail portfolios held by the Bank.

#### **Definition of Default and Credit-Impaired Assets**

The Bank will define a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

##### *Quantitative criteria*

The borrower is more than 90 days past due on its contractual payments. No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

##### *Qualitative criteria*

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenants;
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank expected loss calculations.

An instrument will be considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of a minimum of 3 months or longer for distressed restructured exposures. This period of 3 months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

#### **Explanation of inputs, assumptions and estimation techniques**

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Expected credit losses are the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and discount factor (D).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### *(viii) Impairment (continued)*

##### **Probability of Default**

The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation. In general the lifetime probability of default is calculated using the regulatory 12 month probability of default, stripped of any margin of conservatism, as a starting point. Thereafter various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. The profile is based on historical observed data and parametric functions.

Different models have been used to estimate the default profile of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, local and regional governments, insurance companies and collective investment undertakings the default profile is generated using a transition matrix approach. Forward looking information is incorporated into the probability of default using the Vasicek one factor model;
- Corporate customers, project finance and financial institutions the default profile is generated using a parametric survival regression (Weibull) approach. Forward looking information is incorporated into the probability of default using the Vasicek one factor model;
- Retail mortgages and other retail lending the default profile is generated using parametric survival regression in competing risk frameworks. Forward looking information is incorporated into the probability of default using satellite models.

In the limited circumstances where some inputs are not fully available grouping, averaging and benchmarking of inputs is used for the calculation.

##### **Loss Given Default**

Loss given default represents the Bank's expectation of the extent of loss on a defaulted exposure. Loss given default varies by type of counterparty and product. Loss given default is expressed as a percentage loss per unit of exposure at the time of default. Loss given default is calculated on a 12-month or lifetime basis, where 12-month loss given default is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime loss given default is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Different models will be used to estimate the loss given default of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign the loss given default is found by using market implied sources. Market sources are external data on losses related to sovereign defaults (debts write offs during restructuring processes and similar);
- Corporate customers, project finance, financial institutions, local and regional governments, insurance companies the loss given default is generated by discounting cash flows collected during the workout process. Forward looking information is incorporated into the loss given default using the Vasicek model;
- Retail mortgages and other retail lending the loss given default is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory loss given default. Forward looking information is incorporated into the loss given default using various satellite models;
- In the limited circumstances where some inputs are not fully available alternative recovery models, benchmarking of inputs and expert judgement is used for the calculation.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**k) Financial instruments (continued)**

*(viii) Impairment (continued)*

**Exposure at Default**

Exposure at default is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. Where relevant early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the exposure at default is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default. The prudential regulatory margins are removed from the credit conversion factor. Parameters calculated for regulatory purposes, e.g. LDG and CCF used for RWA calculation, are calculated including margins of conservatism. For IFRS9 purposes, same parameters are used but without margins of conservatism. In the limited circumstances where some inputs are not fully available benchmarking of inputs is used for the calculation.

**Discount Factor**

In general for on balance sheet exposure which is not POCI the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

**Calculation**

The expected credit loss is the product of PD, LGD and EAD times the probability not to default prior to the considered time period. The latter is expressed by the survivorship function S. This effectively calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by forward looking scenario.

Different models have been used to estimate the Stage 3 provisions of outstanding lending amounts and these can be grouped into the two different categories:

- Sovereign, corporate customers, project finance, financial institutions, local and regional governments, insurance companies and collective investment undertakings the Stage 3 provisions are calculated by workout managers who discount expected cash flows by the appropriate effective interest rate;
- Retail lending: Stage 3 provision is generated by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs.

No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### *(viii) Impairment (continued)*

#### **Forward Looking Information**

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the probability of default, loss given default and exposure at default vary by category type. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by Raiffeisen Research Internal Department ) on a quarterly basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate or a long run average growth rate until maturity. The impact of these economic variables on the probability of default, loss given default and exposure at default has been determined by performing statistical regression to understand the impact changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

In addition to the base economic scenario, Raiffeisen Research also provide a best case and worst case scenario along with scenario weightings to ensure non-linearities are captured. The Bank has concluded that three scenarios or less appropriately captured non-linearity.

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit loss model and multiplying it by the appropriate scenario weighting.

For the basic, and also for the pessimistic and optimistic scenarios the methodology has been adapted due to the COVID 19 pandemic.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and cover any potential non-linearities and asymmetries within the Bank different portfolios.

#### **Post-model adjustments**

Post-model "adjustments" for expected estimates of credit loss adjustments are adjustments used in circumstances where existing inputs, assumptions and model techniques do not cover all relevant risk factors. The emergence of new macroeconomic, microeconomic or policy developments, together with expected changes in parameters, models or data that are not incorporated into current parameters, internal migration of risk assessments or forward-looking information are examples of such circumstances. RBI Group banks use the post-model adjustment for the allowance model for expected credit losses only as a temporary solution. All material adjustments are approved by the Group Risk Committee.

Reasonable reasons for post-model adjustment as a temporary solution include:

- transient circumstances (such as natural disasters, diseases, armed conflicts);
- insufficient time to include relevant new information in the existing credit risk assessment and modeling process that has materialized but is not yet covered by the model parameters;
- re-segmentation of existing exposure groups, where it takes more time to update the parameters to cover all effects;
- situations in which exposures react to factors or events differently than initially expected.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### *(viii) Impairment (continued)*

Post-model adjustments must meet the following characteristics, in order to reduce potential bias:

- Temporary: Adjustments are temporary in nature and generally not valid for more than 1-2 years;
- Governance: Competent risk management committees approve the post-model adjustment taking into account the level of impact;
- Documentation: reasons for adjustments, in relation to macroeconomic forecasts, credit risk drivers, detailed budget and expected duration;
- Remediation: A realistic plan is developed for how new information is incorporated into models and applied in the near future;
- Consistency: adjustments aligned with information on future trends;
- Overview: Holistic reservation decisions are reviewed quarterly and qualitative "back-testing" is performed;
- Control: established documented controls and processes to ensure compliance.

The Bank made adjustments to the portfolio of large, medium and small companies ("non-retail") and the portfolio of individuals and micro enterprises ("retail").

#### **Post-model adjustment in the portfolio of companies ("non-retail")**

As the effects of the COVID crisis cannot be fully included in the statistical IFRS9 models as early as 2020, and the transition to Stage 3 has been postponed by state aid measures and moratoriums, it is necessary to implement a post-model adjustment to more realistically recognize expected credit losses.

The Bank implemented the following post-model adjustments in its corporate portfolio:

- The so-called "PreWorkout COVID" status by which clients from certain industrial sectors most affected by the crisis were treated as high-risk clients and exposures to them were classified in Stage 2, which led to an increase in the impairments (exposures in industries such as tourism, car and air transport, oil and gas, real estate and some consumer industries). In granting PWO COVID status, in addition to the industrial sector, the financial condition of debtors, customers / suppliers, requests for deferral of payment and other available information were analyzed, in order to realistically consider the effects of demand disruptions, supply chain disruptions and regulatory measures.
- For clients rated by the Corporate and SMB rating model, which are in Workout or Pre-Workout status with identified liquidity difficulties and not in PWO COVID status, an additional value adjustment is determined as a percentage of exposure after the application of conversion factors and / or collateral.
- After the application of new macroeconomic expectations in the fourth quarter of 2020, which would reduce the correction, and in conditions when other parameters did not fully cover the effect of the crisis (primarily PD parameter - financial client reports that will fully cover the effect of the crisis will be available only in 2021, when internal ratings based on these reports will be assigned), a post-model adjustment was made which ensured that an adequate level of adjustment was maintained at the level of the corporate portfolio. The effect is allocated to claims that are not included in the post-model adjustment from the second item.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### *(viii) Impairment (continued)*

#### **Post-model adjustment in the portfolio of individuals and micro enterprises and entrepreneurs ("retail")**

The Bank implemented the following post-model adjustment in the retail portfolio:

- Clients employed in companies operating in certain industrial sectors most affected by the crisis are treated as high-risk clients (due to increased risk of reduced earnings and / or job loss) and exposures to them are classified in Stage 2, which led the growth of the impairments (exposures in branches such as tourism, car and air transport, oil and gas, real estate and some consumer industries).
- Clients employed in companies that are beneficiaries of the aid package of the Republic of Serbia, which is reflected in the subsidization of 3 monthly salaries in the amount of RSD 30,000 were treated as clients with increased risk and exposures to them are classified in Stage 2, which led to growth adjustment.
- Clients employed in companies where, due to system limitations and / or data quality, it is not possible to identify in which industrial sector it operates were treated as clients with increased risk and exposures to them were classified in Stage 2, which led to an increase in the correction.
- Clients who applied for Moratorium # 3 were treated as clients with increased risk and exposures to them were classified in Stage 2, which led to the growth of the impairments. The third Moratorium was allowed by the regulator at the end of 2020 with duration of four months (i.e. until 30 April 2021).

The Bank implemented the following post-model adjustments in the portfolio of micro-enterprises and entrepreneurs:

- Clients operating in certain industrial sectors most affected by the crisis were treated as clients with increased risk and exposures to them were classified in Stage 2, which led to an increase in the impairments (exposures in industries such as tourism, car and air transport, oil and gas, real estate and some consumer industries).
- Clients who direct less than 30% of the turnover through the account in Raiffeisen Bank were treated as clients with increased risk and exposures to them were classified in Stage 2, which led to the growth of the impairments.
- Clients who applied for Moratorium # 3 were treated as clients with increased risk and exposures to them were classified in Stage 2, which led the growth of the impairments.

#### **Sensitivity analysis**

The most significant assumptions affecting the expected credit loss allowance are as follows:

- Corporate portfolios;
  - Gross domestic product;
  - Unemployment rate;
  - Long term government bond rate;
  - Inflation rate;
- Retail portfolios;
  - Gross domestic product;
  - Unemployment rate;
  - Real estate prices.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Financial instruments (continued)

##### *(viii) Impairment (continued)*

#### **Presentation**

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as loss allowance
- Loan commitments and financial guarantee contracts: as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve within equity.

#### **Write-off**

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

#### l) Cash and cash equivalents

For the purpose of preparation of Statement of Cash flows, cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks on demand or with an original maturity of three months or less, and other cash equivalents.

Cash and cash equivalents are measured at amortised cost in the statement of financial position.

The mandatory reserve is not considered cash for the purposes of the Statement of cash flows (Note 14) since it can not be withdrawn on demand i.e. the Bank can not withdraw this amount at any time.

#### m) Financial assets and liabilities at fair value through profit and loss held for trading

Financial assets and liabilities at fair value through profit or loss held for trading are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised directly to profit or loss. All changes in fair value are recognised as part of Net gains/(losses) on financial assets held for trading in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

Derivatives are also classified as trading assets or liabilities, except for derivatives held for risk management purpose.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **n) Derivatives held for risk management purpose and hedge accounting**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The IFRS 9 standard allows Bank to continue to apply the rules of IAS 39 with regards to Hedge Accounting until such time as the IASB has completed the macro-hedging rules which are expected in the future. The Bank has decided to continue to apply IAS 39 rules for hedge accounting.

The Bank designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%. The Bank makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Hedge accounting principles are discussed below:

##### **(i) Cash flow hedges**

Cash flow hedge represents a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability and could affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

##### **(ii) Fair value hedges – portfolio hedges**

Fair value hedge represents a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. The Bank entered in portfolio hedge i.e., macro fair value hedge.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**n) Derivatives held for risk management purpose and hedge accounting (continued)**

The Banks measure change in the fair value of the hedged item that are attributable to the hedged risk. An effect is recognised in profit or loss. In the statement of financial position this amount is disclosed as asset or liability. The Bank measure change of fair value of hedge instrument, with recognition of change in fair value in profit or loss, Fair value of hedge instrument is recognised as asset or liability in the statement of financial position.

**o) Loans and receivables**

Loans and advances in the statement of financial position include:

- Loans and advances measured at amortised cost: they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- Loans and advances mandatorily measured at FVTPL or designated as at FVTPL: these are measured at fair value with changes recognised immediately in profit or loss.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

Loans that are disbursed in RSD and index-linked to RSD/EUR, RSD/CHF or RSD/USD exchange rates are revalued at the mid exchange rate of the National Bank of Serbia as at reporting date. The effects of such revaluation are included under Net gains/(losses) on foreign exchange differences and effects of foreign currency clause.

**p) Investment securities**

The investment securities in the statement of financial position includes:

- Debt investment securities measured at amortised cost (Note 3 (k) (ii); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- Debt securities measured at FVOCI; and
- Equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method;
- ECL and reversals; and
- Foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### p) Investment securities (continued)

The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis and is irrevocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss (Note 3 (h)) unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

The Bank recognizes equity investments in Raiffeisen Leasing, Raiffeisen Invest and Raiffeisen Future as financial instruments valued at Fair value through Other comprehensive income.

The fair value of these equity investments is presented in the Note 19.

No dividends have been declared or received on equity investments in 2021.

There were no transfers of cumulative gain or loss within equity neither derecognition of equity investments in 2021.

The Bank is obliged to make an assessment of the value of equity investments once a year, and the effects are recognized in the statement of comprehensive income as an item that will not be reclassified subsequently to profit or loss.

#### q) Intangible assets

Intangible assets are stated at cost decreased for accumulated amortisation and accumulated impairment losses. Intangible assets at reporting date include computer software licenses and other intangible assets.

Intangible assets are non-monetary assets, such as goodwill, patents, licences, concessions, trademarks, brands, accounting software, franchises, design and implementation of new processes or systems, intellectual property etc. For these assets, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity in the period longer than one year and that such inflows are above cost of asset.

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

Amortisation should commence when the asset is available for use. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the intangible asset, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Recommended depreciation period for standard software is from 4 to 6 years and any deviation for this recommended period should be based on exactly documented details about the useful life. The estimated useful life for all other intangible assets is five years and amortisation rate used is 20 %.

Amortisation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**r) Property, plant and equipment**

*(i) Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Property and equipment of the Bank comprises land, buildings, equipment, investments in leased assets and asset under construction.

Initially items of property and equipment are measured at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

For subsequent measurement of property and equipment, the Bank uses the cost model.

*(ii) Subsequent expenses*

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

*(iii) Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Description	Estimated useful life (in years)	% p.a.
Buildings	25 - 50	2 - 4
IT equipment	3 - 5	20 - 33
Telephone switch-boards	5 - 15	6.67 - 20
Motor vehicles	6.4 - 7	14.3 - 15.6
Furniture and other equipment	5 - 10	10 - 20
Investment in leased buildings	5 - 10	10 - 20

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

Maintaining costs of property, plant and equipment are recognized as expenses as occurred.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item or property and equipment, and are recognised net within other operating income in statement of profit or loss. Book value of derecognised assets that were written off is recognized as other expenses.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### s) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in statement of profit or loss.

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

#### t) Deposits and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Bank classifies financial instruments as financial liabilities or equity instruments in accordance with IAS 32 principles for distinguishing between liabilities and equity. The substance of the contractual terms of a financial instrument governs its classification, rather than its legal form. An instrument is a liability when the issuer is or can be required to deliver either cash or another financial asset to the holder. This is the critical feature that distinguishes a liability from equity. An instrument is classified as equity when it represents a residual interest in the net assets of the issuer. All relevant features need to be considered when classifying a financial instrument.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

From 1 January 2018, when the Bank designates a financial liability as at FVTPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve. On initial recognition of the financial liability, the Bank assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

- The expected changes in the fair value of the liability related to changes in the credit risk; with
- The impact on profit or loss of expected changes in fair value of the related instruments.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

Deposits, debt securities issued and subordinated liabilities in foreign currency are translated in dinars at middle foreign exchange rate effective at balance sheet date.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **u) Provisions**

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **v) Financial guarantees and loan commitments**

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the provision determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Other loan commitments issued are measured at the sum of (i) the provision determined in accordance with IFRS 9 and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised

The Bank has issued no loan commitments that are measured at FVTPL.

For other loan commitments the Bank recognises a provision in accordance with IAS 37 and IFRS 9 (Note 3 (k) (viii));

Financial guarantees and loan commitments are included within off-balance sheet items. Liabilities arising from financial guarantees and loan commitments are included within provisions.

#### **w) Equity**

Equity of the Bank comprise initial shareholders investments, reserves and profit for the year.

Share capital of the Bank is formed from investment of shareholder in cash. Shareholder may not withdraw funds invested in the Bank's share capital.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### x) Employee benefits

Employee benefits comprise all types of considerations the Bank offers to its employees in exchange for the services rendered. Employee benefits include the following:

- Short-term employee benefits such as wages, salaries and social insurance contributions, paid vacations, paid sick leaves and bonuses (provided they are payable within 12 months upon the end of the accounting period) and nonmonetary benefits (e.g. use of cars);
- Other long-term employee benefits, such as jubilee awards and other considerations based on the years of service unless they are fully payable within 12 months upon the end of the accounting period.

##### (i) Short-term employee benefits

The Bank's short-term employee benefits comprised taxes and mandatory social insurance contributions, benefits related to unused employees' vacations and bonuses.

Short-term employee benefits in the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period should be recognized as expenses in that period.

In accordance with the regulations prevailing in the Republic of Serbia, the Bank has an obligation to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee and by the employer in an amount calculated by applying the specific, legally-prescribed rates. The Bank is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf, to transfer the withheld portions directly to the appropriate government funds. These contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

Accumulating compensated absences (annual leaves) may be carried forward and used in future periods if the current period's entitlement is not used in full. Expenses for compensated absences are recognized at the amount the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date. In the case of non-accumulating compensated absences, an obligation or expense is recognized when the absences occur.

The Bank recognizes estimated bonus expenses when the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Present obligation exists when the Bank has no other alternative but to settle obligation.

##### (ii) Defined post employment benefits

Other Bank's post-employment benefits comprised provisions for legally prescribed retirement benefits.

Pursuant to the Labour Law and Article 92 of the Bank's Rules of Procedure, the employees are entitled to retirement benefits in the amount of two salaries earned in the month preceding the month of retirement or in the amount or two average salaries paid in the Republic of Serbia according to the most recent published information of the Republic Statistical Office, whichever is more favourable for the vesting employee.

The Bank makes use of the best possible estimates of variables upon determining the total cost of provisions for employee retirement benefits. The basic assumptions underlying such estimates include the following:

For salaries denominated in EUR:

- Salary growth rate of 2%;
- Discount rate of 1.43%, representing the interest rate applied to corporate bonds.

For salaries denominated in RSD:

- Salary growth rate of 2% in period 2021 - 2022;
- Discount rate of 3.24%, determined as the value of securities of Ministry of Finance of Republic of Serbia to 150 months.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.1 Use of estimates and judgements

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the given circumstances. Revisions to estimates are recognised prospectively.

Management makes estimates and assumptions that relates to the future. Actual results may differ from these estimates. Information about significant areas of estimation uncertainty and critical estimates in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described below.

**Establishing the criteria for ECL calculation** (Note 3 (k) (viii))

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit losses these are:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses, where integral part of models are forward looking information;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses;
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

**Fair values** (Note 3 (k) (vii) and 5)

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

For determination of fair value of treasury bills issued by Ministry of Finance of the Republic of Serbia, which are included in trading book, the Bank applies alternative approach for valuation. Alternative approach implies determination of net present value of discounted future cash flows for related position and exposure, where discounted interest rate is determined as last available/realized interest rate on public auction for treasury bills for the same or similar remaining maturity.

**Contingencies** (Note 3 (v))

For the purpose recognition and measurement of contingencies, the management defines key assumptions about the likelihood and magnitude of an outflow of resources.

## 4. FINANCIAL RISK MANAGEMENT

### a) Introduction and overview

In its business operations, the Bank is or may be exposed to the following types of risks:

- Credit risk, which represents a possibility of occurrence of adverse effects on the Bank's financial result and capital due to a default of the borrower towards the Bank, including the following:
  - Settlement/delivery risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital arising from unsettled transactions or due to non-execution of liabilities of the counterparty against free delivery transactions on the agreed settlement/delivery date;
  - Counterparty risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital arising from the counterparty's failure to fulfil his part of the deal in a transaction before final settlement of cash flows of the transaction;
  - Residual risk, which represents the likelihood of occurrence of adverse effects on the bank's financial result and capital due to the fact that the credit risk mitigation techniques are less efficient than anticipated or their implementation does not have sufficient influence on reduction of risks to which the Bank is exposed;
  - Dilution risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to reduced value of purchased receivables as a result of cash or non-cash liabilities of the former creditor to the debtor;
  - FX component of credit risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to deterioration of the debtor's financial capacity caused by change in foreign exchange rates;
  - Interest rate induced credit risk, which presents the possibility of occurrence of adverse effects on the Bank's financial result and capital due to the deterioration of the borrower's financial ability caused by the change in interest rates;
  - Concentration risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to the concentration of the Bank's exposure towards the same or similar source of risk origination (large exposures, economic sectors, geographic regions, product type etc. and credit mitigation instruments, including currency and maturity mismatch between large exposures and related credit protection instruments).
- Market risks, which represent the possibility of occurrence of adverse effects on the Bank's financial result and capital due to the changes in value of balance sheet and off-balance sheet items of the Bank resulting from the price trends in the market. These risks include:
  - Foreign exchange risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital due to the changes in values of foreign exchange rates;
  - Price risk on debt and equity securities, which represents risk from changes in the value of these securities due to changes of interest rates and includes specific and general price risks:
    - o Specific price risk is risk from change of a security price due to the factors related to its issuer,
    - o General price risk is risk from change of a security price due to change of general levels of interest rates/price of those securities;

## 4. FINANCIAL RISK MANAGEMENT (continued)

### a) Introduction and overview (continued)

- Interest rates risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital as a result of changes in the level of interest rates;
- Liquidity risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital as a result of the bank's inability to fulfil its due liabilities, due to the following:
  - Maturity mismatches between assets and liabilities;
  - Withdrawals of the existing funding sources and/or impossibility to obtain new funding sources (funding liquidity risk);
  - Aggravated conversion of assets into liquid funds due to market disturbances (market liquidity risk);
- Operational risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital due to omissions in the work of employees, inappropriate internal procedures and processes, inadequate management of information and other systems, as well as due to other unforeseeable external events. The definition includes the legal risk and excludes strategic and reputation risks;
- Country risks, which represent the possibility of occurrence of adverse effects on the Bank's financial result and capital as a result of inability to collect receivables from debtors due to the reasons arising from political, economic and social circumstances in the country of origin of that entity, including:
  - Political and economic risk, which implies the possibility of occurrence of losses due to the inability of the Bank to collect receivables as a result of constraints defined by the regulations of government and other authorities of the debtor's home country, as well as general and systemic environment in that country;
  - Transfer risk, which implies the possibility of occurrence of losses due to the inability of the Bank to collect receivables expressed in the currency which is not official currency of the debtor's home country, arising from the constraints in payments of liabilities toward creditors from other countries in certain currency which are defined by the regulations of government and other authorities of the debtor's home country;
- Compliance risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to incompliance of the Bank's operations with laws and other regulations, standards of operations, procedures governing prevention of money laundering and terrorism financing, as well as other enactments governing operations; compliance risk especially includes risk from sanctions imposed by a regulatory body, risk from financial loss, as well as the reputation risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital due to creation of a negative public image that affects market positioning of the Bank;
- The risk of money laundering and terrorist financing is the risk of having adverse effects on the financial result, equity or reputation of the Bank due to the usage of the Bank (direct or indirect usage of the business relationship with the Bank, transactions, services or products of the Bank) for money laundering and/or terrorist financing;
- Strategic risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital 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 the lack of appropriate response by the bank to such changes;
- Investment risks, which include risks of the Bank's investment into other legal entities and fixed assets.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### a) Introduction and overview (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability Committee (ALCO), Credit Committee, as well as Operational Risk Committee and internal control system, which are responsible for developing and monitoring Bank risk management policies in their specified areas.

The Bank's risk management policies are established to identify and analyse the risk faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risk faced by the Bank. The Bank's Audit Committee is assisted in by Internal Audit, Internal Audit undertakes both, regular and ad-hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

#### (i) Risk management in terms of pandemics Covid 19

On March 12, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, Serbian authorities have implemented a number of measures in an attempt to curb the spread and impact of COVID-19, such as travel bans and restrictions, quarantines, restrictions on business activities, including closure. The above measures were gradually relaxed during 2020 and 2021. These measures, among other things, severely limited economic activity in Serbia and had a negative impact, and could continue to negatively affect companies, market participants, the Bank's clients, as well as the Serbian and global economy indefinitely.

In order to mitigate the effects of COVID-19, the Government of the Republic of Serbia and the National Bank of Serbia have adopted a comprehensive package of assistance that is primarily aimed at companies and the population. The Republic of Serbia and the National Bank of Serbia have adopted a comprehensive aid package that is primarily aimed at companies and the population.

The Government of the Republic of Serbia adopted a package of measures which, among other things, included postponing the obligations of companies to pay taxes and contributions on salaries until January 2021, as well as paying them in a maximum of 24 monthly installments after that date. In addition, donations to institutions involved in the fight against COVID-19 are exempt from value added tax. Employees in entrepreneurial shops, micro, small and medium enterprises who applied were paid almost 6 minimum monthly salaries from the Budget of the Republic of Serbia, while employees in large companies were paid slightly more than one minimum monthly salary. Also, companies are enabled to take working capital loans in the total amount of EUR 200 million through the Development Fund, while banks operating in the territory of the Republic of Serbia are enabled to take loans secured by the state guarantee in the total amount of EUR 2 billion. In addition to the above measures, assistance was provided to the most vulnerable sectors. Assistance was also paid to all adult residents of the Republic of Serbia in the amount of 100 euros. The Assembly of Serbia adopted on April 22, 2021. three laws for the implementation of the third package of assistance to citizens and the economy to mitigate the consequences of the coronavirus pandemic. The Law on Determining the Second Guarantee Scheme was adopted as a measure of additional support to the economy, with a change in the deadline for the already determined scheme.

The National Bank of Serbia adopted two decisions obliging banks to allow a delay in repayment of liabilities of individuals and legal entities for a period of 5 to 6 months, whereby the mentioned users of financial services had the opportunity to submit a request not to use this opportunity. In addition, banks are obliged to provide individuals and legal entities that meet certain conditions, ie whose financial position is insignificantly worsened due to COVID-19, will allow refinancing or rescheduling of liabilities using a grace period of at least 6 months. National Bank of Serbia passed a Decision on temporary measures for banks in order to adequately manage credit risk in the conditions of a pandemic (continuation of previous decisions from 2020 which introduced moratoriums on loan repayment)

## 4. FINANCIAL RISK MANAGEMENT (continued)

### a) Introduction and overview (continued)

In order to mitigate the impact of COVID-19 on the liquidity position of banks, the National Bank of Serbia organized additional swap auctions and for the first time conducted quantitative easing. It also reduced the reference interest rate several times during 2020 which remained at the same level throughout 2021.

Moratorium 1 - In accordance with the Decision of the NBS which entered into force on March 18, 2020. year, binding for banks and voluntary for clients. Clients declare that they do not use the benefits from Moratorium 1. The decision defines the postponement of the debtor's obligations for a period of 90 days.

Moratorium 2 - in accordance with the Decision of the NBS, enters into force on 28.07.2020. year, binding for banks and voluntary for clients. Clients declare that they do not use the reliefs from Moratorium 2. The decision defines the postponement of the debtor's obligations for 2 months (installments due in August and September) with the possibility of postponing the installment due but unpaid in June.

Moratorium 3 - in accordance with the Decision of the NBS, enters into force on 14.12.2020. years.

In the Official Gazette No. 150/2020, the National Bank of Serbia adopted a Decision on measures prepared for banks in order to adequately manage credit risk in the context of the COVID-19 pandemic (hereinafter: the Decision) prescribing measures and activities to enable relief to debtors in repayment of obligations. Obligations include obligations of the debtor on the basis of loans and other credit products. The decision obliges banks to enable reprogramming and refinancing of liabilities at the client's request if they meet the defined criteria:

- the debtor is not able to settle its obligations to the bank, i.e. it may have difficulties in settling those obligations due to the COVID-19 pandemic;
- on 29.02.2020, as well as in the period of 12 months before that day, debtor was not in the NPL status, in terms of the decision which regulates the capital adequacy of the bank;
- on 29.02.2020, as well as in the period of 12 months before that day, no receivable from that debtor on the basis of liabilities was classified as a problem loan in the bank.

The special additional conditions defined by the Decision, the debtor must meet, depending on whether it is a individual or legal person, in order to obtain the conditions for obtaining a grace period of six months, during which the bank does not collect principal. The bank calculates the agreed interest attributable to the principal at the end of the grace period. The Decision obliges banks to extend the loan repayment period in such a way that the amount of annuities after the expiration of the grace period, and by the end of the new loan repayment period is not higher than that amount in the period before the application of facilities.

Based on this Decision, during 2021, the Bank received a total of 3,318 requests, of which 2,726 requests were realized (2,515 PI and 211 legal entities). The total number of realized credit parties during 2021. was 2,966.

The share of placements that approved the so-called the third moratorium by the Bank was:

1. 4% in the portfolio of Private Individuals (EUR 21.4 mln),
2. 6% in the portfolio of small and medium enterprises (EUR 10 mln)

In addition, by the end of 2021, the Bank had granted EUR 125 million under the Guarantee Schemes.

The unstable situation caused by the COVID-19 pandemic, as well as the uncertainty of the assessment of the current situation, directed the Bank's management to a more detailed assessment of the risk of future credit losses, and therefore, the Bank took into account new events. For more details on adjusting the impairment model, see note 3 k viii - Post model adjustment.

The consequence of the application of the Moratorium is reflected in the delay in the repayment of loans approved by the Bank in response to the COVID-19 pandemic. The stated delay in loan repayment is treated as a contractual change, since there have been changes in cash flows in the repayment plans of the respective loans. These changes caused the effects of the modification, and their impact on the gross carrying amount (loss due to the modification) is presented in the income statement under Note 9. A more detailed explanation is given in Note 9; 3 (k) iv.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk

In measuring credit risk at the level of borrowers, the Bank assesses the risk of possible losses due to deterioration in the creditworthiness of borrowers. Credit risk represents a possibility of occurrence of adverse effects on the Bank's financial result and capital due to a default of the borrower towards the Bank, including the following:

- Settlement/delivery risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital arising from unsettled transactions or due to non-execution of liabilities of the counterparty against free delivery transactions on the agreed settlement/delivery date;
- Counterparty risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital arising from the counterparty's failure to fulfil his part of the deal in a transaction before final settlement of cash flows of the transaction;
- Residual risk, which represents the likelihood of occurrence of adverse effects on the bank's financial result and capital due to the fact that the credit risk mitigation techniques are less efficient than anticipated or their implementation does not have sufficient influence on reduction of risks to which the Bank is exposed;
- Dilution risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to reduced value of purchased receivables as a result of cash or non-cash liabilities of the former creditor to the debtor;
- FX component of credit risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to deterioration of the debtor's financial capacity caused by change in foreign exchange rates;
- Interest rate induced credit risk, which presents the possibility of occurrence of adverse effects on the Bank's financial result and capital due to the deterioration of the borrower's financial ability caused by the change in interest rates;
- Concentration risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to the concentration of the Bank's exposure towards the same or similar source of risk origination (debtors and/or groups of related debtors, economic sectors, geographic regions, etc.).

The Bank applies the Corporate Rating System which has been developed/harmonized by RBI Group. The corporate Rating system considers quantitative and qualitative parameters for the economic customer rating.

The Corporate Rating system includes following grades:

- 1C - minimal risk;
- 2A, 2B, 2C - excellent credit standing;
- 3A, 3B, 3C - very good credit standing;
- 4A, 4B, 4C - good credit standing;
- 5A, 5B, 5C - sound credit standing;
- 6A, 6B, 6C - acceptable credit standing;
- 7A, 7B, 7C - marginal credit standing;
- 8A, 8B, 8C - weak credit standing;
- 9A, 9B, 9C - very weak credit standing and
- 10 - default/bankruptcy or similar proceedings.

Grade 10 is applied only for clients which are not able to settle their obligations (default).

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Beside Corporate Rating system, separate rating systems are used for small companies, local and administrative bodies, financial institutions, insurance companies, project financing, as well as scoring model for micro and retail clients.

Below is disclosed connection between rating grades for Corporate and SMB clients and level of credit quality, used for disclosure purposes:

Credit quality	High quality	Medium quality	Low quality	Default
Corporate clients	1C - 4C	5A - 7C	8A - 9C	10
Corporate clients (PD range)	0.0003 - 0.00406	0.00549 - 0.06267	0.08513 - 0.52895	1
Financial Institutions	1A - 4C	5A - 7C	8A - 9C	10
Financial Institutions (PD range)	0.0002 - 0.00448	0.00605 - 0.06903	0.0936 - 0.48943	1
SMB	1C - 4C	5A - 7C	8A - 9C	10
SMB (PD range)	0.0003 - 0.00405	0.00551 - 0.06297	0.08529 - 0.48062	1
Project Finance	6.1 - 6.2	6.3	6.4	6.5
Project Finance (PD range)	0.00697 - 0.01516	0.06172	0.21715	1
Insurances	0.5 - 2.5	3.0 - 3.5	4.0 - 4.5	5.0
Insurances (PD range)	0.00039 - 0.00127	0.00282 - 0.00464	0.01327 - 0.08368	1
Sovereign	1C - 4C	5A - 7C	8A - 9C	10
Sovereign (PD range)	0.00028 - 0.00403	0.00547 - 0.06296	0.08545 - 0.39348	1
Micro	0.5 - 2.5	3.0 - 3.5	4.0 - 4.5	5.0
Micro (PD range)	0.0265	0.0340 - 0.0617	0.1297 - 0.3163	1
Private individuals (housing loans, cash loans, visa and visa revolving cards)	0.5 - 2.5	3.0 - 3.5	4.0 - 4.5	5.0
Private individuals (PD range)	0.0026 - 0.0286	0.0340 - 0.0867	0.1055 - 0.3445	1

The Bank manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, and to industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments, Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary. The exposure to any borrower, including banks and brokers is further restricted by sub-limits covering on-and-off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts.

Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Limits defined in the Bank cover all exposures. Entering into transactions where no limits are established is not allowed and every limit excess has to be reported immediately to the relevant body.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

#### Credit-related commitments

Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Bank on behalf of a customer authorizing a third party to thaw drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

The total exposure to credit risk as at 31.12.2021 is presented below:

Bank assets exposed to credit risk					
Balance sheet assets and Off-balance sheet items	Gross exposure	Accumulated allowances for impair- ment / provi- sions	Net exposure	Bank asset not exposed to credit risk	Total
	1	2	3 (1-2)	4	5 (3+4)
Cash and balances with central bank	32,656,439	6	32,656,433	57,961,759	90,618,192
Receivables arising from derivatives	-	-	-	13,669	13,669
Securities	85,157,594	12,385	85,145,209	3,480,030	88,625,239
Loans and receivables to banks and other financial institutions	26,605,448	2,015	26,603,433	-195	26,603,238
Loans and receivables to other customers	223,655,722	6,752,352	216,903,370	-230,930	216,672,440
Receivables from derivatives held for hedging against the risk	-	-	-	586,824	586,824
<b>Balance sheet assets</b>	<b>368,486,878</b>	<b>6,860,080</b>	<b>361,626,798</b>	<b>61,803,335</b>	<b>423,430,133</b>
Issued guaranties and warranties	60,826,444	465,892	60,360,552	-	60,360,552
Contingent liabilities	115,746,612	342,977	115,403,635	3,667,826	119,071,461
<b>Off-balance sheet items</b>	<b>176,573,056</b>	<b>808,869</b>	<b>175,764,187</b>	<b>3,667,826</b>	<b>179,432,013</b>
<b>Total</b>	<b>545,059,934</b>	<b>7,668,949</b>	<b>537,390,985</b>	<b>65,471,161</b>	<b>602,862,146</b>

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

The total exposure to credit risk as at 31.12.2020 is presented below:

Balance sheet assets and Off-balance sheet items (in RSD ths)	Bank assets exposed to credit risk				Total
	Gross exposure	Accumulated allowances for impair- ment / provi- sions	Net exposure	Bank asset not exposed to credit risk	
	1	2	3 (1-2)	4	5 (3+4)
Cash and balances with central bank	29,647,992	8	29,647,984	56,784,111	86,432,095
Receivables arising from derivatives	-	-	-	51,496	51,496
Securities	69,754,784	9,652	69,745,132	597,659	70,342,791
Loans and receivables to banks and other financial institutions	24,620,988	528	24,620,460	(248)	24,620,212
Loans and receivables to other customers	193,496,466	6,383,918	187,112,548	(198,298)	186,914,250
Receivables from de- rivatives held for hedging against the risk	-	-	-	13,211	13,211
Investments in subsidiaries	1,234,622	-	1,234,622	-	1,234,622
Other assets	418,167	85,664	332,503	426,837	759,340
<b>Balance sheet assets</b>	<b>319,173,020</b>	<b>6,479,770</b>	<b>312,693,250</b>	<b>57,674,768</b>	<b>370,368,017</b>
Issued guaranties and war- ranties	55,150,436	389,678	54,760,758	-	54,760,758
Contingent liabilities	100,730,617	478,539	100,252,078	1,337,443	101,589,521
<b>Off-balance sheet items</b>	<b>155,881,053</b>	<b>868,217</b>	<b>155,012,836</b>	<b>1,337,443</b>	<b>159,350,279</b>
<b>Total</b>	<b>475,054,072</b>	<b>7,347,987</b>	<b>467,706,085</b>	<b>59,012,211</b>	<b>525,483,674</b>

Regarding regional exposure, loans and advances and off-balance sheet items are placed almost exclusively on the territory of the Republic of Serbia. The Bank did not lend to the debtors from high-risk areas, so that the Bank is not exposed to concentration risk arising from investments in high-risk countries.

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Transfer of loans and receivables to customers between stages in 2021 is presented below:

	Stage 1	Stage 2	Stage 3	Total
Balance as at 31 December 2020	247,580,770	64,470,441	5,886,291	317,937,502
New loans granted	155,025,297	15,997,581	721,555	171,744,433
Decrease / repayment	(97,288,060)	(21,428,615)	(2,478,382)	(121,195,057)
Transfer from stage 1	(4,063,466)	3,436,261	627,205	-
Transfer from stage 2	10,596,116	(12,076,791)	1,480,675	-
Transfer from stage 3	144,077	276,019	(420,096)	-
Balance as at 31 December 2021	311,994,734	50,674,896	5,817,248	368,486,878

Change in allowance for impairment of loans and receivables to customers between stages in 2021 is presented below:

	Stage 1	Stage 2	Stage 3	Total
Balance as at 31 December 2020	500,922	1,981,856	3,996,992	6,479,770
New loans granted	351,203	1,681,088	1,580,166	3,612,457
Decrease / repayment	(307,149)	(1,027,410)	(1,897,588)	(3,232,147)
Transfer from stage 1	(31,496)	21,377	10,119	-
Transfer from stage 2	20,262	(184,961)	164,699	-
Transfer from stage 3	1,242	21,959	(23,201)	-
Balance as at 31 December 2021	534,984	2,493,909	3,831,187	6,860,080

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Data on sectorial and geographical concentration of balance sheet assets and off-balance sheet items are shown below:

Balance sheet assets 31.12.2021.	Belgrade Region 1			Belgrade Region 2			North Serbia Region			South Serbia Region			Poci	Total unimpaired receivables - Stage 1 & 2	Total impaired receivables - Stage 3	Loans mandatory at FVTPL	Total exposures, gross
	Stage 1*	Stage 2**	Stage 3***	Stage 1*	Stage 2**	Stage 3***	Stage 1*	Stage 2**	Stage 3***	Stage 1*	Stage 2**	Stage 3***					
<b>Retail receivables</b>	<b>15,194,675</b>	<b>9,794,250</b>	<b>1,174,069</b>	<b>11,851,407</b>	<b>8,041,757</b>	<b>974,868</b>	<b>7,273,123</b>	<b>4,529,986</b>	<b>648,644</b>	<b>7,830,315</b>	<b>4,735,020</b>	<b>711,366</b>	<b>209,939</b>	<b>69,252,533</b>	<b>3,508,947</b>	-	<b>72,971,419</b>
Housing loans	6,986,115	4,668,922	254,347	5,970,872	3,682,891	188,278	2,935,696	1,813,404	167,861	2,046,179	1,219,013	62,884	-	29,323,092	673,370	-	29,996,462
Consumer and cash loans	6,815,423	3,525,614	725,202	4,686,063	3,411,099	610,554	3,437,938	2,088,345	341,831	4,404,477	2,744,866	450,604	-	31,113,925	2,128,191	-	33,242,716
Transactional accounts and credit cards	1,283,494	1,024,872	168,123	1,091,203	626,125	167,220	806,568	379,924	125,233	1,264,055	484,047	181,701	-	6,960,288	642,277	-	7,602,565
Other receivables	109,643	576,842	26,397	103,269	321,542	8,816	92,921	248,313	13,719	115,604	287,094	16,177	209,939	1,855,228	65,109	-	2,130,276
<b>Non-retail receivables</b>	<b>42,763,998</b>	<b>2,988,027</b>	<b>345,735</b>	<b>103,827,815</b>	<b>7,652,575</b>	<b>504,042</b>	<b>24,619,038</b>	<b>7,149,370</b>	<b>799,239</b>	<b>16,420,193</b>	<b>5,632,740</b>	<b>536,598</b>	-	<b>211,053,756</b>	<b>2,185,614</b>	-	<b>213,239,370</b>
Agriculture, forestry and fishing	1,761,939	9,711	1,377	1,505,442	165,809	1,281	1,282,314	926,251	20,146	1,369,624	14,708	22,963	-	7,035,798	45,767	-	7,081,565
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	8,742,320	855,217	67,694	12,570,425	1,729,087	205,757	6,052,687	878,909	499,616	5,819,656	3,553,379	405,497	-	40,201,680	1,178,564	-	41,380,244
Electricity, gas, steam and air conditioning supply	8	2	3	18	-	30	5,152	-	-	1	7,191	-	-	12,372	33	-	12,405
Construction	1,792,564	147,950	7,308	1,438,497	3,253,675	13,927	739,218	153,934	4,638	366,135	300,818	1,011	-	8,192,791	26,884	-	8,219,675
Wholesale and retail trade, repair of motor vehicles and motorcycles	16,044,998	658,354	88,481	12,265,800	1,419,871	81,923	9,045,219	4,574,340	47,476	7,295,816	1,097,649	38,606	-	52,402,047	256,486	-	52,658,533
Transporting and storage, Accommodation and food service activities, Information and communication	782,165	917,344	28,250	3,347,403	632,962	106,939	436,102	244,777	31,451	543,518	152,904	20,676	-	7,057,115	187,316	-	7,244,431
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	1,298,747	185,212	70,545	3,891,242	158,004	31,211	1,964,411	82,858	138,951	230,835	20,606	1,269	-	7,831,915	241,976	-	8,073,891
Other	12,341,257	214,237	82,077	68,808,988	293,167	62,974	5,093,935	288,361	56,961	794,608	485,485	46,576	-	88,320,038	248,588	-	88,568,626
<b>Receivables from other clients</b>	<b>65,519,308</b>	<b>23,713</b>	-	<b>16,694,823</b>	<b>171</b>	<b>38,041</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>	-	<b>82,238,048</b>	<b>38,041</b>	-	<b>82,276,089</b>
<b>Total</b>	<b>123,477,981</b>	<b>12,807,990</b>	<b>1,519,804</b>	<b>132,374,045</b>	<b>15,694,503</b>	<b>1,516,951</b>	<b>31,892,179</b>	<b>11,679,356</b>	<b>1,447,883</b>	<b>24,250,523</b>	<b>10,367,760</b>	<b>1,247,964</b>	<b>209,939</b>	<b>362,544,337</b>	<b>5,732,602</b>	-	<b>368,486,878</b>

\* Stage 1 - Unimpaired exposures without significant deterioration of credit risk

\*\* Stage 2 - Unimpaired exposures with significant deterioration of credit risk

\*\*\* Stage 3 - Impaired exposures

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Off-balance sheet items 31.12.2021.	Belgrade Region 1				Belgrade Region 2				North Serbia Region				Poci	Total unimpaired receivables - Stage 1 & 2	Total impaired receivables - Stage 3	Loans mandatory at FVTPL	Total exposures, gross
	Stage 1*	Stage 2**	Stage 3***	Stage 1*	Stage 2**	Stage 3***	Stage 1*	Stage 2**	Stage 3***	Stage 1*	Stage 2**	Stage 3***					
<b>Retail receivables</b>	<b>2,059,193</b>	<b>1,827,087</b>	<b>40,000</b>	<b>1,672,797</b>	<b>1,036,136</b>	<b>28,515</b>	<b>1,287,988</b>	<b>591,689</b>	<b>24,066</b>	<b>1,855,205</b>	<b>672,136</b>	<b>33,240</b>	-	<b>11,002,231</b>	<b>125,821</b>	-	<b>11,128,052</b>
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	2,056,893	1,827,087	40,000	1,671,033	1,004,265	28,515	1,287,988	591,689	24,066	1,854,617	672,136	33,240	-	10,965,708	125,821	-	11,091,529
Other receivables	2,300	-	-	1,764	31,871	-	-	-	-	588	-	-	-	36,523	-	-	36,523
<b>Non-retail receivables</b>	<b>41,322,470</b>	<b>2,264,522</b>	<b>22,308</b>	<b>59,617,038</b>	<b>5,341,804</b>	<b>482,012</b>	<b>25,525,553</b>	<b>1,510,132</b>	<b>548,294</b>	<b>22,061,660</b>	<b>1,134,875</b>	<b>3,976</b>	-	<b>158,778,054</b>	<b>1,056,590</b>	-	<b>159,834,644</b>
Agriculture, forestry and fishing	675,328	2,350	-	36,701	14,797	-	712,460	436,353	-	703,770	1,815	-	-	2,583,574	-	-	2,583,574
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	4,518,392	1,841,628	2,993	13,269,716	2,658,397	107	9,742,041	144,411	545,933	11,634,131	160,188	1,700	-	43,968,304	550,733	-	44,519,037
Electricity, gas, steam and air conditioning supply	-	-	-	41,024	-	-	714	-	-	-	348	-	-	42,086	-	-	42,086
Construction	4,984,920	66,758	-	9,573,023	564,308	47,893	1,781,464	41,824	-	6,253,334	430,316	-	-	23,695,947	47,893	-	23,743,840
Wholesale and retail trade, repair of motor vehicles and motorcycles	25,776,412	170,596	41	14,645,142	1,450,698	432,396	10,296,351	743,698	-	2,913,538	446,530	-	-	56,442,965	432,437	-	56,875,402
Transporting and storage, Accommodation and food service activities, Information and communication	1,056,082	54,447	16,819	6,165,601	402,992	40	34,7773	71,227	312	204,004	37,964	2,000	-	8,340,090	19,171	-	8,359,261
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	3,680,143	115,382	708	4,340,045	119,465	-	133,222	35,777	2,014	128,857	2,153	-	-	8,555,044	2,722	-	8,557,766
Other	631,193	13,361	1,747	11,546,386	131,147	1,576	2,511,528	36,842	35	224,026	55,561	276	-	15,150,044	3,634	-	15,153,678
<b>Receivables from other clients</b>	<b>2,297,474</b>	<b>13,095</b>	<b>-</b>	<b>3,297,162</b>	<b>2,629</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	-	<b>5,610,360</b>	<b>-</b>	-	<b>5,610,360</b>
<b>Total</b>	<b>45,679,137</b>	<b>4,104,704</b>	<b>62,308</b>	<b>64,586,997</b>	<b>6,380,569</b>	<b>510,527</b>	<b>26,815,541</b>	<b>2,101,821</b>	<b>572,360</b>	<b>23,916,865</b>	<b>1,807,011</b>	<b>37,216</b>	-	<b>175,390,645</b>	<b>1,182,411</b>	-	<b>176,573,056</b>

\* Stage 1 - Unimpaired exposures without significant deterioration of credit risk  
\*\* Stage 2 - Unimpaired exposures with significant deterioration of credit risk  
\*\*\* Stage 3 - Impaired exposures

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Balance sheet assets 31.12.2020.	Belgrade Region 1			Belgrade Region 2			North Serbia Region			South Serbia Region			Total unimpaired receivables - Stage 1 & 2	Total impaired receivables - Stage 3	Loans mandatory at FVTPL	Total exposures, gross
	Stage 1*	Stage 2**	Stage 3***	Stage 1*	Stage 2**	Stage 3***	Stage 1*	Stage 2**	Stage 3***	Stage 1*	Stage 2**	Stage 3***				
<b>Retail receivables</b>	<b>13,601,569</b>	<b>9,788,606</b>	<b>999,486</b>	<b>9,790,121</b>	<b>7,723,926</b>	<b>881,102</b>	<b>6,322,761</b>	<b>4,590,045</b>	<b>559,742</b>	<b>6,557,434</b>	<b>4,822,618</b>	<b>649,189</b>	<b>228,320</b>	<b>3,089,520</b>	-	<b>66,514,920</b>
Housing loans	5,849,239	4,458,430	226,741	4,425,933	3,225,173	189,618	2,201,314	1,782,453	126,230	1,420,918	1,159,042	50,768	-	24,522,501	593,357	25,115,858
Consumer and cash loans	6,358,818	3,580,788	565,317	4,148,265	3,439,505	494,250	3,175,462	2,084,162	288,767	3,787,228	2,778,165	381,091	-	29,352,393	1,729,425	31,081,818
Transactional accounts and credit cards	1,258,704	1,079,278	183,654	1,099,101	685,020	179,774	850,645	426,924	129,431	1,223,165	557,995	195,816	-	7180,833	688,675	7,869,508
Other receivables	134,808	670,110	23,774	116,822	374,228	17,460	95,340	296,506	15,314	126,123	327,416	21,514	228,320	2141,353	78,063	2,447,736
<b>Non-retail receivables</b>	<b>23,645,055</b>	<b>7,871,275</b>	<b>284,018</b>	<b>89,314,842</b>	<b>14,611,542</b>	<b>371,311</b>	<b>17,804,993</b>	<b>8,858,309</b>	<b>1,128,972</b>	<b>14,627,868</b>	<b>6,103,818</b>	<b>845,575</b>	-	<b>182,837,705</b>	<b>2,629,877</b>	<b>185,467,582</b>
Agriculture, forestry and fishing	289,035	64,207	28	734,555	240,021	3,283	850,615	2,281,558	22	1,234,975	13,669	23,531	-	5,708,634	26,865	5,735,499
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	6,540,546	2,241,509	96,368	7,726,753	3,115,626	139,149	7,518,341	895,652	629,149	5,034,110	4,086,647	727,989	-	37,179,186	1,592,655	38,771,841
Electricity, gas, steam and air conditioning supply	1	30	2	29	-	16	7,047	-	-	15,392	41	-	-	22,539	18	22,558
Construction	1,287,696	279,598	24,959	1,209,020	3,620,008	5,635	799,025	120,284	188,389	279,067	352,022	75	-	7,946,721	169,059	8,115,780
Wholesale and retail trade; repair of motor vehicles and motorcycles	7,835,225	1,331,359	67,250	13,934,671	3,425,549	83,653	7,006,534	4,749,920	36,106	7,231,895	637,990	15,882	-	46,153,144	202,891	46,356,034
Transporting and storage, Accommodation and food service activities, Information and communication	230,989	1,126,121	3,030	1,582,211	973,657	82,905	373,488	359,232	10,714	181,802	363,313	16,659	-	5,190,813	113,308	5,304,121
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	855,882	451,329	6,477	1,898,267	842,007	18,344	442,170	137,840	173,549	110,253	220,398	5,566	-	4,958,146	203,935	5,162,081
Other	6,585,681	2,377,122	85,904	62,229,336	2,394,674	38,326	80,773	313,823	141,043	540,374	429,738	55,873	-	75,678,522	321,146	75,999,668
<b>Receivables from other clients</b>	<b>50,822,612</b>	<b>784</b>	-	<b>16,329,025</b>	<b>53</b>	<b>38,040</b>	<b>2</b>	-	-	-	-	-	-	<b>67,152,477</b>	<b>38,040</b>	<b>67,190,517</b>
<b>Total</b>	<b>88,069,236</b>	<b>17,660,665</b>	<b>1,283,504</b>	<b>115,433,988</b>	<b>22,335,521</b>	<b>1,290,453</b>	<b>24,127,756</b>	<b>13,448,354</b>	<b>1,688,714</b>	<b>21,185,302</b>	<b>10,926,436</b>	<b>1,494,764</b>	<b>228,320</b>	<b>313,187,262</b>	<b>5,757,437</b>	<b>319,173,020</b>

\* Stage 1 - Unimpaired exposures without significant deterioration of credit risk  
\*\* Stage 2 - Unimpaired exposures with significant deterioration of credit risk  
\*\*\* Stage 3 - Impaired exposures

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Off-balance sheet items 31.12.2020.	Belgrade Region 1			Belgrade Region 2			North Serbia Region			South Serbia Region			Poci	Total unimpaired receivables - Stage 1 & 2	Total impaired receivables - Stage 3	Loans manda- tory at FVTPL	Total exposures, gross
	Stage 1*	Stage 2**	Stage 3***	Stage 1*	Stage 2**	Stage 3***	Stage 1*	Stage 2**	Stage 3***	Stage 1*	Stage 2**	Stage 3***					
<b>Retail receivables</b>	<b>1,993,385</b>	<b>1,848,952</b>	<b>40,894</b>	<b>1,665,792</b>	<b>1,055,135</b>	<b>37,739</b>	<b>1,309,927</b>	<b>604,146</b>	<b>29,784</b>	<b>1,774,990</b>	<b>697,747</b>	<b>38,034</b>	-	-	<b>146,450</b>	-	<b>11,096,524</b>
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	1,992,797	1,848,364	40,894	1,665,792	1,022,677	37,739	1,309,927	604,146	29,784	1,774,990	696,571	38,034	-	-	146,450	-	11,061,714
Other receivables	588	588	-	-	32,458	-	-	-	-	-	1,176	-	-	-	34,810	-	34,810
<b>Non-retail receivables</b>	<b>24,435,074</b>	<b>6,169,152</b>	<b>5,868</b>	<b>57,989,757</b>	<b>11,671,434</b>	<b>539,549</b>	<b>14,374,640</b>	<b>1,473,698</b>	<b>455,916</b>	<b>19,834,749</b>	<b>1,770,644</b>	<b>3,254</b>	-	<b>137,719,153</b>	<b>1,004,587</b>	-	<b>138,723,739</b>
Agriculture, forestry and fishing	390,392	141	-	115,735	274	-	225,623	291,067	-	74,217	4,145	16	-	-	16	-	1,101,610
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	3,346,856	2,710,989	3,269	9,411,194	5,213,502	11,896	8,259,384	325,321	455,333	11,093,383	626,663	200	-	-	470,698	-	41,457,990
Electricity, gas, steam and air conditioning supply	-	-	-	35,449	5,575	-	36	-	-	-	364	-	-	-	-	-	41,423
Construction	3,000,845	84,244	429	9,902,000	1,006,938	47,893	1,440,746	112,498	-	5,785,105	404,576	-	-	-	48,322	-	21,785,275
Wholesale and retail trade, repair of motor vehicles and motorcycles	13,397,219	2,848,925	1,810	20,721,302	3,783,040	479,309	3,846,277	509,259	-	2,460,422	504,306	400	-	-	481,519	-	48,552,269
Transporting and storage, Accommodation and food service activities, Information and communication	710,982	331,326	-	5,553,649	381,396	-	124,474	148,139	574	87,151	137,505	2,287	-	-	2,861	-	7,477,484
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	2,972,251	170,574	265	3,059,706	148,105	-	393,082	54,498	-	81,608	41,089	-	-	-	265	-	6,921,180
Other	616,529	22,953	95	9,190,722	1,132,604	451	85,018	32,916	9	252,863	51,996	351	-	-	906	-	11,386,508
<b>Receivables from other clients</b>	<b>2,265,336</b>	<b>35,987</b>	<b>-</b>	<b>3,756,719</b>	<b>2,747</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	-	<b>6,060,790</b>	<b>-</b>	-	<b>6,060,790</b>
<b>Total</b>	<b>28,693,795</b>	<b>8,054,091</b>	<b>46,762</b>	<b>63,412,268</b>	<b>12,729,316</b>	<b>577,288</b>	<b>15,684,567</b>	<b>2,077,844</b>	<b>485,700</b>	<b>21,609,739</b>	<b>2,468,391</b>	<b>41,288</b>	-	<b>154,730,017</b>	<b>1,151,037</b>	-	<b>155,881,053</b>

\* Stage 1 - Unimpaired exposures without significant deterioration of credit risk

\*\* Stage 2 - Unimpaired exposures with significant deterioration of credit risk

\*\*\* Stage 3 - Impaired exposures

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Sector concentration, including information on the structure of NPLs is shown below. Under the non performing receivables, the Bank considers receivables from debtors who meet some of the "default" indicators, stated below in the table "Default Indicators" (according to the internal directives of RBI Group). Data on problematic balance sheet assets and off-balance sheet items are shown below:

Balance sheet assets 31.12.2021.	Total exposures, gross	Accumulated allowances for impairment	Impaired (stage 3) exposures, gross			Accumulated allowances for impairment of impaired (stage 3) exposures	Impaired (stage 3) exposures in %	Collateral value for impaired (stage 3) exposures*
			1	2	3	4		
<b>Retail receivables</b>	<b>72,971,420</b>	<b>3,314,643</b>			<b>3,508,947</b>	<b>212,648</b>	<b>6 (1/3)</b>	<b>7</b>
Housing loans	29,996,461	697,813			673,371	133,163		480,625
Consumer and cash loans	33,242,117	1,797,792			2,128,191	75,989		444,882
Transactional accounts and credit cards	7,602,566	661,152			642,278	-		5,262
Other receivables	2,130,276	157,886			65,107	3,496		1,049
<b>Non-retail receivables</b>	<b>213,239,370</b>	<b>3,496,703</b>			<b>2,185,614</b>	<b>1,086,283</b>	<b>3.1</b>	<b>29,432</b>
Agriculture, forestry and fishing	7,081,565	61,879			45,768	20,896		<b>760,363</b>
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	41,380,244	1,470,964			1,178,564	922,636		21,367
Electricity, gas, steam and air conditioning supply	12,406	33			34	-		447,271
Construction	8,219,675	748,332			26,885	8,086		-
Wholesale and retail trade, repair of motor vehicles and motorcycles	52,658,533	384,363			256,486	61,036		4,743
Transporting and storage, Accommodation and food service activities, Information and communication	7,244,430	329,900			187,316	64,024		29,461
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	8,073,891	179,403			241,976	3,381		60,171
Other	88,568,626	321,829			248,585	6,224		159,387
<b>Receivables from other clients</b>	<b>82,276,088</b>	<b>48,734</b>			<b>38,041</b>	<b>-</b>	<b>0.3</b>	<b>37,963</b>
<b>Total</b>	<b>368,486,878</b>	<b>6,860,080</b>			<b>5,732,602</b>	<b>1,298,931</b>	<b>1.6</b>	<b>1,240,988</b>

\* Weighted Collateral Value Up to Gross Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Off-balance sheet items 31.12.2021.	Total exposures, gross	Accumulated allowances for impairment	Impaired (stage 3) exposures, gross		Accumulated allowances for impairment of impaired (stage 3) exposures	Impaired (stage 3) exposures in %	Collateral value for impaired (stage 3) exposures*
				Out of which: forborne exposures			
	1	2	3	4	5	6 (1/3)	7
<b>Retail receivables</b>	<b>11,128,053</b>	<b>151,190</b>	<b>125,822</b>	-	<b>77,404</b>	<b>1,1</b>	<b>370</b>
Housing loans	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-
Transactional accounts and credit cards	11,091,530	142,667	125,822	-	77,404	1,1	370
Other receivables	36,523	8,523	-	-	-	-	-
<b>Non-retail receivables</b>	<b>159,834,643</b>	<b>655,768</b>	<b>1,056,589</b>	<b>142,880</b>	<b>402,601</b>	<b>0,7</b>	<b>315,126</b>
Agriculture, forestry and fishing	2,583,575	5,099	-	-	-	-	-
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	44,519,035	166,152	550,732	140,594	67,512	1,2	131,628
Electricity, gas, steam and air conditioning supply	42,086	46	-	-	-	-	-
Construction	23,743,841	73,200	47,893	-	40,894	0,2	20,856
Wholesale and retail trade, repair of motor vehicles and motorcycles	56,875,401	350,622	432,437	2,286	286,875	0,8	162,642
Transporting and storage, Accommodation and food service activities, Information and communication	8,359,260	25,407	19,170	-	4,736	0,2	-
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	8,557,766	20,413	2,722	-	209	-	-
Other	15,153,679	14,829	3,635	-	2,375	-	-
<b>Receivables from other clients</b>	<b>5,610,360</b>	<b>1,911</b>	-	-	-	-	-
<b>Total</b>	<b>176,573,056</b>	<b>808,869</b>	<b>1,182,411</b>	<b>142,880</b>	<b>480,005</b>	<b>0,7</b>	<b>315,496</b>

\* Weighted Collateral Value Up to Gross Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Balance sheet assets 31.12.2020.	Total exposures, gross	Accumulated allowances for impairment	Impaired (stage 3) exposures, gross				Accumulated allowances for impairment of impaired (stage 3) exposures	Impaired (stage 3) exposures in %	Collateral value for impaired (stage 3) exposures*
					Out of which: forborne exposures				
	1	2	3	4		5	6 (1/3)	7	
<b>Retail receivables</b>	<b>66,514,920</b>	<b>3,306,498</b>	<b>3,218,375</b>	<b>278,326</b>		<b>1,999,977</b>	<b>4,8</b>	<b>522,574</b>	
Housing loans	25,115,858	648,115	593,357	156,560		329,798	-	415,464	
Consumer and cash loans	31,081,818	1,786,983	1,729,425	6,7176		1,070,979	-	3,546	
Transactional accounts and credit cards	7,869,508	690,846	688,675	-		516,652	-	1,553	
Other receivables	2,447,736	180,554	206,918	54,590		82,548	-	102,011	
<b>Non-retail receivables</b>	<b>185,467,582</b>	<b>3,138,217</b>	<b>2,629,876</b>	<b>1,329,121</b>		<b>1,962,598</b>	<b>1,4</b>	<b>754,242</b>	
Agriculture, forestry and fishing	5,735,499	77,672	26,865	21,512		20,171	-	19,148	
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	38,771,941	1,578,947	1,592,655	1,083,973		1,229,869	-	376,927	
Electricity, gas, steam and air conditioning supply	22,558	161	18	-		11	-	-	
Construction	8,115,780	302,460	169,059	138,756		131,844	-	67,782	
Wholesale and retail trade, repair of motor vehicles and motorcycles	46,356,034	396,812	202,891	42,017		159,242	-	30,297	
Transporting and storage, Accommodation and food service activities, Information and communication	5,304,121	241,092	113,308	35,972		89,005	-	25,404	
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	5,162,081	160,452	203,934	4,101		91,152	-	177,122	
Other	75,999,668	380,621	321,146	2,790		241,304	-	57,562	
<b>Receivables from other clients</b>	<b>67,190,517</b>	<b>35,056</b>	<b>38,040</b>	<b>-</b>		<b>34,417</b>	<b>-</b>	<b>-</b>	
<b>Total</b>	<b>319,173,020</b>	<b>6,479,770</b>	<b>5,886,291</b>	<b>1,607,447</b>		<b>3,996,992</b>	<b>1,8</b>	<b>1,276,816</b>	

\* Weighted Collateral Value Up to Gross Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Off-balance sheet items 31.12.2020.	Total exposures, gross	Accumulated allowances for impairment	Impaired (stage 3) exposures, gross		Accumulated allowances for impairment of impaired (stage 3) exposures	Impaired (stage 3) exposures in %	Collateral value for impaired (stage 3) exposures*
				Out of which: forborne exposures			
	1	2	3	4	5	6 (1/3)	7
<b>Retail receivables</b>	<b>11,096,524</b>	<b>158,042</b>	<b>146,450</b>	-	<b>85,296</b>	<b>1,3</b>	<b>480</b>
Housing loans	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-
Transactional accounts and credit cards	11,061,714	150,033	146,450	-	85,296	-	480
Other receivables	34,810	8,009	-	-	-	-	-
<b>Non-retail receivables</b>	<b>138,723,739</b>	<b>709,259</b>	<b>1,004,587</b>	<b>2,673</b>	<b>293,667</b>	<b>0,7</b>	<b>659,852</b>
Agriculture, forestry and fishing	1,101,610	5,338	16	-	-	-	16
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	41,457,990	234,975	470,698	2,673	61,841	-	168,887
Electricity, gas, steam and air conditioning supply	41,423	76	-	-	-	-	-
Construction	21,785,275	99,894	48,322	-	40,139	-	20,855
Wholesale and retail trade, repair of motor vehicles and motorcycles	48,552,269	310,386	481,519	-	189,167	-	470,094
Transporting and storage, Accommodation and food service activities, Information and communication	7,477,484	27,317	2,861	-	1,757	-	-
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	6,921,180	13,260	265	-	210	-	-
Other	11,386,508	18,013	906	-	553	-	-
<b>Receivables from other clients</b>	<b>6,060,790</b>	<b>916</b>	-	-	-	-	-
<b>Total</b>	<b>155,881,053</b>	<b>868,217</b>	<b>1,151,037</b>	<b>2,673</b>	<b>378,963</b>	<b>0,7</b>	<b>660,332</b>

\* Weighted Collateral Value Up to Gross Exposure Amount

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

#### *Post-model adjustments*

"Post-model adjustments (based on IFRS 9.B5.5.16 an EBA/GL/2017/06) to expected credit loss allowance estimates are adjustments which are used in circumstances where existing inputs, assumptions and model techniques do not capture all relevant risk factors. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parameters, internal risk rating migrations or forward-looking information are examples of such circumstances. RBI Group units should use post-model adjustments to allowances for expected credit losses only as an interim solution. The following factors are legitimate reasons to use post-model adjustments as an interim solution:

- Transient circumstances (e.g. natural disasters, diseases, armed conflicts);
- Insufficient time to appropriately incorporate relevant new information into the existing credit risk rating and modelling process which has materialized but is not yet in the model;
- Re-segmentation of existing groups of lending exposures where updates of parameters take more time to incorporate effect;
- When lending exposures within a group of lending exposures react to factors or events differently than initially expected.

Corporate and SMB clients are included in selected portfolio if following criteria are fulfilled (both of them):

- Criterium 1: Clients accepted Moratorium III;
- Criterium 2: CRS status is Workout.

The bank assessed these customers as the ones where losses are expected, but it is still not possible to identify individual customers' defaults (criteria for individual stage 3 impairments are not met). Stage 1&2 provisions underestimate expected losses for this group of customers as assigned probability of defaults are based on historical data that do not fully reflect current situation while days past due are distorted due to moratoria measures.

Client will be excluded from selected portfolio:

- Materializing of Stage 3 in selected portfolio;
- One year has expired from PLC approval;
- COVID crises is over.

The quantification of Post-model adjustment on Profit and loss is presented as follows:

	2021	2020
Retail receivables	400,715	586,811
Non retail receivables	1,128,792	621,871
<b>Total</b>	<b>1,529,507</b>	<b>1,208,682</b>

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

#### *Sensitivity analysis*

The most significant assumptions affecting the expected credit loss allowance are as follows:

- Corporate portfolios;
  - Gross domestic product;
  - Unemployment rate;
  - Long term government bond rate;
  - Inflation rate;
- Retail portfolios;
  - Gross domestic product;
  - Unemployment rate;
  - Real estate prices.

In addition, in order to incorporate forward looking information, the Bank developed the “credit clock” approach, which is used to identify the current position in a credit cycle as well as a trend. Depending on the current position of EBITDA and Net debt over a median and a trend, the credit clock delivers a risk assessment (low, medium, high). Based on the assessment on the position in a credit cycle, parameters are adjusted, but only for these variations which are not explained by macroeconomic model (to avoid double counting with respect to the macro model) and only if these adjustments improve macro model performance.

Data on gross and net balance sheet assets and off-balance sheet exposures to credit risk by sectors and categories of exposure, according to the method of impairment determination and the value of collateral are shown below in the table below:

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Balance sheet assets 31.12.2021.	Unimpaired (stage 1&2)		Impaired (stage 3)	POCI	Measured at FVTPL	Accumulated allowances for impairment			Collateral Value*		
	Without significant deterioration of credit risk	Significant deterioration of credit risk				Total exposures, gross	Individually estimated	Collectively estimated	Total exposures, net	Securing unimpaired exposures	Securing impaired exposures
By sector											
Retail receivables	42,149,521	27,103,011	3,508,948	209,939	-	72,971,419	2,145,795	1,168,848	69,656,776	22,834,264	533,637
Housing loans	17,938,861	11,384,229	673,371	-	-	29,996,461	333,837	363,976	29,298,648	21,257,476	444,882
Consumer and cash loans	19,343,902	11,770,024	2,128,191	-	-	33,242,117	1,234,928	562,864	31,444,325	34,766	5,262
Transactional accounts and credit cards	4,445,321	2,514,967	642,278	-	-	7,602,566	498,649	162,502	6,941,414	24,604	1,049
Other receivables	421,437	1,433,791	65,108	209,939	-	2,130,275	78,381	79,506	1,972,389	1,517,418	82,444
Non-retail receivables	187,631,049	23,422,709	2,185,613	-	-	213,239,371	1,650,976	1,845,727	209,742,668	74,845,236	760,363
Large enterprises	108,603,886	16,923,543	1,122,944	-	-	126,650,393	848,736	1,523,242	124,278,415	38,180,383	516,188
Small and medium-sized enterprises	12,384,758	2,943,204	655,210	-	-	15,983,172	495,558	81,424	15,406,190	4,609,835	216,463
Micro enterprises and entrepreneurs	4,124,172	3,555,770	407,439	-	-	8,087,381	306,682	240,907	7,539,792	1,363,458	27,712
Financial institutions	62,518,233	192	-	-	-	62,518,425	-	154	62,518,271	30,691,560	-
Other	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	82,214,164	23,883	38,041	-	-	82,276,088	34,416	14,318	82,227,354	-	-
Total	311,994,734	50,549,603	5,732,602	209,939	-	368,486,878	3,831,187	3,028,893	361,626,798	97,679,500	1,294,000
By category of receivables											
Performing exposures	311,994,734	50,549,603	-	125,293	-	362,669,630	-	3,028,893	359,640,737	97,679,500	-
Out of which: forborne	51,141	395,115	-	47,617	-	493,873	-	19,689	474,184	245,795	-
Non-performing exposures	-	-	5,732,602	84,646	-	5,817,248	3,831,187	-	1,986,061	-	1,294,000
Out of which: forborne	-	-	1,298,931	41,778	-	1,340,709	1,031,768	-	308,942	-	580,844
Total	311,994,734	50,549,603	5,732,602	209,939	-	368,486,878	3,831,187	3,028,893	361,626,798	97,679,500	1,294,000

\* Weighted Collateral Value Up to Gross Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Off-balance sheet items 31.12.2021.	Unimpaired (stage 1&2)		Impaired (stage 3)	POCI	Measured at FVTPL	Accumulated allowances for impairment			Collateral Value		
	Without significant deterioration of credit risk	Significant deterioration of credit risk				Total exposures, gross	Individually estimated	Collectively estimated	Total exposures, net	Securing unimpaired exposures	Securing impaired exposures
By sector											
Retail receivables	6,875,183	4,127,048	125,822	-	-	11,128,053	77,404	73,786	10,976,863	94,339	370
Housing loans	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	6,870,531	4,095,177	125,822	-	-	11,091,530	77,404	65,263	10,948,863	60,092	370
Other receivables	4,652	31,871	-	-	-	36,523	-	8,523	28,000	34,247	-
Non-retail receivables	148,526,722	10,251,332	1,056,589	-	-	159,834,643	402,600	253,170	159,178,875	47,029,329	315,126
Large enterprises	133,582,550	8,924,881	1,027,341	-	-	143,534,772	387,113	205,150	142,942,509	38,827,635	303,368
Small and medium-sized enterprises	5,606,901	661,636	18,351	-	-	6,286,888	8,444	9,881	6,268,564	839,660	11,758
Micro enterprises and entrepreneurs	1,007,949	599,607	10,897	-	-	1,618,453	7,043	38,071	1,573,339	170,564	-
Financial institutions	8,329,322	65,208	-	-	-	8,394,530	-	68	8,394,463	7,191,470	-
Other	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	5,594,636	15,724	-	-	-	5,610,360	-	1,909	5,608,449	-	-
Total	160,996,541	14,394,104	1,182,411	-	-	176,573,056	480,004	328,865	175,764,187	47,123,668	315,496
By category of receivables											
Performing exposures	160,996,541	14,394,104	-	-	-	175,390,645	-	328,865	175,061,780	47,123,668	-
Out of which: forborne	-	9	-	-	-	9	-	-	9	-	-
Non-performing exposures	-	-	1,182,411	-	-	1,182,411	480,004	-	702,407	-	315,496
Out of which: forborne	-	-	142,880	-	-	142,880	-	-	142,880	-	-
Total	160,996,541	14,394,104	1,182,411	-	-	176,573,056	480,004	328,865	175,764,187	47,123,668	315,496

\* Weighted Collateral Value Up to Gross Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Balance sheet assets 31.12.2020.	Unimpaired (stage 1&2)		Impaired (stage 3)	POCI	Measured at FVTPL	Total exposures, gross		Accumulated allowances for impairment		Total exposures, net		Collateral Value*	
	Without significant deterioration of credit risk	Significant deterioration of credit risk						Individually estimated	Collectively estimated			Securing unimpaired exposures	Securing impaired exposures
By sector													
Retail receivables	36,271,886	26,925,194	3,089,520	228,320	-	66,514,920	1,999,977	1,306,519	63,208,422	21,987,750	522,574		
Housing loans	13,897,404	10,625,098	593,357	-	-	25,115,858	329,798	318,316	24,467,743	20,117,888	415,464		
Consumer and cash loans	17,469,773	11,882,620	1,729,425	-	-	31,081,818	1,070,979	716,003	29,294,835	29,350	3,546		
Transactional accounts and credit cards	4,431,616	2,749,217	688,675	-	-	7,869,508	516,652	174,194	7,178,662	23,291	1,553		
Other receivables	473,093	1,668,259	78,063	228,320	-	2,447,736	82,548	98,006	2,267,182	1,817,221	102,011		
Non-retail receivables	145,392,761	37,444,945	2,629,877	-	-	185,467,583	1,962,598	1,175,621	182,329,364	60,142,681	754,242		
Large enterprises	74,295,298	28,843,790	1,900,572	-	-	105,039,660	1,412,243	769,159	102,858,258	33,527,119	580,044		
Small and medium-sized enterprises	8,779,879	4,727,149	371,434	-	-	13,878,462	291,963	204,064	13,382,435	4,205,285	135,250		
Micro enterprises and entrepreneurs	2,780,130	3,874,006	357,871	-	-	7,012,007	258,392	192,710	6,560,905	1,073,661	38,948		
Financial institutions	59,537,454	-	-	-	-	59,537,454	-	9,688	59,527,766	21,336,616	-		
Other	-	-	-	-	-	-	-	-	-	-	-		
Receivables from other clients	67,151,639	837	38,040	-	-	67,190,517	34,417	639	67,155,461	-	-		
Total	248,816,287	64,370,976	5,757,436	228,320	-	319,173,020	3,996,992	2,482,779	312,693,250	82,130,430	1,276,815		
By category of receivables													
Performing exposures	248,815,391	64,370,976	133,079	119,666	-	313,439,112	9,252	2,482,780	310,947,080	82,130,430	57,518		
Out of which: forbore	92,491	473,795	3,838	53,221	-	623,344	749	34,659	587,936	312,329	4,660		
Non-performing exposures	896	-	5,624,357	108,654	-	5,733,907	3,987,740	-	1,746,167	-	1,219,297		
Out of which: forbore	896	-	1,555,158	42,940	-	1,598,994	1,326,932	-	272,062	-	377,179		
Total	248,816,287	64,370,976	5,757,436	228,320	-	319,173,020	3,996,992	2,482,779	312,693,250	82,130,430	1,276,815		

\* Weighted Collateral Value Up to Gross Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Off-balance sheet items 31.12.2020.	Unimpaired (stage 1&2)		Impaired (stage 3)	POCI	Measured at FVTPL	Accumulated allowances for impairment			Collateral Value		
	Without significant deterioration of credit risk	Significant deterioration of credit risk				Total exposures, gross	Individually estimated	Collectively estimated	Total exposures, net	Securing unimpaired exposures	Securing impaired exposures
By sector											
Retail receivables	6,744,094	4,205,980	146,450	-	-	11,096,524	85,296	72,746	10,938,482	89,973	480
Housing loans	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	6,743,506	4,171,758	146,450	-	-	11,061,714	85,296	64,737	10,911,681	57,438	480
Other receivables	588	34,222	-	-	-	34,810	-	8,009	26,801	32,535	-
Non-retail receivables	116,634,223	21,084,930	1,004,587	-	-	138,723,739	293,668	415,591	138,014,480	36,377,077	659,852
Large enterprises	103,276,507	18,931,038	982,140	-	-	123,189,685	280,517	363,641	122,545,527	28,533,940	648,078
Small and medium-sized enterprises	4,664,074	1,315,337	15,960	-	-	5,995,371	8,900	16,437	5,970,034	936,766	11,774
Micro enterprises and entrepreneurs	902,741	666,939	6,487	-	-	1,576,166	4,251	35,023	1,536,892	111,352	-
Financial institutions	7,790,901	171,616	-	-	-	7,962,517	-	490	7,962,027	6,795,019	-
Other	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	6,022,056	38,734	-	-	-	6,060,790	-	916	6,059,874	-	-
Total	129,400,373	25,329,644	1,151,037	-	-	155,881,053	378,964	489,253	155,012,836	36,467,050	660,332
By category of receivables											
Performing exposures	129,400,373	25,329,644	10,123	-	-	154,740,139	82	489,253	154,250,804	36,467,049	365
Out of which: forborne	8,405	251,477	-	-	-	259,882	-	13,132	246,750	36,603	-
Non-performing exposures	-	-	1,140,915	-	-	1,140,915	378,882	-	762,033	-	659,967
Out of which: forborne	-	-	2,673	-	-	2,673	-	-	2,673	-	-
Total	129,400,373	25,329,644	1,151,038	-	-	155,881,054	378,964	489,253	155,012,837	36,467,049	660,332

\* Weighted Collateral Value Up to Gross Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Data on exposure to credit risk by sectors and categories of claims, according to the impairment status and number of days of delay are shown below:

Balance sheet assets 31.12.2021.	Unimpaired exposures (stage 1 & 2) – past due status					Impaired exposures (stage 3) – past due status					Measured at FVTPL	Total unimpaired exposures (stage 1&2)	Total impaired exposures (stage 3)	Total exposures, gross	
	Not past due	Up to 30 days	31 – 60 days	61 – 90 days	Over 90 days	Not past due	Up to 90 days	91 – 180 days	181 – 360 days	Over 360 days					
By sector															
Retail receivables	49,023,552	19,216,075	826,080	177,930	8,898	411,493	1,486,830	400,636	325,593	884,396	209,939	-	69,252,535	3,508,948	72,971,422
Housing loans	23,620,193	5,521,874	140,161	37,321	3,542	170,824	394,239	52,344	11,727	44,236	-	-	29,323,091	673,370	29,996,461
Consumer and cash loans	19,214,836	11,235,220	550,146	111,613	2,111	172,461	905,452	272,705	229,580	547,994	-	-	31,113,926	2,128,192	33,242,118
Transactional accounts and credit cards	5,133,519	1,692,722	108,474	25,242	332	34,797	164,699	66,350	84,274	292,157	-	-	6,960,289	642,277	7,602,566
Other receivables	1,055,004	766,259	27,299	3,754	2,913	33,411	22,440	9,237	12	9	209,939	-	1,855,229	65,109	2,130,277
Non-retail receivables	206,657,001	4,253,955	120,807	21,866	129	1,250,384	437,024	119,711	79,837	298,657	-	-	211,053,758	2,185,613	213,239,371
Large enterprises	125,459,441	57,234	10,754	-	-	1,025,737	81,150	-	15,964	112	-	-	125,527,429	1,122,963	126,650,392
Small and medium-sized enterprises	14,942,216	342,221	43,525	-	-	209,218	253,517	57,232	43,592	91,652	-	-	15,327,962	655,211	15,983,173
Micro enterprises and entrepreneurs	3,744,635	3,847,104	66,208	21,866	129	15,429	102,357	62,479	20,281	206,893	-	-	7,679,942	407,439	8,087,381
Financial institutions	62,510,709	7,396	320	-	-	-	-	-	-	-	-	-	62,518,425	-	62,518,425
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	82,238,044	-	-	-	-	38,041	-	-	-	-	-	-	82,238,044	38,041	82,276,085
Total	337,918,597	23,470,030	946,887	199,796	9,027	1,699,918	1,923,854	520,347	405,430	1,183,053	209,939	-	362,544,337	5,732,602	368,486,878
By category of receivables															
Performing exposures	337,918,597	23,470,030	946,887	199,796	9,027	-	-	-	-	-	125,293	-	362,544,337	-	362,669,630
Out of which: forborne	275,532	143,092	27,312	319	-	-	-	-	-	-	47,617	-	446,255	-	493,872
Non-performing exposures	-	-	-	-	-	1,699,918	1,923,854	520,347	405,430	1,183,053	84,646	-	-	5,732,602	5,817,248
Out of which: forborne	-	-	-	-	-	935,502	246,722	30,927	11,804	73,976	41,778	-	-	1,298,931	1,340,709
Total	337,918,597	23,470,030	946,887	199,796	9,027	1,699,918	1,923,854	520,347	405,430	1,183,053	209,939	-	362,544,337	5,732,602	368,486,878

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Off-balance sheet items 31.12.2021.	Unimpaired exposures (stage 1 & 2) – past due status					Impaired exposures (stage 3) – past due status				POCI	Measured at FVTPL	Total unimpaired exposures (stage 1&2)	Total impaired exposures (stage 3)	Total exposures, gross
	Not past due	Up to 30 days	31 - 60 days	61 - 90 days	Over 90 days	Not past due	Up to 90 days	91 - 180 days	181 - 360 days	Over 360 days				
By sector														
Retail receivables	10,055,160	866,949	64,823	15,196	104	49,622	61,233	14,967	-	-	-	11,002,232	125,822	11,128,054
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	10,018,637	866,949	64,823	15,196	104	49,622	61,233	14,967	-	-	-	10,965,709	125,822	11,091,531
Other receivables	36,523	-	-	-	-	-	-	-	-	-	-	36,523	-	36,523
Non-retail receivables	142,261,246	16,480,119	36,689	-	-	1,000,655	53,497	499	246	1,692	-	158,778,054	1,056,589	159,834,643
Large enterprises	127,715,434	14,791,997	-	-	-	989,532	37,810	-	-	-	-	142,507,431	1,027,342	143,534,773
Small and medium-sized enterprises	6,197,413	70,240	884	-	-	3,214	14,392	499	246	-	-	6,268,537	18,351	6,286,888
Micro enterprises and entrepreneurs	1,311,832	295,646	78	-	-	7,909	1,295	-	-	1,692	-	1,607,556	10,896	1,618,452
Financial institutions	7,036,567	1,322,236	35,727	-	-	-	-	-	-	-	-	8,394,530	-	8,394,530
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	5,610,359	-	-	-	-	-	-	-	-	-	-	5,610,359	-	5,610,359
Total	157,926,765	17,347,068	101,512	15,196	104	1,050,277	114,730	15,466	246	1,692	-	175,390,645	1,182,411	176,573,056
By category of receivables														
Performing exposures	157,926,765	17,347,068	101,512	15,196	104	-	-	-	-	-	-	175,390,645	-	175,390,645
Out of which: forbore	9	-	-	-	-	-	-	-	-	-	-	9	-	9
Non-performing exposures	-	-	-	-	-	1,050,277	114,730	15,466	246	1,692	-	-	1,182,411	1,182,411
Out of which: forbore	-	-	-	-	-	131,784	11,096	-	-	-	-	-	142,880	142,880
Total	157,926,765	17,347,068	101,512	15,196	104	1,050,277	114,730	15,466	246	1,692	-	175,390,645	1,182,411	176,573,056

\* Delays are calculated according to the Bank's methodology

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Data on exposure to credit risk by sectors and categories of claims, according to the impairment status and number of days of delay are shown below:

Balance sheet assets 31.12.2020.	Unimpaired exposures (stage 1 & 2) – past due status					Impaired exposures (stage 3) – past due status					POCI	Measured at FVTPL	Total unimpaired exposures (stage 1&2)	Total impaired exposures (stage 3)	Total exposures, gross	
	Not past due	Up to 30 days	31 – 60 days	61 - 90 days	Over 90 days	Not past due	Up to 90 days	91 - 180 days	181 - 360 days	Over 360 days						
By sector																
Retail receivables	42,942,541	18,744,905	1,157,442	298,864	53,329	286,505	1,279,600	492,308	152,106	879,002	228,320	-	63,197,080	3,089,520	66,514,920	
Housing loans	19,386,651	4,865,723	186,814	38,266	45,047	126,574	366,137	60,653	4,478	35,515	-	-	24,522,501	593,357	25,115,858	
Consumer and cash loans	17,606,955	10,837,161	721,374	182,551	4,352	105,105	687,099	265,837	89,581	581,804	-	-	29,352,393	1,729,425	31,081,818	
Transactional accounts and credit cards	4,785,958	2,115,428	206,095	69,478	3,875	31,465	180,627	164,101	56,644	255,838	-	-	7,180,833	688,675	7,869,508	
Other receivables	1,162,977	926,593	43,159	8,569	55	23,361	45,737	1,717	1,403	5,845	228,320	-	2,141,353	78,063	2,447,736	
Non-retail receivables	133,178,327	48,790,616	830,892	36,879	993	1,533,462	450,266	41,578	88,952	515,620	-	-	182,837,706	2,629,877	185,467,583	
Large enterprises	101,860,462	520,256	757,474	-	896	1,384,116	259,719	112	9,875	246,751	-	-	103,139,088	1,900,572	105,039,660	
Small and medium-sized enterprises	13,446,616	45,669	14,743	-	-	109,970	125,989	2,091	21,337	112,047	-	-	13,507,028	371,434	13,878,462	
Micro enterprises and entrepreneurs	2,983,073	3,575,413	58,675	36,879	97	39,376	64,558	39,375	57,740	156,822	-	-	6,654,136	357,871	7,012,007	
Financial institutions	14,888,176	44,649,278	-	-	-	-	-	-	-	-	-	-	59,537,454	-	59,537,454	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Receivables from other clients	67,152,477	-	-	-	-	38,040	-	-	-	-	-	-	67,152,477	38,040	67,190,517	
Total	243,273,345	67,535,521	1,988,334	335,743	54,322	1,858,007	1,729,866	533,886	241,058	1,394,622	228,320	-	313,187,263	5,757,436	319,173,020	
By category of receivables																
Performing exposures	243,272,002	67,535,455	1,987,980	335,741	53,873	1,152,374	347,905	50,841	37,694	207,457	162,606	-	313,185,051	1,796,270	315,143,927	
Out of which: forborne	262,978	274,442	18,412	532	10,817	1,043,914	245,713	42,855	33,516	192,998	96,161	-	567,181	1,558,996	2,222,338	
Non-performing exposures	1,342	66	353	2	449	705,632	1,381,961	483,045	203,362	1,187,166	65,714	-	2,212	3,961,167	4,029,092	
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	243,273,345	67,535,521	1,988,334	335,743	54,322	1,858,007	1,729,866	533,886	241,058	1,394,622	228,320	-	313,187,263	5,757,436	319,173,020	

\* Delays are calculated according to the Bank's methodology

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Off-balance sheet items 31.12.2020.	Unimpaired exposures (stage 1 & 2) – past due status					Impaired exposures (stage 3) – past due status				POCI	Measured at FVTPL	Total unimpaired exposures (stage 1&2)	Total impaired exposures (stage 3)	Total exposures, gross
	Not past due	Up to 30 days	31 - 60 days	61 - 90 days	Over 90 days	Not past due	Up to 90 days	91 - 180 days	181 - 360 days	Over 360 days				
By sector														
Retail receivables	9,797,821	1,013,235	115,071	20,340	3,606	49,277	55,590	41,583	-	-	-	10,950,074	146,450	11,096,524
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	9,763,011	1,013,235	115,071	20,340	3,606	49,277	55,590	41,583	-	-	-	10,915,264	146,450	11,061,714
Other receivables	34,810	-	-	-	-	-	-	-	-	-	-	34,810	-	34,810
Non-retail receivables	128,654,093	9,063,018	1,291	749	-	582,275	420,272	346	1,646	47	-	137,719,152	1,004,587	138,723,739
Large enterprises	114,029,262	8,178,282	-	-	-	564,142	417,998	-	-	-	-	122,207,545	982,140	123,189,685
Small and medium-sized enterprises	5,978,542	69	800	-	-	15,673	-	287	-	-	-	5,979,411	15,960	5,995,371
Micro enterprises and entrepreneurs	1,286,700	281,739	491	749	-	2,460	2,274	59	1,646	47	-	1,569,679	6,487	1,576,166
Financial institutions	7,359,589	602,928	-	-	-	-	-	-	-	-	-	7,962,517	-	7,962,517
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	6,060,790	-	-	-	-	-	-	-	-	-	-	6,060,790	-	6,060,790
Total	144,512,704	10,076,253	116,362	21,089	3,606	631,552	475,862	41,929	1,646	47	-	154,730,016	1,151,037	155,881,053
By category of receivables														
Performing exposures	144,484,566	10,076,241	116,121	21,089	3,606	22,896	2,264	270	-	-	-	154,701,624	25,430	154,727,054
Out of which: forborne	259,882	-	-	-	-	2,673	-	-	-	-	-	259,882	2,673	262,554
Non-performing exposures	28,138	13	241	-	-	608,657	473,598	41,659	1,646	47	-	28,392	1,125,607	1,153,999
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	144,512,704	10,076,253	116,362	21,089	3,606	631,552	475,862	41,929	1,646	47	-	154,730,016	1,151,037	155,881,053

\* Delays are calculated according to the Bank's methodology

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

#### *Loans with renegotiated terms*

The Bank does not have Loans and receivables to banks and other financial institutions with renegotiated terms, nor investment securities with renegotiated terms.

Restructuring process for legal entity is initiated/implemented if the Bank estimates that the financial difficulties of the debtor are temporary i.e., if bank estimates that restructuring will provide a long-term sustainability of the borrowers' business. In the process of restructuring, the Bank shall be guided by the following principles:

- The activities are tailored in such a manner as to ensure survival of the company and not endanger liquidity plan (i.e., exposure reduction should be investigated carefully and applied only if it does not compromise the business plan);
- Design a financial restructuring plan: focus both towards stabilising immediate cash flow and towards performing balance sheet improvements (such as non-core asset disposal, equity in-crease, liability restructuring including intra-group loans and off-balance items), with a medium to long term purpose of achieving improved and sustainable EBITDA i.e., improve debt repayment capacity, as well as company value;
- Involve external consultants in complex cases, covering various aspects of restructuring efforts: IBR, legal, tax and operational advise and/or supervision, design and implementation of reorganisation/ restructuring scheme);
- Cooperate with other Financiers in order to keep the customer alive and overcome the temporary difficulties: the cooperation needs should be considered case by case (establishment of re-financing through syndicate, pooling collaterals, determine supporting vs, hostile banks, assigning a leader in the process or setting up a steering committee, reducing the number of Creditors involved etc.);
- If borrower shows openness, new Investor is to be searched for (in agreement/in cooperation/ jointly with the borrower);
- Request and support the reorganisation of the borrower, operational and strategic business improvements (changing the management and strategic concepts, modifying processes and organisational structures, (re) focusing on core business, reducing operational costs, prioritising investments and/or reducing investment related costs etc.,).

In the process of restructuring of the legal entities, the Bank implements various measures, always insisting on the principle of responsibility of creditor. Here are some of the restructuring measures implemented by the Bank (the list is not comprehensive, since the cases of restructuring are specific and always require an individual approach):

- Modify the product: (i) refinance the exposure in a different product, either more appropriate for the Borrower's business profile or presenting better risk profile for the Bank (e.g., factoring, leasing), (ii) request up-front payments, (iii) modify the instalment size and frequency, (iv) modify interest rates, (v) impose sanctions (e.g., rescheduling fees);
- Strengthen the contracts; adjust clauses and covenants, with the aim to (i) to ring-fence the Bank's position if it comes to enforcement and (ii) to serve the establishment of financial discipline, data service, (iii) to support the execution of restructuring plan, obtaining additional owners' commitment etc.,;
- Get in touch with creditors and set up a Creditors' Committee if needed, involve also other Stakeholders if the Strategy requires this (please note that this step should be carefully considered in accordance with the direct contractual frame established with the borrower, as well as with the purpose that should be achieved through such actions);
- Channel borrower's Cash Flow through the Bank, including checking existing pledges on receivables and updating them if relevant (if assignments are silent, undertake all efforts to change this status and notify the buyers);
- Explore the possibility of involving New Stakeholders (Investors/ Equity partners, Suppliers, and Customers).

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

Management of problematic exposures requires high pro-activity and strict monitoring of implementation of defined strategy with the aim to prevent loss for the Bank and maximum recovery of existing exposure. Having in mind these goals, internal (between several departments and divisions within the Bank) and external (between the Bank and the debtor or between several banks which are creditors, etc.,) flow of information must be set and ensured so that the Bank could have relevant and updated information on its disposal which shall be used to define restructuring strategy and relationship with the debtor in general. There is a clearly defined line of authority within competent Workout Division which indicates who is in charge of daily monitoring and relationship with the debtor as well as which bank decision body is responsible for approval or correction of proposed restructuring steps/measures,

Every aspect of the Bank-Debtor relationship is defined by signing of necessary legal documentation (which is prior to signing checked by the Bank legal department). This ensures the transparency of agreed restructuring strategy/steps but also defines obligations of all contractual parties, Legal department of the Bank is charge of all legal issues related to the relationship between the Bank and the debtor no matter if they are related to pre or post restructuring phase.

Control of contracted and implemented restructuring measures is fulfilled through defining of the strategy implementation milestones and setting of control mechanism adequate to provide information if defined conditions are fulfilled. Parameters of permanent and solid control are defined "case by case" and with respect to specific characteristics of each individual case i.e. subject of restructuring and can involve (but not limited) to the following:

- Performing of the credit reviews (minimum on semi-annual basis) and presentation of review applications to decision making bodies of the bank. This application involves information on how successful is implemented restructuring strategy, does the debtor regularly repay its obligations towards the bank, current situation in the debtors business, etc., and if it is necessary correction strategy measures can be proposed;
- Regular monitoring of inflows/outflows from the debtors accounts opened with the bank (inflows/outflows from the business activity; comparing expected and agreed turnover through account opened with the bank, monitoring of inflows based on pledged/assigned receivables (in any); quick reaction in case of any non-standard or unusual transaction (or lack of them) etc.,;
- Monitoring of the debtors business activity (as well as the activities of the debtors connected parties, if any) based on information/reports presented by the debtor or other entity authorized by the debtor (or even an external supervisor if hired);
- Performing personal visit to the debtor (if it is necessary or if the complexity of the debtors business or defined restructuring strategy requires so);
- Regular monitoring and update of appraisals related to collateral;
- Regular monitoring of the public registers as well as publicly available information so that the bank could quickly respond to any unusual developments;
- Monitoring and quick response to possible debtors account blockade (bank is automatically informed by the National Bank of Serbia in case of account blockade);
- Monitoring of fulfilment of contractual or any other terms and conditions.

As a part of RBI group, Bank is obliged to respect and follow regulations set by the National Bank of Serbia but also regulations defined by the competent institution of the European Union (among which is the European Bank Authority). One of the highly important workout regulations is the one related to "forbearance" process which refers to all class of exposure.

The term "Forborne" relates to loans (exposures) to which "forbearance" measures have been applied (measures such as concessions provided to the debtor which has (or will have) difficulties in repayment of debt to the bank). Forbearance status is defined by two factors:

- Financial difficulties, and
- Amendment/modification of the general contractual conditions which are considered as concessions.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

Forborne status of the exposure will be concluded i.e. cancelled only when all of the following conditions are met:

- The loan is considered "Performing" and this relates also to those which status was changed from "Non-Performing" to "Performing" after performed financial analysis of the debtor has shown that the loan cannot be considered as "Non-Performing";
- Two years of probation period has passed since the day:
  - Since the "Forborne" exposure was considered as "Performing" (for loans which changes their status from "Non-Performing" to "Performing");
  - Since "Forborne" measure has been approved (for loans which have not been defined as "Non-Performing" on the date of "forbearance" measures have been implemented or for loans which status was not changed to "Non-Performing" due to implementation of "forbearance" measures);
- That the debtor has repaid significant amount of principal or interest during at least the half of probation period;
- No exposure towards the debtor was not due more than 30 days at the end of probation period.

The restructuring of the debtor physical person is initiated /implemented if the Bank estimates that the financial difficulties of the debtor have temporary nature and that the measures approved will help the client to overcome the financial difficulties and they will restore his full creditworthiness.

In the process of restructuring the Bank shall be guided by the following principles:

- Provide better understanding of customer needs and current financial situation;
- Improving the motivation of the client to regularly pay their obligations.

The basic principles which the Bank respects when determines the basic elements of a new restructuring loan are:

- Cover all balance sheet receivables from clients in one contract, with the possible exceptions,
- New repayment plan should consist of monthly instalments, where final maturity is determined based on the exposure of the client and the products he uses. The extension of the repayment period, i.e., a new period of repayment of the restructuring loan, which comprise all other exposures (except mortgage loans and cash loans secured by mortgage) is defined depending on the type of products which are restructured (credit cards, loans) and according to the exposure;
- Interest rate - A detailed method of determining the interest rate, but also the fee for processing the loan for restructuring is subject to approval by the Commission for setting interest rates, tariffs and fees for services;
- Collaterals for the new loan should be at least equivalent to the existing collaterals;
- Total monthly obligations of the client after the restructuring should be reduced by at least 20% over the current monthly obligations of the client;
- Restructuring models that are used (in process of restructuring of cliets-private individuals, the Bank uses different models, where client responsibility is always emphasised).

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

Here are the basic models (measures) of the restructuring that Bank applies (always insisting on the principle of responsibility of the client):

- Extension of the maturity and adjustments of monthly instalments according to the client's needs, possibilities of repayment, the above set conditions and credit policies of the Bank;
- " Grace period' up to 12 months, for the existing housing loan or cash loan with mortgage (while maintaining the maturity). During the grace period, the customer only pays the agreed amount of interest;
- The temporary reduction of interest over a period of a maximum of 12 months,
- „Negative amortization“, In these cases, the interest rate for housing loans remains unchanged, but in the 'grace period' of 9 months the client pays 50% of the interest. After the expiry of 'grace period' the arrears are capitalized, retaining the original currency of the loan.

The client receives a status of "cured" upon fulfilment of the following conditions:

- Full repayment of the restructured loans; or
- Two years after completion of the restructuring was not in default (if within a period of two years, the client enters the default and exit the default, two years observation period is restarted from the date of default end);
- The last two years following the restructuring client have not been in 30+ days past due on any credit product (if within a period of two years, the client enters 30+ and rolls back below 30 the default and exit the default, two years observation period is restarted from the date of roll back).

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Restructured loans and advances by restructuring measures are shown below:

Balance sheet assets 31.12.2021.	Interest rate decrease	Extention of maturity	Moratorium	Capitalisation of overdue amount	Refinancing	Partial write-off	Conversion of debt into equity	Other measures *	Total
<b>Retail receivables</b>	-	<b>288,058</b>	<b>340</b>	<b>8,944</b>	<b>210,638</b>	-	-	<b>42,659</b>	<b>550,639</b>
Housing loans	-	170,515	-	8,944	15,850	-	-	22,215	217,524
Consumer and cash loans	-	107,485	340	-	402	-	-	12,691	120,918
Transactional accounts and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	10,058	-	-	194,386	-	-	7,753	212,197
<b>Non-retail receivables</b>	-	<b>542,885</b>	-	-	<b>330,201</b>	-	-	<b>410,857</b>	<b>1,283,943</b>
Large enterprises	-	394,796	-	-	324,043	-	-	174,589	893,428
Small and medium-sized enterprises	-	82,050	-	-	6,158	-	-	205,142	293,350
Micro enterprises and entrepreneurs	-	66,039	-	-	-	-	-	31,126	97,165
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Receivables from other clients</b>	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>830,943</b>	<b>340</b>	<b>8,944</b>	<b>540,839</b>	-	-	<b>453,516</b>	<b>1,834,582</b>

\* The Bank may separately present other restructuring measures in separate columns if it deems them significant

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Restructuring (continued)

Restructured loans and advances by restructuring measures are shown below:

Off-balance sheet items 31.12.2021.	Interest rate decrease	Extention of maturity	Moratorium	Capitalisation of overdue amount	Refinancing	Partial write-off	Conversion of debt into equity	Other measures *	Total
Retail receivables	-	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Non-retail receivables	-	2,286	-	-	-	-	-	140,603	142,889
Large enterprises	-	-	-	-	-	-	-	140,594	140,594
Small and medium-sized enterprises	-	2,286	-	-	-	-	-	9	2,295
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Total	-	2,286	-	-	-	-	-	140,603	142,889

\* The Bank may separately present other restructuring measures in separate columns if it deems them significant

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Restructuring (continued)

Balance sheet assets 31.12.2020.	Interest rate decrease	Extension of maturity	Moratorium	Capitalisation of overdue amount	Refinancing	Partial write-off	Conversion of debt into equity	Other measures *	Total
Retail receivables	-	326,281	336	9,357	262,383	-	-	12,919	611,276
Housing loans	-	211,754	-	9,357	18,771	-	-	12,919	252,801
Consumer and cash loans	-	114,527	336	-	966	-	-	-	115,829
Transactional accounts and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	242,646	-	-	-	242,646
Non-retail receivables	18,809	800,898	-	-	353,926	-	-	437,430	1,611,063
Large enterprises	-	598,716	-	-	346,680	-	-	289,517	1,234,913
Small and medium-sized enterprises	18,809	109,854	-	-	7,246	-	-	147,913	283,822
Micro enterprises and entrepreneurs	-	92,328	-	-	-	-	-	-	92,328
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Total	18,809	1,127,179	336	9,357	616,309	-	-	450,349	2,222,339

\* The Bank may separately present other restructuring measures in separate columns if it deems them significant

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Restructuring (continued)

Off-balance sheet items 31.12.2020.	Interest rate decrease	Extention of maturity	Moratorium	Capitalisa- tion of over- due amount	Refinancing	Partial write-off	Conversion of debt into equity	Other meas- ures *	Total
Retail receivables	-	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Non-retail receivables	-	591	-	-	-	-	-	261,964	262,555
Large enterprises	-	-	-	-	-	-	-	230,005	230,005
Small and medium-sized enter- prises	-	591	-	-	-	-	-	31,959	32,550
Micro enterprises and entrepre- neurs	-	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Total	-	591	-	-	-	-	-	261,964	262,555

\* The Bank may separately present other restructuring measures in separate columns if it deems them significant

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Restructuring (continued)

Data on changes of forborne balance sheet assets and off-balance sheet items during 2021 are presented below:

Balance sheet assets	Opening balance as at 1 January 2021, gross exposure	Forborne during the period	Cured from forbearance during the period	FX impact	Other changes*	Closing balance as at 31 December 2021, gross exposure	Net balance as at 31 December 2021
	1	2	3	4	5	6 (1+2-3+4+5)	7
<b>Retail receivables</b>	<b>611,275</b>	<b>66,390</b>	<b>84,526</b>	<b>567</b>	<b>-43,067</b>	<b>550,639</b>	<b>370,042</b>
Housing loans	252,801	29,452	49,311	565	-15,983	217,524	127,188
Consumer and cash loans	108,123	36,938	15,257	-	-8,886	120,918	57,997
Transactional accounts and credit cards	-	-	-	-	-	-	-
Other receivables	250,351	-	19,958	2	-18,198	212,197	184,857
<b>Non-retail receivables</b>	<b>1,611,064</b>	<b>380,149</b>	<b>551,324</b>	<b>72</b>	<b>-156,017</b>	<b>1,283,944</b>	<b>413,085</b>
Large enterprises	1,234,914	252,222	463,832	70	-129,946	893,428	217,433
Small and medium-sized enterprises	283,822	90,676	62,124	2	-19,026	293,350	125,726
Micro enterprises and entrepreneurs	92,328	37,251	25,368	-	-7,045	97,166	69,926
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Receivables from other clients</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,222,339</b>	<b>446,539</b>	<b>635,850</b>	<b>639</b>	<b>-199,084</b>	<b>1,834,583</b>	<b>783,127</b>

\* The bank may separately show other changes in special columns if it deems them significant

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Restructuring (continued)

Off-balance sheet items	Opening balance as at 1 January 2021, gross exposure	Forborne during the period	Cured from forbearance during the period	FX impact	Other changes*	Closing balance as at 31 December 2021, gross exposure	Net balance as at 31 December 2021
	1	2	3	4	5	6 (1+2-3+4+5)	7
<b>Retail receivables</b>	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-
Transactional accounts and credit cards	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
<b>Non-retail receivables</b>	<b>262,555</b>	<b>134,070</b>	<b>54,877</b>	-	<b>-198,859</b>	<b>142,889</b>	<b>142,889</b>
Large enterprises	230,005	131,784	22,918	-	-198,277	140,594	140,594
Small and medium-sized enterprises	32,550	2,286	31,959	-	-582	2,295	2,295
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Receivables from other clients</b>	-	-	-	-	-	-	-
<b>Total</b>	<b>262,555</b>	<b>134,070</b>	<b>54,877</b>	-	<b>-198,859</b>	<b>142,889</b>	<b>142,889</b>

\* The bank may separately show other changes in special columns if it deems them significant

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)  
Restructuring (continued)

Data on changes of forborne balance sheet assets and off balance sheet items during 2020 are presented below:

Balance sheet assets (in RSD ths)	Opening balance as at 1 January 2020, gross exposure	Forborne during the period	Cured from forbearance during the period	FX impact	Other changes*	Closing balance as at 31 December 2020, gross exposure	Net balance as at 31 December 2020
	1	2	3	4	5	6 (1+2-3+4+5)	7
<b>Retail receivables</b>	<b>638,635</b>	<b>45,759</b>	<b>48,793</b>	<b>252</b>	<b>-24,577</b>	<b>611,276</b>	<b>420,100</b>
Housing loans	278,450	7,845	23,614	268	-10,148	252,801	143,922
Consumer and cash loans	97,938	37,914	15,589	1	-4,435	115,829	62,505
Transactional accounts and credit cards	-	-	-	-	-	-	-
Other receivables	262,247	-	9,590	-17	-9,994	242,646	213,673
<b>Non-retail receivables</b>	<b>1,877,057</b>	<b>560,726</b>	<b>620,301</b>	<b>41</b>	<b>-206,462</b>	<b>1,611,063</b>	<b>439,898</b>
Large enterprises	1,698,534	299,672	582,077	33	-181,249	1,234,913	217,581
Small and medium-sized enterprises	141,204	197,253	32,970	8	-21,674	283,822	143,761
Micro enterprises and entrepreneurs	37,319	63,801	5,254	-	-3,539	92,328	78,556
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Receivables from other clients</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,515,692</b>	<b>606,485</b>	<b>669,094</b>	<b>293</b>	<b>-231,039</b>	<b>2,222,339</b>	<b>859,998</b>

\* The bank may separately show other changes in special columns if it deems them significant

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Restructuring (continued)

Off-balance sheet items	Opening balance as at 1 January 2020, gross exposure	Forborne during the period	Cured from forbearance during the period	FX impact	Other changes*	Closing balance as at 31 December 2020, gross exposure	Net balance as at 31 December 2020
<b>Retail receivables</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6 (1+2-3+4+5)</b>	<b>7</b>
Housing loans	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-
Transactional accounts and credit cards	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
<b>Non-retail receivables</b>	<b>329,854</b>	<b>2,635</b>	-	-	<b>-69,935</b>	<b>262,555</b>	<b>249,423</b>
Large enterprises	300,19	2,635	-	-	-72,82	230,005	216,882
Small and medium-sized enterprises	29,664	-	-	-	2,885	32,55	32,541
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Receivables from other clients</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>329,854</b>	<b>2,635</b>	<b>-</b>	<b>-</b>	<b>-69,935</b>	<b>262,555</b>	<b>249,423</b>

\* The bank may separately show other changes in special columns if it deems them significant

Collateral as an instrument of credit risk mitigation

The Bank holds collateral for loans and advances to customers in the form of mortgages on real estate and other tangible and intangible assets of the credit protection. Estimates of market value are based on the value of collateral assessed at the time of borrowing and generally are updated annually. The minimum haircuts are applied on the existing collateral values. Where appropriate, additional haircuts laid down in RBI policy for individual types of credit protection instruments are applied. This policy takes into account the specific types of instruments, market fluctuations and local specificities.

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Data on the type and value of collateral and guarantees providers by sector and categories of receivables at December 31, 2021 are shown below:

Stage 1

Balance sheet assets 31.12.2021.		Collateral type*									
		Deposits	Securities	Residential immovable property	Other immovable property	Pledge on goods and animals	Other	Guarantees** issued by			
By sector								Governance	Bank	Borrower's related party	Other
Retail receivables		41,921	-	13,132,725	1,724	-	-	-	-	-	-
Housing loans		5,570	-	12,822,315	936	-	-	-	-	-	-
Consumer and cash loans		24,419	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards		11,930	-	-	-	-	-	-	-	-	-
Other receivables		2	-	310,410	788	-	-	-	-	-	-
Non-retail receivables		260,024	-	963,674	15,277,244	-	-	2,673,247	30,691,557	16,481,463	147,914
Large enterprises		129,482	-	401,582	14,049,748	-	-	974,301	105	15,750,321	147,914
Small and medium-sized enterprises		102,229	-	432,379	1,210,901	-	-	1,165,858	-	682,849	-
Micro enterprises and entrepreneurs		28,313	-	129,713	16,595	-	-	533,088	-	48,293	-
Agriculture		-	-	-	-	-	-	-	30,691,452	-	-
Public companies		-	-	-	-	-	-	-	-	-	-
Receivables from other clients		-	-	-	-	-	-	-	-	-	-
By category of receivable											
Performing exposures		301,945	-	14,096,399	15,278,968	-	-	2,673,247	30,691,557	16,481,463	147,914
Out of which: forbome		-	-	27,948	-	-	-	206	-	-	-
Non-performing exposures		-	-	-	-	-	-	-	-	-	-
Out of which: forbome		-	-	-	-	-	-	-	-	-	-
Total		301,945	-	14,096,399	15,278,968	-	-	2,673,247	30,691,557	16,481,463	147,914

\* Market or Fair Value maximum up to Gross Collateralized Exposure Amount

\*\* Guarantee Amount maximum up to Gross Collateralized Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 1

Off-balance sheet items 31.12.2021.	Deposits	Securities	Residential immovable property	Other immovable property	Pledge on goods and animals	Collateral type*				Other	Guarantees** issued by			Other
											Governance	Bank	Borrower's related party	
By sector														
Retail receivables	40,603	-	-	-	-					-	-	-	-	-
Housing loans	-	-	-	-	-					-	-	-	-	-
Consumer and cash loans	-	-	-	-	-					-	-	-	-	-
Transactional accounts and credit cards	35,951	-	-	-	-					-	-	-	-	-
Other receivables	4,652	-	-	-	-					-	-	-	-	-
Non-retail receivables	651,728	-	269,764	4,032,957	-					294,565	2,351,642	7,387,833	28,308,693	200,381
Large enterprises	288,818	-	127,834	3,840,812	-					286,127	2,351,642	261,463	28,214,693	200,381
Small and medium-sized enterprises	235,769	-	136,012	192,145	-					8,438	-	-	89,000	-
Micro enterprises and entrepreneurs	127,141	-	5,918	-	-					-	-	-	5,000	-
Agriculture	-	-	-	-	-					-	-	7,126,370	-	-
Public companies	-	-	-	-	-					-	-	-	-	-
Receivables from other clients	-	-	-	-	-					-	-	-	-	-
By category of receivable														
Performing exposures	692,331	-	269,764	4,032,957	-					294,565	2,351,642	7,387,833	28,308,693	200,381
Out of which: forborne	-	-	-	-	-					-	-	-	-	-
Non-performing exposures	-	-	-	-	-					-	-	-	-	-
Out of which: forborne	-	-	-	-	-					-	-	-	-	-
Total	692,331	-	269,764	4,032,957	-					294,565	2,351,642	7,387,833	28,308,693	200,381

\* Market or Fair Value maximum up to Gross Collateralized Exposure Amount

\*\* Guarantee Amount maximum up to Gross Collateralized Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 2

Balance sheet assets 31.12.2021.	Deposits	Securities	Residential immovable property	Other immovable property	Collateral type*				Guarantees** issued by		
					Pledge on goods and animals	Other	Governance	Bank	Borrower's related party	Other	
By sector											
Retail receivables	65,593	-	9,586,055	6,034	-	213	-	-	-	-	-
Housing loans	42,786	-	8,383,891	1,980	-	-	-	-	-	-	-
Consumer and cash loans	10,134	-	-	-	-	213	-	-	-	-	-
Transactional accounts and credit cards	12,673	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	1,202,164	4,054	-	-	-	-	-	-	-
Non-retail receivables	328,328	-	264,730	3,011,472	-	185,899	846,734	8,143	1,911,975	100,572	100,572
Large enterprises	257,490	-	13,573	2,569,116	-	178,336	173,302	8,035	1,748,838	100,572	100,572
Small and medium-sized enterprises	55,200	-	135,578	416,032	-	7,274	258,811	-	128,399	-	-
Micro enterprises and entrepreneurs	15,638	-	115,579	26,324	-	289	414,621	-	34,738	-	-
Agriculture	-	-	-	-	-	-	-	108	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-	-
By category of receivable											
Performing exposures	393,921	-	9,850,785	3,017,506	-	186,112	846,734	8,143	1,911,975	100,572	100,572
Out of which: forborne	4,703	-	182,899	14,933	-	10,441	4,035	-	629	-	-
Non-performing exposures	-	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-
Total	393,921	-	9,850,785	3,017,506	-	186,112	846,734	8,143	1,911,975	100,572	100,572

\* Market or Fair Value maximum up to Gross Collateralized Exposure Amount

\*\* Guarantee Amount maximum up to Gross Collateralized Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 2

Off-balance sheet items 31.12.2021.	Deposits	Securities	Collateral type*					Guarantees** issued by			Other
			Residential immovable property	Other immovable property	Pledge on goods and animals	Other	Governance	Bank	Borrower's related party r	Other	
By sector											
Retail receivables	53,736	-	-	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	24,140	-	-	-	-	-	-	-	-	-	-
Other receivables	29,596	-	-	-	-	-	-	-	-	-	-
Non-retail receivables	253,762	-	51,931	702,130	-	33,127	-	466,853	1,965,633	58,332	58,332
Large enterprises	202,555	-	-	609,822	-	33,127	-	401,752	1,950,278	58,332	58,332
Small and medium-sized enterprises	32,446	-	41,673	91,308	-	-	-	-	12,869	-	-
Micro enterprises and entrepreneurs	18,761	-	10,258	1,000	-	-	-	-	2,486	-	-
Agriculture	-	-	-	-	-	-	-	65,101	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-	-
By category of receivable											
Performing exposures	307,498	-	51,931	702,130	-	33,127	-	466,853	1,965,633	58,332	58,332
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	-	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-
Total	307,498	-	51,931	702,130	-	33,127	-	466,853	1,965,633	58,332	58,332

\* Market or Fair Value maximum up to Gross Collateralized Exposure Amount  
\*\* Guarantee Amount maximum up to Gross Collateralized Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 3

Balance sheet assets 31.12.2021.	Deposits	Securities	Residential immovable property	Collateral type*				Guarantees** issued by			Other
				Other immovable property	Pledge on goods and animals	Other	Governance	Bank	Borrower's related party	Other	
By sector											
Retail receivables	7,831	-	520,537	5,269	-	-	-	-	-	-	-
Housing loans	4,670	-	434,943	5,269	-	-	-	-	-	-	-
Consumer and cash loans	2,112	-	3,149	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	1,049	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	82,445	-	-	-	-	-	-	-	-
Non-retail receivables	372	-	63,761	612,712	-	3,728	25,722	-	54,069	-	-
Large enterprises	-	-	-	511,688	-	3,166	988	-	346	-	-
Small and medium- sized enterprises	-	-	51,171	97,290	-	562	17,757	-	49,684	-	-
Micro enterprises and entrepreneurs	372	-	12,590	3,734	-	-	6,977	-	4,039	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-	-
By category of receivable											
Performing exposures	-	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	8,203	-	584,298	617,981	-	3,728	25,722	-	54,069	-	-
Out of which: forborne	406	-	134,293	416,735	-	3,728	-	-	25,681	-	-
Total	8,203	-	584,298	617,981	-	3,728	25,722	-	54,069	-	-

\* Market or Fair Value maximum up to Gross Collateralized Exposure Amount  
\*\* Guarantee Amount maximum up to Gross Collateralized Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 3

Off-balance sheet items 31.12.2021.	Deposits	Securities	Collateral type*					Guarantees** issued by		
			Residential immovable property	Other immovable property	Pledge on goods and animals	Other	Governance	Bank	Borrower's related party	Other
By sector										
Retail receivables	370	-	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	370	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Non-retail receivables	20,856	-	-	287,845	-	6,425	-	-	-	-
Large enterprises	20,856	-	-	276,087	-	6,425	-	-	-	-
Small and medium-sized enterprises	-	-	-	11,758	-	-	-	-	-	-
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-
By category of receivable										
Performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	21,226	-	-	287,845	-	6,425	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total	21,226	-	-	287,845	-	6,425	-	-	-	-

\* Market or Fair Value maximum up to Gross Collateralized Exposure Amount  
\*\* Guarantee Amount maximum up to Gross Collateralized Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Data on the type and value of collateral and guarantees providers by sector and categories of receivables at December 31, 2020 are shown below:

Stage 1

Balance sheet assets 31.12.2020.	Deposits	Securities	Residential immovable property	Collateral type*				Guarantees** issued by		
				Other immovable property	Pledge on goods and animals	Other	Governance	Bank	Borrower's related party	Other
By sector										
Retail receivables	34,178	-	11,730,382	4,105	-	-	-	-	-	-
Housing loans	18,035	-	11,340,606	4,105	-	-	-	-	-	-
Consumer and cash loans	5,759	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	10,375	-	-	-	-	-	-	-	-	-
Other receivables	9	-	389,776	-	-	-	-	-	-	-
Non-retail receivables	251,963	-	770,971	12,361,295	-	1,314,348	-	21,704,747	11,443,328	112,569
Large enterprises	38,254	-	181,014	11,471,905	-	1,304,586	-	368,131	11,056,934	112,569
Small and medium-sized enterprises	192,169	-	404,118	865,054	-	9,762	-	-	372,504	-
Micro enterprises and entrepreneurs	21,54	-	185,839	24,336	-	-	-	-	13,89	-
Agriculture	-	-	-	-	-	-	-	21,336,616	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-
By category of receivable										
Performing exposures	286,139	-	12,501,352	12,365,399	-	1,314,349	-	21,704,746	11,443,329	112,569
Out of which: forborne	-	-	42,238	5,733	-	-	-	-	-	-
Non-performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total	286,139	-	12,501,352	12,365,399	-	1,314,349	-	21,704,746	11,443,329	112,569

\* Market or Fair Value maximum up to Gross Collateralized Exposure Amount

\*\* Guarantee Amount maximum up to Gross Collateralized Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 1

Off-balance sheet items 31.12.2020.		Collateral type*									
		Deposits	Securities	Residential immovable property	Other immovable property	Pledge on goods and animals	Other	Governance	Bank	Borrower's related party	Other
By sector											
Retail receivables		29,575	-	-	-	-	-	-	-	-	-
Housing loans		-	-	-	-	-	-	-	-	-	-
Consumer and cash loans		-	-	-	-	-	-	-	-	-	-
Transactional accounts and credit cards		28,987	-	-	-	-	-	-	-	-	-
Other receivables		588	-	-	-	-	-	-	-	-	-
Non-retail receivables		501,906	-	206,976	3,340,041	-	297,594	-	6,716,108	18,047,538	555,968
Large enterprises		134,24	-	64,383	3,118,408	-	291,928	-	92,706	17,981,151	555,968
Small and medium-sized enterprises		298,862	-	136,735	218,882	-	5,666	-	-	61,387	-
Micro enterprises and entrepreneurs		68,804	-	5,858	2,751	-	-	-	-	5	-
Agriculture		-	-	-	-	-	-	-	6,623,402	-	-
Public companies		-	-	-	-	-	-	-	-	-	-
Receivables from other clients		-	-	-	-	-	-	-	-	-	-
By category of receivable											
Performing exposures		531,482	-	206,975	3,340,041	-	297,594	-	6,716,109	18,047,538	555,968
Out of which: forborne		-	-	8,405	-	-	-	-	-	-	-
Non-performing exposures		-	-	-	-	-	-	-	-	-	-
Out of which: forborne		-	-	-	-	-	-	-	-	-	-
Total		531,482	-	206,975	3,340,041	-	297,594	-	6,716,109	18,047,538	555,968

\* Market or Fair Value maximum up to Gross Collateralized Exposure Amount  
\*\* Guarantee Amount maximum up to Gross Collateralized Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 2

Balance sheet assets 31.12.2020.	Deposits	Securities	Residential immovable property	Other immovable property	Collateral type*				Guarantees** issued by		
					Pledge on goods and animals	Other	Governance	Bank	Borrower's related party	Other	
By sector											
Retail receivables	80,118	-	10,116,732	20,167	-	1,317	-	-	-	752	
Housing loans	44,924	-	8,697,764	11,702	-	-	-	-	-	752	
Consumer and cash loans	22,275	-	-	-	-	1,317	-	-	-	-	
Transactional accounts and credit cards	12,916	-	-	-	-	-	-	-	-	-	
Other receivables	3	-	1,418,968	8,465	-	-	-	-	-	-	
Non-retail receivables	196,414	-	479,15	5,047,200	-	84,02	-	-	3,463,208	45,784	
Large enterprises	75,063	-	96,864	4,305,224	-	79,769	-	-	3,194,259	45,784	
Small and medium-sized enterprises	109,953	-	210,581	700,164	-	2,95	-	-	244,216	-	
Micro enterprises and entrepreneurs	11,398	-	171,705	41,812	-	1,301	-	-	24,733	-	
Agriculture	-	-	-	-	-	-	-	-	-	-	
Public companies	-	-	-	-	-	-	-	-	-	-	
Receivables from other clients	-	-	-	-	-	-	-	-	-	-	
By category of receivable											
Performing exposures	276,222	-	10,595,883	5,067,367	-	85,338	-	-	3,463,208	46,536	
Out of which: forborne	4,703	-	198,309	57,054	-	1,947	-	-	2,104	-	
Non-performing exposures	310	-	-	-	-	-	-	-	-	-	
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	
Total	276,532	-	10,595,883	5,067,367	-	85,338	-	-	3,463,208	46,536	

\* Market or Fair Value maximum up to Gross Collateralized Exposure Amount  
\*\* Guarantee Amount maximum up to Gross Collateralized Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 2

Off-balance sheet items 31.12.2020.	Collateral type*							
	Deposits	Securities	Residential immovable property	Other immov- able property	Pledge on goods and animals	Other		
						Governance	Bank	Borrower's related party
By sector								
Retail receivables	60,398	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	28,451	-	-	-	-	-	-	-
Other receivables	31,947	-	-	-	-	-	-	-
Non-retail receivables	596,569	-	107,687	977,839	-	-	171,616	2,714,460
Large enterprises	563,005	-	37,689	864,276	-	-	-	2,688,685
Small and medium-sized enterprises	22,633	-	54,491	113,563	-	-	-	23,275
Micro enterprises and entrepreneurs	10,931	-	15,507	-	-	-	-	2,5
Agriculture	-	-	-	-	-	-	171,616	-
Public companies	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-
By category of receivable								
Performing exposures	656,754	-	107,687	977,839	-	-	171,616	2,698,315
Out of which: forborne	-	-	-	16,911	-	-	-	7,519
Non-performing exposures	213	-	-	-	-	-	-	16,146
Out of which: forborne	-	-	-	-	-	-	-	-
Total	656,967	-	107,687	977,839	-	-	171,616	2,714,461
								2,061,298

\* Market or Fair Value maximum up to Gross Collateralized Exposure Amount

\*\* Guarantee Amount maximum up to Gross Collateralized Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 3

Balance sheet assets 31.12.2020.	Deposits	Securities	Collateral type*					Guarantees** issued by		
			Residential immovable property	Other immovable property	Pledge on goods and animals	Other	Governance	Bank	Borrower's related party	Other
By sector										
Retail receivables	7,549	-	498,91	15,636	-	479	-	-	-	-
Housing loans	5,996	-	393,832	15,636	-	-	-	-	-	-
Consumer and cash loans	-	-	3,067	-	-	479	-	-	-	-
Transactional accounts and credit cards	1,553	-	-	-	-	-	-	-	-	-
Other receivables	-	-	102,011	-	-	-	-	-	-	-
Non-retail receivables	-	-	78,266	642,208	-	11,885	-	-	18,372	-
Large enterprises	-	-	12	568,54	-	10,956	-	-	536	-
Small and medium-sized enterprises	-	-	47,869	69,968	-	929	-	-	13,573	-
Micro enterprises and entrepreneurs	-	-	30,385	3,7	-	-	-	-	4,263	-
Agriculture	-	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-
By category of receivable										
Performing exposures	-	-	57,518	-	-	-	-	-	-	-
Out of which: forborne	-	-	4,66	-	-	-	-	-	-	-
Non-performing exposures	7,549	-	519,658	657,845	-	12,364	-	-	18,372	-
Out of which: forborne	853	-	130,271	236,033	-	929	-	-	9,091	-
Total	7,549	-	577,176	657,845	-	12,364	-	-	18,372	-

\* Market or Fair Value maximum up to Gross Collateralized Exposure Amount  
\*\* Guarantee Amount maximum up to Gross Collateralized Exposure Amount

4. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 3

Off-balance sheet items 31.12.2020.		Collateral type*						
Deposits	Securities	Residential immovable property	Other immovable property	Pledge on goods and animals	Other	Guarantees** issued by		Other
						Governance	Bank	Borrower's related party
By sector								
Retail receivables	480	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-
Transactional accounts and credit cards	480	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
Non-retail receivables	20,855	20,219	313,461	-	-	-	-	305,316
Large enterprises	20,855	20,203	301,703	-	-	-	-	305,316
Small and medium-sized enterprises	-	16	11,758	-	-	-	-	-
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-
By category of receivable								
Performing exposures	365	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-
Non-performing exposures	20,971	20,219	313,461	-	-	-	-	305,316
Out of which: forborne	-	-	-	-	-	-	-	-
Total	21,336	20,219	313,461	-	-	-	-	305,316

\* Market or Fair Value maximum up to Gross Collateralized Exposure Amount

\*\* Guarantee Amount maximum up to Gross Collateralized Exposure Amount

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

In the tables above, properties are disclosed at their weighted collateral value, which is used in impairment calculation, while value of guarantees is limited to the book value of collateralized loans and receivables. The Weighted Collateral Value (WCV) is calculated using the Nominal Collateral Value (NCV) minus valuation haircuts (discounts) and senior liens and is limited by the amount specified in the collateral agreement as well as by the limit amount secured by the respective collateral. The Nominal Collateral Value (NCV) is the fair market value (FMV), the value based on an expert appraisal or the purchase price of the real estate.

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank generally does not use the non-cash collateral for its own operations.

#### *LTV ratio*

LTV indicator represents the ratio of the gross value of receivables and the market value of the property that this claim is collateralized.

Data on receivables that are secured by real estate by the LTV ratio are shown below:

Exposure Collateralized by immovable property, In RSD thousand

LTV ratio	2021	2020
Below 50%	29,327,827	27,764,427
From 50% to 70%	13,106,636	14,324,541
From 70% to 90%	9,618,614	10,771,480
From 90% to 100%	2,034,835	647,117
From 100% to 120%	6,158,586	3,038,729
From 120% to 150%	1,855,803	4,229,658
Above 150%	5,381,412	4,738,731
<b>Total</b>	<b>67,483,713</b>	<b>65,514,683</b>
Average LTV ratio	30%	28%

#### *Investment securities*

The Bank manages limits and controls concentrations of credit risk and settlement risk on counterparty and (debt) security level. The investments in those securities and bills (National bank of Serbia and Ministry of Finance of Republic of Serbia - sovereign issuer) are viewed as a way to gain a better credit quality mapping and profit intentions.

The risks are monitored on a revolving basis and subject to annual review at least. The limits are analysed at the proposal of the Treasury and Investment Banking Division and recommendation of the Risk Management Division (after the analyses of the clients and receipt of the preliminary approval from RBI) and approved by the Credit Committee of the Bank as the maximum Bank exposure during the defined time period for the instrument, one client and group of connected clients. Actual exposures against limits are monitored daily.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

In 2021 and 2020 the Bank had in its portfolio the following debt securities and bills:

- Ministry of Finance of Republic of Serbia T-Bills (local currency and euro-indexed) and bonds,
- US Treasuries Bonds,
- Bonds issued by Erstebanka a.d. Novi Sad
- Bonds issued by Metro Wholesale & Food Specialist and
- Bonds from international financial organisations (IFC, EIB and KfW).

In 2020 and 2019 the Bank entered in reverse-repo transaction with National bank of Serbia (based on the National bank of Serbia Bills).

### *Derivatives*

In 2021 and 2020 the Bank was engaged in the following types of derivative transactions:

- Foreign Exchange Forward and similar contracts,
- Foreign Exchange Swap contracts and
- Interest Rate Swap.

The Bank uses these products for managing currency risk, as well as interest rate risk.

The foreign exchange forward and swap transactions create credit risk (risk that a counterparty will not settle an obligation in full, either when due or at any time thereafter) and settlement risk (risk that one party in a foreign exchange transaction will pay the currency it sold but not receive the currency it bought) exposures for the Bank.

Settlement risk arises in any situation where a payment is made in the expectation of a corresponding receipt. These risk exposures are managed as part of the overall lending limits with customers.

The Bank maintains strict control of limits on open derivative positions.

### **Hedge Accounting Methodology**

#### *Hedging strategy within the Bank*

As a consequence of the diversity of its bank-specific activities, the Bank is exposed to a number of risks, out of which interest rate risk is considered to be an essential risk, closely monitored both by regulatory authorities and investors.

The interest rate risk materializes through the impact of market interest rate movements in the net interest income or in the economic value of the bank.

In order to comply with internal and regulatory limits for interest rate risk exposure and at the same time to be able to take advantage of market opportunities, the bank is steering to use derivative instruments to manage actively its interest rate risk exposures. Derivatives such as interest rate swaps and cross-currencies swaps are in option. Within this framework, hedge accounting allows for an adequate accounting representation of derivative transactions, consistent with their risk management purpose. Therefore, for accounting purposes the bank intends to match the changes in fair value of derivatives transactions with the changes in fair value of assets and liabilities hedged for interest rate risk. This leads to a change in the timing of recognition of gains and losses on the hedged item, allowing the bank to avoid the volatility of its income statement through offsetting effects of the hedged items and hedging instruments. The Bank is keeping this open position in a separate portfolio within Wall Street System.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

The Bank considers as hedged items only financial assets and liabilities from the banking book measured at amortizing cost according to IFRS treatment, with following characteristics:

- Fixed or floating-rate customer loans or deposits;
- Only denominated positions in currencies where hedge instruments (IRS, CCS) are available ;
- With bullet or amortizing principal repayment structure;
- External counterpart's assets or liabilities (intra-group balances are not allowed to be designated as hedged items).

Currently Hedge Accounting is applied on one Interest Rate Swap (instrument), concluded as a hedge for the one particular loan taken from EIB.

#### *Details of the hedged item*

Hedged Item is the loan granted by European Investment Bank, through National Bank of Serbia as the Agent, and contractual details are the following:

- Loan is granted on 20th November 2015 in the amount of 34.035.000 EUR;
- Interest is floating, based on 3M Euribor defined as 3M Euribor + 0.483%;
- Interest is paid quarterly (20th February, 20th May, 20th August, 20th November);
- First interest payment on 20th February 2016, last on 20th May 2027.
- Principal is repaid in 16 equal quarterly repayments, where fist repayment was due on 20th November 2019, and the last will be on 20th May 2027.

#### *Details of the hedged instrument*

To hedge Bank interest rate risk arising from the floating interest rate, Interest Rate Swap was concluded on 24th May 2016 (trade date), effective as of 26th May 2016.

Interest Rate Swap is concluded in the same notional amount and with exact amortizing schedule as hedged Item. Further details of the concluded Interest Rate Swap are:

- Fixed rate payer – Raiffeisen Banka a.d. Belgrade
- Fixed rate – 0.29%
- Floating rate payer Raiffeisen Bank International AG
- Floating rate 3M Euribor
- Interest paid quarterly.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

#### *Hegde Effectiveness Methodology*

Hedge effectiveness is measured at inception and afterwards at a minimum at each reporting date (on a monthly basis) on a retrospective and prospective basis. Both tests are conducted on clean fair values and considering the cumulated fair value changes from the inception of the hedge relationship. Method that is used for the hedge effectiveness is Dollar offset method.

Dollar offset method is a quantitative method that consists of comparing the change in fair value or cash flows of the hedging instrument with the change in fair value or cash flows of the hedged item attributable to the hedged risk. Depending on the entity's risk management policies, this test can be performed either

- 1. on a cumulative basis (i.e. with the comparison performed from the inception of the hedge), or
- 2. on a period-by-period basis (i.e. with the comparison performed from the last testing date).

In our case, test is performed on cumulative basis. A hedge is considered as a highly effective if the results are within the range of 80%-125%, or absolute value of difference between absolute delta PV of HO and absolute delta PV of HI is less than 0.3% of the nominal amount of the hedging instrument.

$$Effectivness = \frac{CumulativeChangeHedgeInstrumentFairValue}{CumulativeChangeHedgeItemFairValue}$$

#### *Rates used for Hedge Effectiveness Tests*

The Wall Street System uses the prices and yields of liquid market instruments as source data for its discount curve-generating algorithm. The inputs used to construct the primary yield curve for each market can be selected to reflect market convention and user preferences.

Source market data is represented by a combination of instruments that best reflect the cost of funds within the relevant interest rate or credit market. The system provides the flexibility to construct a market rate curve using a wide variety of source rates and instruments. In recognition that certain products may require a revaluation yield curve to be constructed in a unique manner, the system allows each product to be linked to a specific curve. Each individual curve can be applied to multiple products.

The market/fair value revaluation curve used with Wall Sreet System is marked as D1 curve and it is as the union of the following three sub curves:

MM Rates up to one year - RV curve
Futures Strip for 2 Years – FS curve
Treasury Yields+Swap Spreads to End-SW curve

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

#### *Retrospective and Prospective Effectiveness tests*

##### • **Retrospective Effectiveness Test**

This is a backward-looking test of whether a hedging relationship has actually been highly effective in a past period. It is performed on monthly basis, on the last working day in a month.. Retrospective effectiveness testing is performed at each reporting date using the dollar offset method on a cumulative basis. The hedge is tested for effectiveness under this method by comparing the cumulative change in the dirty present value of the hedged item with the cumulative change in the value of the hedging instrument.

The hedge is effective if the ratio of the cumulative change in the dirty present value of the hedged item and the cumulative change in the value of the hedging instrument amount falls within a range of 80%-125%, or absolute value of difference between absolute delta PV of HO and absolute delta PV of HI is lesser then 0.3% of the nominal amount of the hedging instrument.

$$\text{Effectiveness} = \frac{\text{CumulativeChangeHedgeInstrumentFairValue}}{\text{CumulativeChangeHedgeItemFairValue}}$$

All necessary data are produced by Global Treasury System (GTS)-Wall Street System (WSS).

##### • **Prospective Effectiveness Test**

Prospective Effectiveness Test are also performed on a monthly level, on the last working day of a month. Effectiveness is tested according to 3 different hypothetical scenarios:

- H1 is zero coupon curve (D1) shifted parallel (upwards) for 100 basis points;
- H2 is D1, changed in the slope of a 5% increase of the rates up to one year cash flows, a 10% increase in the rate for two-year cash flows, and a 15% increase in the rate for three and more years cash flows;
- H3 is changed flat zero-coupon curve D1 at present three-month MM rate level

Same as with the Retrospective test, hedge is considered as an effective if the ratio of the cumulative change in the dirty present value of the hedged item and the cumulative change in the value of the hedging instrument amount falls within a range of 80%-125%, or absolute value of difference between absolute delta PV of HO and absolute delta PV of HI is lesser then 0.3% of the nominal amount of the hedging instrument.

All necessary data are produced by WSS.

#### *Retrospective and Prospective Effectiveness Test Results*

Enclosed is the table with all relevant details used for test effectiveness, per month, for both – retrospective and prospective tests. Due to the same amortization of the instrument and hedged item, high test results are present throughout of the year.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### b) Credit risk (continued)

#### Accounting principles and results in 2021

Interest amount of hedging instrument is posted manually (accruals) on a montly level.

Results of Retrospective Effectiveness test are calculated on a monthly level (last working day) and posted incrementally.

Change of the market value of the instrument is compared to the change of the market value od the item, represented by hypothetical IRS. Effective part of the change is posted through other comprehensive income, while ineffective part is posted as a result of the current period.

### c) Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of its liquidity position, It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Bank has access to a diverse funding base. Funds are raised using:

- deposits with wide ranges of maturity (different number and different customers),
- long term borrowings,
- subordinated liabilities and
- share capital.

The Bank ensures steady and long-term funding through diversification of fund sources. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Bank's strategy.

The following table provides information on liquidity ratios:

%	2021	2020
Liquidity indicator-daily	2.25	2.31
Liquidity indicator-three daily	2.21	2.35
Liquidity indicator-monthly	2.08	2.39
Narrow liquidity indicator- daily	1.85	1.95
Narrow liquidity indicator-three daily	1.72	1.97
Narrow liquidity indicator-monthly	1.49	1.80
Liquidity Coverage Ratio (LCR)	169.54	196.34

4. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

The following tables provide an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings as at 31 December 2021:

	Carrying amount	Gross nominal inflow/outflow	up to 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
<b>Financial assets</b>							
Cash and balances with central banks	90,618,192	90,618,192	90,618,192	-	-	-	-
Receivables arising from derivatives	13,669	13,669	13,669	-	-	-	-
Securities	88,625,239	88,637,623	13,680,400	8,879,787	10,692,327	51,225,283	4,195,826
Loans and receivables to banks and other financial institutions	26,603,238	26,605,252	21,649,738	437,993	1,234,204	3,255,881	27,436
Loans and receivables to customers	216,672,440	223,424,794	14,961,376	9,661,887	61,024,224	102,888,864	34,888,443
Receivables from derivatives held for hedging against risks	586,824	586,824	586,824	-	-	-	-
Investments in subsidiaries	1,293,433	1,293,433	-	-	-	-	1,293,433
<b>Total</b>	<b>424,413,035</b>	<b>431,179,793</b>	<b>141,510,205</b>	<b>18,979,667</b>	<b>72,950,755</b>	<b>157,370,028</b>	<b>40,369,138</b>
<b>Liabilities</b>							
Liabilities arising from derivatives	9,220	9,220	9,220	-	-	-	-
Deposits and other liabilities from banks, other financial institutions and central bank	2,340,980	2,340,980	2,340,980	-	-	-	-
Deposits and other liabilities from other customers	366,617,048	366,617,048	358,437,806	889,757	2,081,990	4,029,260	1,178,235
Liabilities arising from financial derivatives held for hedging against risks	58,837	58,837	58,837	-	-	-	-
<b>Total</b>	<b>369,026,085</b>	<b>369,026,085</b>	<b>360,846,843</b>	<b>889,757</b>	<b>2,081,990</b>	<b>4,029,260</b>	<b>1,178,235</b>
<b>Net liquidity gap as of 31 December 2021</b>	<b>55,386,950</b>	<b>62,153,708</b>	<b>(219,336,638)</b>	<b>18,089,910</b>	<b>70,868,765</b>	<b>153,340,768</b>	<b>39,190,903</b>
<b>Net cumulative liquidity gap as at 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>(219,336,638)</b>	<b>(201,246,728)</b>	<b>(130,377,963)</b>	<b>22,962,805</b>	<b>62,153,708</b>

Net liquidity mismatch for a bucket up to 1 month relates to a fact that this bucket includes all α-vista deposits which the Bank doesn't expect to outflow in 1 month period and which have so called stickiness with outflow expected in 5 years period based on internal model. Also, the Bank has securities of Ministry of Finance of Republic of Serbia with counterbalancing capacity. These securities could be pledged for a short-term liquidity funds with National bank of Serbia, if needed.

4. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

The following tables provide an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings as at 31 December 2020:

	Carrying amount	Gross nominal inflow/(outflow)	up to 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Financial assets							
Cash and balances with central banks	86,432,095	86,432,103	86,432,103	-	-	-	-
Receivables arising from derivatives	51,496	51,496	51,496	-	-	-	-
Securities	70,342,791	70,352,441	1,985,487	3,457,322	17,553,528	43,211,206	4,144,898
Loans and receivables to banks and other financial institutions	24,620,212	24,620,739	20,128,749	178,895	755,446	3,557,649	-
Loans and receivables to customers	186,914,250	193,298,171	15,259,360	9,329,600	49,517,148	86,977,828	32,214,235
Receivables from derivatives held for hedging against risks	13,211	13,211	13,211	-	-	-	-
Investments in subsidiaries	1,234,622	1,234,622	-	-	-	-	1,293,551
Total	369,608,677	376,002,783	123,870,406	12,965,817	67,826,122	133,746,683	37,593,755
Financial liabilities							
Liabilities arising from derivatives	2,014	2,014	2,014	-	-	-	-
Deposits and other liabilities from banks, other financial institutions and central bank	4,926,799	4,926,799	4,753,803	-	172,996	-	-
Deposits and other liabilities from other customers	303,752,087	303,752,087	294,128,969	777,350	2,710,293	3,978,054	2,157,421
Liabilities arising from financial derivatives held for hedging against risks	498,508	498,508	498,508	-	-	-	-
Total	309,179,408	309,179,408	299,383,294	777,350	2,883,289	3,978,054	2,157,421
Net liquidity gap as of 31 December 2020	60,429,269	66,823,375	(175,512,888)	12,188,467	64,942,833	129,768,629	35,436,334
Net cumulative liquidity gap as at 31 December 2020	-	-	(175,512,888)	(163,324,421)	(98,381,588)	31,387,041	66,823,375

## 4. FINANCIAL RISK MANAGEMENT (continued)

### c) Liquidity risk (continued)

The table below sets out the carrying amounts of non-derivative financial assets and financial liabilities to be recovered or settled more than 12 months after the reporting date:

	2021	2020
<b>Financial assets</b>		
Loans and receivables to customers	78,895,133	67,722,187
<b>Financial liabilities</b>		
Deposits and other liabilities from other customers	361,409,553	297,616,612

The table below sets out the components of the Bank's liquidity reserves:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Balances with central banks	68,726,869	68,726,869	47,531,210	47,531,210
Unencumbered debt securities issued by sovereigns	21,891,323	21,891,323	38,900,885	38,900,885

The table below sets out the availability of the Bank's financial assets to support future funding as at 31 December 2021:

	Encumbered		Unencumbered	
	Pledged as collateral	Other	Available as collateral	Other
Cash and balances with central banks	-	-	-	90,618,192
Loans and receivables	-	-	-	243,275,678
<b>Total assets</b>	-	-	-	<b>333,893,870</b>

The table below sets out the availability of the Bank's financial assets to support future funding as at 31 December 2020:

	Encumbered		Unencumbered	
	Pledged as collateral	Other	Available as collateral	Other
Cash and balances with central banks	-	-	-	86,432,095
Loans and receivables	-	-	-	211,534,462
<b>Total assets</b>	-	-	-	<b>297,966,557</b>

## 4. FINANCIAL RISK MANAGEMENT (continued)

### d) Market risks

The Bank takes on exposure to market risks, which is the risk of losses on financial instruments arising from changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return of risk.

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

	Note	Carrying amount	Trading portfolios	Non-trading portfolios
<b>31 December 2021</b>				
<b>Assets subject to market risks</b>				
Cash and balances with central banks	14	90,618,192	-	90.618.192
Receivables arising from derivatives	15	13,669	13,669	
Securities	16	88,625,239	3,480,028	85.145.211
Loans and receivables to banks and other financial institutions	17	26,603,238	-	26.603.238
Loans and receivables to customers	18	216,672,440	-	216.672.440
Receivables from derivatives held for hedging against risks		586,824	-	586.824
<b>Liabilities subject to market risks</b>				
Liabilities arising from derivatives		9,220	9,220	-
Liabilities arising from derivatives held for hedging against risks		58,837	-	58.837
Deposits and other liabilities from banks, other financial institutions and central bank	24	2,340,980	-	2.340.980
Deposits and other liabilities from other customers	25	366,617,048	-	366.617.048
<b>31 December 2020</b>				
<b>Assets subject to market risks</b>				
Cash and balances with central banks	14	86,432,095	-	86,432,095
Receivables arising from derivatives	15	51,496	51,496	
Securities	16	70,342,791	597,659	69,745,132
Loans and receivables to banks and other financial institutions	17	24,620,212	-	24,620,212
Loans and receivables to customers	18	186,914,250	-	186,914,250
Receivables from derivatives held for hedging against risks		13,211	-	13,211
<b>Liabilities subject to market risks</b>				
Liabilities arising from derivatives		2,014	2,014	-
Liabilities arising from derivatives held for hedging against risks		498,508	-	498,508
Deposits and other liabilities from banks, other financial institutions and central bank	24	4,926,799	-	4,926,799
Deposits and other liabilities from other customers	25	303,752,087	-	303,752,087

## 4. FINANCIAL RISK MANAGEMENT (continued)

### d) Market risks (continued)

#### *Interest rate risk*

Interest rate risk is the risk that resulted from the changes in interest rates. The risk of changes in interest rates causes uncertainty in respect of the Bank's income due to the possibility that interest rate might alter. The Bank recognized the following risks:

- "outright" interest rate risk: risk that ensues from the sensitivity of interest rate to change in relation to the vertical shift of the yield curve;
- yield curve risk: risk that ensues from the sensitivity to the change of the shape and slope of the yield curve (horizontal shift); and
- basis risk: risk that ensues from the sensitivity to the change in spread between different interest rates.

Interest rate risk is identified on the level of every individual transaction as well as on the Bank level, The Bank separates exposures to interest rate risk into either trading or non-trading portfolios (Banking book).

#### *(i) Trading portfolios (Trading book)*

As at 31 December 2021 and 31 December 2020 Bank did not have interest sensitive instruments classified in the trading book.

#### *(ii) Non-trading portfolios (Banking book)*

The methodology used to assess the interest rate risk in non-trading portfolio is the Gap/Duration analysis.

The difference between the interest bearing assets and liabilities within the separate time "baskets" shows how two balance sheet sides react differently to interest rate changes:

- in case of positive GAP the Bank is exposed to the risk of loss if interest rates of the certain maturity of the observed currency fall;
- in case of negative GAP, bank is exposed to the risk of loss if interest rates of the certain maturity of the observed currency rise.

The number and the "baskets" schedule are defined on the ALCO.

Resulting short and long positions are weighted by factors designed to reflect the sensitivity of the positions in the different time baskets to an assumed change in interest rates, based on an assumed parallel shift of 200 basis points throughout the time spectrum, and on proxies of modified duration.

4. FINANCIAL RISK MANAGEMENT (continued)

d) Market risks (continued)

Interest rate risk (continued)

31 December 2021			31 December 2020	
	Nominal Gap	Effect of Interest Rate Parallel Shift 200 bp	Nominal Gap	Effect of Interest Rate Parallel Shift 200 bp
RSD	2,097,404	231,889	7,397,777	644,882
EUR	5,802,311	1,602,088	3,478,785	1,552,353
USD	1,903,800	104,804	6,009,380	157,883
CHF	644,864	293,484	452,364	293,391
Other	432,962	4,408	366,253	660
Total effect		2,236,673		2,649,169

Main categories in creating repricing gaps are:

- Fixed rate positions(their repricing gaps is their principal cash flows, these are assigned into the time bands according to their maturity date)
- Float rate positions(the date of the next rate resetting defines the time bucket in which the outstanding amount at that time has to be assigned)
- Administrative products(current accounts, savings accounts, credit cards, the interest rate risk of most of these products is modelled)

Stress effect of 200 bps is done multiplying repricing gaps with standard gap weights (Modified Durations, defined by EBA and BSBS directive).

Bank has exposure mainly to EUR varibale interest rate factors - EURIBOR 1 M, EURIBOR 3M , and EURIBOR 6M. As for the USD LIBOR, Bank has only few Corporate loans, with exposure in amount of one million EUR as of 31 December 2021 with reference to LIBOR\_USD\_1M. The final maturity of the loans are September 2022 and January 2023.

As for the CHF LIBOR, Bank has exposure of 630 thousand EUR (20 mortgage loans), with reference to LIBOR\_CHF\_6M.No updates from CHF LIBOR to SARON have been made.

In addition to the previously mentioned Gap analysis, the Bank uses the following three scenarios of interest rate sensitivity in the analysis:

- **Parallel shift up / down** - parallel positive and negative shift of interest rates on the reference yield curve, and implies moving the whole yield curve up or down by the same number of basis points on each maturity, using the scenario of 200 basis points as the magnitude of the shift points for all currencies as well as the scenario of shifting the curves by 200-400 basis points depending on the currency that is the subject of stress, all in accordance with international standards (BCBS / IRRBB 4/2016)
- **Short rates shift up / down** - non-parallel upward / downward curve shift with the highest shock for shorter maturities and a stable rate for longer maturities;
- **Rotational shift - Steeper and Flattener** - rotation of the curve with positive shock for longer (shorter) maturities and negative shock for shorter (longer) maturities

## 4. FINANCIAL RISK MANAGEMENT (continued)

### d) Market risks (continued)

Sensitivity of projected net interest income as at 31 December 2021:

	<b>+200bp</b>	<b>-200bp</b>	<b>Flattener</b>	<b>Steepener</b>	<b>Short+</b>	<b>Short-</b>	<b>IRRBB+</b>	<b>IRRBB</b>
RSD	900,836	(1,134,693)	1,300,301	(528,616)	1,823,311	(874,824)	1,802,273	(1,106,387)
EUR	660,266	(1,893,327)	534,304	(301,908)	710,863	(354,013)	660,35	(359,02)
USD	(44,381)	(56,429)	(135,474)	(12,279)	(141,416)	(51,133)	(44,381)	(75,47)
CHF	45,782	(162,89)	16,712	(28,147)	25,261	(28,168)	23,371	(28,005)
Other	(21,448)	(40,332)	(33,282)	(26,547)	(39,568)	(24,915)	(25,639)	(25,839)
<b>Total</b>	<b>1,541,055</b>	<b>(3,233,671)</b>	<b>1,682,561</b>	<b>(897,497)</b>	<b>2,378,451</b>	<b>(1,333,053)</b>	<b>2,415,974</b>	<b>(1,594,721)</b>

Sensitivity of projected net interest income as at 31 December 2020:

	<b>+200bp</b>	<b>-200bp</b>	<b>Flattener</b>	<b>Steepener</b>	<b>Short+</b>	<b>Short-</b>	<b>IRRBB+</b>	<b>IRRBB</b>
RSD	762,563	(961,496)	1,255,861	(539,291)	1,675,433	(686,517)	1,524,518	(696,668)
EUR	479,336	(1,515,883)	387,112	(309,847)	515,357	(331,762)	479,347	(329,771)
USD	96,458	(143,938)	43,448	(57,432)	64,352	(83,498)	96,458	(81,991)
CHF	18,547	(98,559)	5,224	(13,033)	8,985	(13,269)	9,206	(13,136)
Other	(23,595)	(30,046)	(33,326)	(16,524)	(40,077)	(16,387)	(26,296)	(16,496)
<b>Total</b>	<b>1,333,309</b>	<b>(2,749,922)</b>	<b>1,658,319</b>	<b>(936,127)</b>	<b>2,224,050</b>	<b>(1,131,433)</b>	<b>2,101,233</b>	<b>(1,138,062)</b>

4. FINANCIAL RISK MANAGEMENT (continued)

d) Market risks (continued)

The following tables provide an analysis of exposure to interest risk by period to maturity as at 31 December 2021:

	Carrying amount	Up to 1 months	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing
<b>Financial assets</b>							
Cash and balances with central banks	90,618,192	32,656,435	-	-	-	-	57,961,757
Receivables arising from derivatives	13,669	-	-	-	-	-	13,669
Securities	88,625,239	13,668,017	8,879,787	10,692,327	51,225,282	4,195,826	-
Loans and receivables to banks and other financial institutions	26,603,238	21,889,628	393,737	1,034,314	3,255,881	27,436	2,242
Loans and receivables to customers	216,672,440	25,827,870	107,870,407	60,155,241	15,548,344	7,103,629	166,949
Receivables from financial derivatives held for hedging against risks	586,824	-	-	-	-	-	586,824
Investments in subsidiaries	1,293,433	-	-	-	-	-	1,293,433
<b>Total</b>	<b>424,413,035</b>	<b>94,041,950</b>	<b>117,143,931</b>	<b>71,881,882</b>	<b>70,029,507</b>	<b>11,290,891</b>	<b>60,024,874</b>
<b>Financial liabilities</b>							
Liabilities arising from derivatives	9,220	-	-	-	-	-	9,220
Deposits and other liabilities from banks, other financial institutions and central bank	2,340,980	2,317,359	-	-	-	-	23,621
Deposits and other liabilities from other customers	366,617,048	358,459,615	837,475	2,089,340	4,035,828	1,176,023	18,767
Liabilities arising from financial derivatives held for hedging against risks	58,837	-	-	-	-	-	58,837
<b>Total</b>	<b>369,026,085</b>	<b>360,776,974</b>	<b>837,475</b>	<b>2,089,340</b>	<b>4,035,828</b>	<b>1,176,023</b>	<b>110,445</b>
<b>Off-balance sheet items</b>							
Derivatives held for risk management	512,337	(711,233)	3,253,337	18,941	806,119	(2,854,827)	-
<b>Interest sensitivity gap as of 31 December 2021</b>	<b>55,899,287</b>	<b>(267,446,257)</b>	<b>119,559,793</b>	<b>69,811,483</b>	<b>66,799,798</b>	<b>7,260,041</b>	<b>59,914,429</b>

## 4. FINANCIAL RISK MANAGEMENT (continued)

### d) Market risks (continued)

The following tables provide an analysis of exposure to interest risk by period to maturity as at 31 December 2020:

	Carrying amount	Up to 1 months	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing
<b>Financial assets</b>							
Cash and balances with central banks	86,432,095	44,877,929	-	-	-	-	41,554,166
Receivables arising from derivatives	51,496	-	-	-	-	-	51,496
Securities	70,342,791	1,975,836	3,457,322	17,553,528	43,211,207	4,144,898	-
Loans and receivables to banks and other financial institutions	24,620,212	20,280,101	178,895	602,592	3,557,649	-	975
Loans and receivables to customers	186,914,250	19,972,427	92,559,809	51,854,470	15,715,190	6,633,395	178,959
Receivables from financial derivatives held for hedging against risks	13,211	-	-	-	-	-	13,211
Investments in subsidiaries	1,234,662	-	-	-	-	-	1,234,662
<b>Total</b>	<b>369,608,677</b>	<b>87,106,293</b>	<b>96,196,026</b>	<b>70,010,590</b>	<b>62,484,046</b>	<b>10,778,293</b>	<b>43,033,429</b>
<b>Financial liabilities</b>							
Liabilities arising from derivatives	2,014	-	-	-	-	-	2,014
Deposits and other liabilities from banks, other financial institutions and central bank	4,926,799	4,739,121	-	172,843	172,861	-	14,835
Deposits and other liabilities from other customers	303,752,087	293,826,588	836,917	2,883,565	4,037,440	2,155,487	12,090
Liabilities arising from financial derivatives held for hedging against risks	498,508	-	-	-	-	-	498,508
<b>Total</b>	<b>309,179,408</b>	<b>298,565,709</b>	<b>836,917</b>	<b>3,056,408</b>	<b>4,037,440</b>	<b>2,155,487</b>	<b>527,447</b>
<b>Off-balance sheet items</b>							
Derivatives held for risk management	(486,851)	(1,030,646)	3,077,286	660	801,868	(3,336,019)	(486,851)
<b>Interest sensitivity gap as of 31 December 2020</b>	<b>59,942,418</b>	<b>(212,490,062)</b>	<b>98,436,395</b>	<b>66,954,842</b>	<b>59,248,474</b>	<b>5,286,787</b>	<b>42,505,982</b>

4. FINANCIAL RISK MANAGEMENT (continued)

d) Market risks (continued)

(iii) Pricing risk of equity securities

Shares which the Bank holds with intention to be sold in the near terms are classified in trading book (Equity Trading Book) and are exposed to general and specific pricing risk.

General pricing risk represents exposure to risk of change in market prices of shares as a result of general conditions and changes on the market. Specific pricing risk represents the risk of change in market prices of shares as a consequence of change in factors related to issuer of shares.

Having in mind value and structure of equity securities trading portfolio, as well as movement in shares prices on Belgrade stock exchange – Belex, sensitivity analyses for this portfolio has not been performed based on the assessment that change in the shares prices will not have significant impact on the Bank's net profit.

(iv) Foreign currency risk

The foreign exchange risk is defined as the earnings sensitivity of an instrument or portfolio due to changes in foreign exchange rates. The Bank is exposed to foreign currency risk through its exposure in banking book and in trading book. Foreign currency risk is measured and disclosed through open foreign exchange position.

Open foreign exchange position of the Bank represents the difference between the Bank's receivables and liabilities in foreign currency, as well as receivables and liabilities in RSD that are indexed by foreign exchange clause (including absolute amount of open position for gold).

Sensitivity analysis consisting of two scenarios based on reasonable possible changes in foreign exchange rates, with all other variables held constant is performed showing the possible effect on profit and loss:

- a. proportional foreign exchange rate movements of +10% (FCY appreciation),
- b. proportional foreign exchange rate movements of -5% (RSD appreciation).

	USD	EUR	CHF	Other currencies	Overall effect
Net currency gap as at 31 December 2021	(10,340)	(1,066,659)	(334)	10,480	
effect + 10% (foreign currency appreciation)	(1,034)	(106,666)	(33)	1,048	(106,685)
effect -5% (RSD appreciation)	(10,340)	(1,066,659)	(334)	10,480	
Net currency gap as at 31 December 2020	31,548	663,758	(740)	9,737	-
effect + 10% (foreign currency appreciation)	3,154	66,376	(74)	974	70,430
effect -5% (RSD appreciation)	(1,577)	(33,188)	37	(487)	(35,215)

Foreign currency risk arises in cases of mismatch in assets and liabilities denominated in foreign currencies. The Bank ensures that its foreign currency position as far as practical is minimized.

The Bank seeks to minimize exposure to foreign currency risk by disbursement of currency-link loans.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### d) Market risks (continued)

The following tables summarizes the net foreign currency position of the Bank's assets and liabilities as at 31 December 2021:

	USD	EUR*	CHF	Other	RSD	Total
<b>Financial assets</b>						
Cash and balances with central banks	938,002	44,084,549	3,735,638	566,913	41,293,090	90,618,192
Receivables arising from derivatives	-	-	-	-	13,669	13,669
Securities	15,230,903	14,292,369	-	-	59,101,967	88,625,239
Loans and receivables to banks and other financial institutions	1,161,943	7,975,706	96,583	367,244	17,001,762	26,603,238
Loans and receivables to other customers	127,889	145,668,972	149,694	226	70,725,659	216,672,440
Receivables from financial derivatives held for hedging against risks	-	-	-	-	586,824	586,824
Investments in subsidiaries	-	-	-	-	1,293,433	1,293,433
<b>Total</b>	<b>17,458,737</b>	<b>212,021,596</b>	<b>3,981,915</b>	<b>934,383</b>	<b>190,016,404</b>	<b>424,413,035</b>
<b>Financial liabilities</b>						
Liabilities arising from derivatives	-	-	-	-	9,220	9,220
Deposits and other liabilities from banks, other financial institutions and central bank	22,896	511,694	29,697	3,950	1,772,743	2,340,980
Deposits and other liabilities from other customers	22,548,760	192,984,999	14,361,045	3,750,227	132,972,017	366,617,048
Liabilities arising from financial derivatives held for hedging against risks	-	49,707	-	-	9,130	58,837
<b>Total</b>	<b>22,571,656</b>	<b>193,546,400</b>	<b>14,390,742</b>	<b>3,754,177</b>	<b>134,763,110</b>	<b>369,026,085</b>
<b>Off-balance - net position</b>						
FX Spot	(374,317)	1,784,248	-	5,013	(1,414,897)	47
FX SWAP	5,483,118	(18,317,095)	10,408,550	2,833,480	186,000	594,053
FX forward	-	(1,246,082)	-	-	651,983	(594,100)
<b>Total</b>	<b>5,108,801</b>	<b>(17,778,929)</b>	<b>10,408,550</b>	<b>2,838,493</b>	<b>(576,914)</b>	<b>-</b>
<b>Net currency gap as of 31 December 2021</b>	<b>(4,118)</b>	<b>696,267</b>	<b>(277)</b>	<b>18,699</b>	<b>54,676,380</b>	<b>55,386,950</b>

\*EUR includes FX clause

4. FINANCIAL RISK MANAGEMENT (continued)

d) Market risks (continued)

The following tables summarizes the net foreign currency position of the Bank's assets and liabilities as at 31 December 2020:

	USD	EUR*	CHF	Other	RSD	Total
<b>Financial assets</b>						
Cash and balances with central banks	988,734	42,502,909	4,238,647	759,108	37,942,697	86,432,095
Receivables arising from derivatives	-	-	-	-	51,496	51,496
Securities	14,259,230	14,935,651	-	-	41,147,910	70,342,791
Loans and receivables to banks and other financial institutions	1,162,968	8,177,162	35,665	128,574	15,115,843	24,620,212
Loans and receivables to other customers	110,834	126,199,207	163,986	591	60,439,632	186,914,250
Receivables from financial derivatives held for hedging against risks	-	-	-	-	13,211	13,211
Investments in subsidiaries	-	-	-	-	1,234,622	1,234,622
<b>Total</b>	<b>16,521,766</b>	<b>191,814,929</b>	<b>4,438,298</b>	<b>888,273</b>	<b>155,945,411</b>	<b>369,608,677</b>
<b>Financial liabilities</b>						
Liabilities arising from derivatives	-	-	-	-	2,014	2,014
Deposits and other liabilities from banks, other financial institutions and central bank	37,884	3,637,375	27,654	3,665	1,220,221	4,926,799
Deposits and other liabilities from other customers	18,142,768	171,123,226	11,421,719	3,219,461	99,844,913	303,752,087
Liabilities arising from financial derivatives held for hedging against risks	-	95,629	-	-	402,879	498,508
<b>Total</b>	<b>18,180,652</b>	<b>174,856,230</b>	<b>11,449,373</b>	<b>3,223,126</b>	<b>101,470,027</b>	<b>309,179,408</b>
<b>Off-balance - net position</b>						
FX Spot	(414,007)	460,260	(39,024)	(7,200)	-	29
FX SWAP	2,670,958	(13,528,345)	7,049,427	2,361,070	1,070,600	(376,290)
FX forward	(559,604)	(1,310,560)	-	-	2,246,425	376,261
<b>Total</b>	<b>1,697,347</b>	<b>(14,378,645)</b>	<b>7,010,403</b>	<b>2,353,870</b>	<b>3,317,025</b>	<b>-</b>
<b>Net currency gap as of 31 December 2020</b>	<b>38,461</b>	<b>2,580,054</b>	<b>(672)</b>	<b>19,017</b>	<b>57,792,409</b>	<b>60,429,269</b>

\*EUR includes FX clause

## 4. FINANCIAL RISK MANAGEMENT (continued)

### e) Operational risk

Operational risk is defined as the risk of loss resulting from employees omissions and errors, inadequate or failed internal procedures and processes, inadequate information management or other systems management, as well as from unexpected external events. This definition includes legal risk, but excludes strategic and reputation risk.

The goal of operational risk management is to balance cost and risk within the constraints of the risk appetite of the Bank, but to be consistent with the prudent management required of a financial organization.

Risk Management priorities are identified through a combination of experience and observation, internal audit assessment and knowledge, internal controls, detailed risk assessment work, change management procedures, incident reports and common sense.

Assessment of level of exposure to operational risk depends on event type, frequency of repetition and financial impact on the Bank business.

Control, monitoring, reporting on identified and assets sources of operational risk, as well as measures that are performed in order to mitigate negative impact, are integral part of operational risk management.

Risk management activities are aimed at identifying the existing sources of operational risk, as well as potential sources of such risk that may arise due to the introduction of new business products, systems or activities. Identification of sources of risk includes:

- Internal fraud and abuse;
- External fraud and abuse;
- Omissions in the recruitment and work safety systems;
- Problems in customer relations management, product launching and business procedures - if they are inadequate;
- Damage incurred to the Bank's property due to natural disasters and other events;
- Disruptions in the Bank's organization and errors in the functioning of existing systems;
- Implementation of business procedures and decisions.

The Bank monitors sources of operational risk determined in line with the Bank's organization and activity, primarily comprising of: corporate finance, trading and sales, retail banking, commercial banking, payment and settlement, agency services, asset management, and retail brokerage.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### f) Capital management

The Bank's objectives in capital management are:

- To comply with the capital requirements set by the National Bank of Serbia, as supervisor and regulator of the banking markets;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the National bank of Serbia, for supervisory purposes. The Bank's regulator sets and monitors capital requirements for the Bank. The required information is filed with the regulator on a quarterly basis, The Bank is directly supervised by National bank of Serbia.

The Bank is obliged to comply with the provision of the Basel Committee framework, as implemented by National bank of Serbia. The Bank uses standardised approaches to credit and operational risk management. The Banks calculates requirements for market risk in accordance with local regulations defined in the Decision on Capital Adequacy.

The local regulations require each bank to:

- hold the minimum level of the monetary contributed capital of EUR 10 million;
- maintain a Common Equity Tier 1 (CET 1) capital ratio at or above the agreed minimum of 4,5%;
- maintain a Tier 1 ratio at or above the agreed minimum of 6%;
- maintain a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%.

In addition, the Bank is obliged, to maintain capital at all times and at the level necessary to cover all risks to which it is or may be exposed in its operations, and at least in the amount necessary to maintain increased capital adequacy determined by the National Bank of Serbia.

The Bank's regulatory capital is the sum total of its core capital (Tier-1 capital) and Tier-2 capital, where Tire 1 capital is the sum of Common Equity Tier 1 („CET 1“) capital and Additional Tire 1 capital.

Common Equity Tier 1 capital of the Bank is the sum of the following elements, corrected by regulatory adjustments, less deductibles:

- Shares and other capital instruments which fulfil the requirements defined in the Methodology for CET 1 instruments;
- Share premium of CET 1 instruments;
- Profit of the bank;
- Revaluation reserves and other unrealised gain;
- Reserves from profit and other reserves of the bank;
- Funds for general banking risk.

Profit, revaluation reserves and other unrealised gains, reserves from profit and other reserves and funds for general banking risk shall be included in CET 1 capital only when they are available to the bank for unconditional, unrestricted and immediate use to cover risks or losses as soon as these occur.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### f) Capital management (continued)

Profit of the Bank included in CET 1 capital shall be made up of retained earnings from preceding years free of any future liabilities.

A Bank may include in CET 1 capital the interim profit free of any future liabilities only with prior consent of the Board of Directors. In such case, the amount of interim profit is reduced by the projected amount of income tax, liabilities for dividends and all other liabilities payable from profit (other participations in profit distribution, all liabilities or circumstances that occurred during the reporting period and are likely to lead to a reduction in the Bank's profit) which can be predicted at the moment of inclusion of the profit in CET 1 capital.

Regulatory adjustments of CET 1 capital are:

- Increase in its equity that results from the securitization of exposures;
- The fair value reserves related to gains and losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows;
- Gains and losses on liabilities on the Bank valued at fair value, that result from changes in the Bank's credit quality;
- Gains and losses on derivative liabilities valued at fair value, that result from the Bank's credit risk and the bank shall not offset these gains and losses with those arising from its counterparty credit risk.

Deductibles from CET 1 capital are:

- Losses from the current year and preceding years, as well as unrealized losses;
- Intangible assets, including goodwill, reduced by the amount of deferred tax liabilities that would be extinguished if the intangible assets became impaired or were derecognized under the IFRS/IAS;
- Deferred tax assets that rely on the Bank's future profitability;
- Defined benefit pension fund assets on the balance sheet of the Bank;
- Direct, indirect and synthetic holdings by a Bank of own CET 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;
- Direct, indirect and synthetic holdings by a Bank of the CET 1 instruments of financial sector entities where those entities have a reciprocal cross holding with the Bank, and which have been designed to inflate artificially the capital of the Bank;
- The applicable amount of direct, indirect and synthetic holdings by the Bank of the CET 1 instruments of financial sector entities where the Bank does not have a significant investment in those entities;
- The applicable amount of direct, indirect and synthetic holdings by the Bank of the CET 1 instruments of financial sector entities where the Bank has a significant investment in those entities;
- The amounts of items required to be deducted from the Additional Tier 1 capital that exceeds the Additional Tier 1 capital of the Bank;
- The exposure amounts of items which qualify for a risk weight of 1.250% where the Bank deducts that exposure amount from the amount of CET 1 items as an alternative to applying a risk weight of 1.250%;
- Any tax charge relating to CET 1 items foreseeable at the moments of its calculation, except where the Bank suitably adjust the amount of CET 1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risk of losses,

## 4. FINANCIAL RISK MANAGEMENT (continued)

### f) Capital management (continued)

- Gross amount of receivables from the borrower–natural person (other than a farmer or an entrepreneur) arising from granted consumer, cash or other loans disclosed in accounts 102, 107 and 108 in accordance with the decision prescribing the Chart of Accounts and contents of accounts in the Chart of Accounts for Banks where the level of the borrower's debt-to-income ratio before loan approval was higher than the percentage defined in accordance with the decision governing the classification of bank balance sheet assets and off-balance sheet items or where this percentage will be higher due to loan approval. This deductible shall be applied regardless of whether following the loan approval the level of the borrower's debt-to-income ratio has dropped below that percentage;
- Gross amount of receivables from the borrower–natural person (other than a farmer or an entrepreneur) arising from granted consumer, cash or other loans disclosed in accounts 102, 107 and 108 in accordance with the decision prescribing the Chart of Accounts and contents of accounts in the Chart of Accounts for Banks where agreed maturity is:
  - Longer than 2920 days – if the loans were approved in the period from 01.01. until 31.12.2019,
  - Longer than 2555 days – if the loans were approved in the period from 01.01. until 31.12.2020,
  - Longer than 2190 days – if the loans were approved from 01.01.2021;

This deductible item is reduced by the amount of loans for refinancing of loans approved by March 18, 2020, provided that the refinancing loan was approved in the period from March 19 to December 31, 2020, and that the agreed maturity of that loan is not longer than 3285 days or the refinancing loan was approved in the period from January 1 to December 31, 2021, and the agreed maturity of that loan is not longer than 2920 days; as well as that the refinancing loan amount does not exceed the remaining outstanding loan amount to be refinanced.

- Gross amount of receivables from the borrower–natural person (other than a farmer or an entrepreneur) arising from consumer loans approved for the purchase of motor vehicles, disclosed in account 102 in n accordance with the decision prescribing the Chart of Accounts and contents of accounts in the Chart of Accounts for Banks, where agreed maturity is longer than 2920 days, if these loans were approved after 01.01.2019.

This deductible item is reduced by the amount of receivables based on consumer loan refinancing loans approved by March 18, 2020, provided that the refinancing loan is approved in the period from March 19, 2020 to December 31, 2021, and that the agreed maturity of that loan is not longer than 3650 days, as well as that its amount does not exceed the remaining outstanding amount of the loan that is being refinanced.

Additional Tier 1 capital is the sum of the following elements less deductibles:

- Shares and other capital instruments which fulfil the requirements defined in the Methodology for Additional Tier 1 capital;
- Share premium of Additional Tier 1 capital,.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### f) Capital management (continued)

Deductibles from Additional Tier 1 capital are:

- Direct, indirect and synthetic holdings by a Bank of own Additional Tier 1 instruments, including instruments that a Bank is obliged to purchase by virtue of an existing contractual obligation;
- Direct, indirect and synthetic holdings by a Bank of the Additional Tier 1 instruments of financial sector entities where those entities have a reciprocal cross holding with the Bank, and which have been designed to inflate artificially the capital of the Bank;
- The applicable amount of direct, indirect and synthetic holdings by the Bank of the Additional Tier 1 instruments of financial sector entities where the Bank does not have a significant investment in those entities;
- Direct, indirect and synthetic holdings by the Bank of the Additional Tier 1 instruments of financial sector entities where the Bank has a significant investment in those entities, excluding underwriting positions with maturity of five working days or less;
- The amounts of items required to be deducted from the Tier 2 capital that exceeds the Tier 2 capital of the Bank;
- Any tax charge relating to Additional Tier 1 items foreseeable at the moments of its calculation, except where the Bank suitably adjust the amount of Additional Tier 1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risk of losses.

Tier 2 capital is the sum of the following elements less deductibles:

- Shares and other capital instruments and subordinated liabilities, which fulfil the requirements defined in the Methodology for Tier 2 capital;
- Share premium of Tier 2 capital;
- General credit risk adjustments, gross of tax effects, or up to 1,25% of risk-weighted exposures for credit risk.

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

Deductibles for Tier 2 capital are:

- Direct, indirect and synthetic holdings by a Bank of own Tier 2 instruments and subordinated liabilities, including instruments that a Bank is obliged to purchase by virtue of an existing contractual obligation;
- Direct, indirect and synthetic holdings by a Bank of the Tier 2 instruments and subordinated liabilities of financial sector entities where those entities have a reciprocal cross holding with the Bank, and which have been designed to inflate artificially the capital of the Bank;
- The applicable amount of direct, indirect and synthetic holdings by the Bank of the Tier 2 instruments and subordinated liabilities of financial sector entities where the Bank does not have a significant investment in those entities;
- Direct, indirect and synthetic holdings by the Bank of the Tier 2 instruments and financial liabilities of financial sector entities where the Bank has a significant investment in those entities, excluding underwriting positions with maturity of five working days or less.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### f) Capital management (continued)

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specific requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statement of financial position.

The Bank's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business, The impact on the level of capital on shareholder's return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with the advantages and security afforded by a sound capital position or with greater gearing.

The Bank has complied with all externally imposed capital requirements through the period.

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the years ended 31 December:

	2021	2020
Share capital	27,466,158	27,466,158
Revaluation reserves and other unrealized gains/losses	695,514	1,001,403
Reserves from profit, other reserves and reserves for banking risks	23,353,465	23,353,465
Regulatory adjustments to the value of the regulatory capital	(31,546)	29,899
Other intangible assets decreased by deferred tax liabilities	(951,432)	(831,395)
Gross amount of receivables from clients with debt-to-income ratio higher than 60%	(2,327,859)	(2,428,259)
Gross amount of receivables from clients with contractual maturity over defined threshold	(335,002)	(417,815)
CET 1	47,869,298	48,173,456
Additional share capital	-	-
Tier 1 capital	47,869,298	48,173,456
Tier 2 capital	-	-
<b>Total capital</b>	<b>47,869,298</b>	<b>48,173,456</b>
<b>Capital requirements</b>		
Credit risk	18,365,538	16,312,488
Foreign currency risk	86,771	-
Pricing risk	57,818	18,279
Operational risk	2,504,227	2,456,594
<b>Capital adequacy ratio</b>	<b>18.22%</b>	<b>20.51%</b>

## 4. FINANCIAL RISK MANAGEMENT (continued)

### f) Capital management (continued)

All prescribed statutory requirements for the years ended 31 December are presented in the table below:

	Regulatory requirements	2021	2020
CET 1	Min 4.5%	18.22%	20.51%
T1	Min 6%	18.22%	20.51%
Total capital adequacy ratio	Min 8%	18.22%	20.51%
Regulatory capital	Min EUR 10 million	EUR 407 mil,	EUR 410 mil,
Capital asset ratio	Max 60%	12.73%	12.65%
Ratio of large and the largest individual exposures in relation to capital	Max 400%	107.25%	77.55%
Liquidity ratio- narrow	Min 0.7	1.48	1.79
Liquidity ratio - wider	Min 1	2.07	2.38
Foreign currency risk ratio	Max 20%	2.27%	1.47%
Exposure to a single party or a group of related parties *	Max 25%	20.99%	16.64%

\*The largest exposure to a single entity

The Bank uses regulatory capital adequacy ratio in order to monitor its capital base. The National bank of Serbia approach to such measurement, based upon Basel methodology, is primarily based on monitoring the relationship of the capital requirements to available capital resources.

The allocation of capital between specific activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular activity not falling below the minimum required for regulatory purposes.

Although optimisation of the return on risk-adjusted capital is the principle basis used in determining how capital is allocated to particular activities, it is not the sole basis used for decision-making. Account is also taken of synergies with other activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the management.

## 5. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values stated for financial instruments are the amount for which the asset could be exchanged, or a liability transferred, between knowledgeable, willing parties in an arm's length transaction.

The fair values are calculated using the market information available at the reporting date and individual Bank's valuation methods.

The fair values of certain financial instruments stated with their nominal values are approximately equivalent to their carrying amounts. These include cash as well as receivables and liabilities without a defined maturity or fixed interest rate, such as credit cards and current accounts. For other receivables and liabilities, future anticipated cash flows are discounted to their present value using appropriate interest rates, which reflect current market conditions and specifics of related sub-portfolios. Having in mind that variable interest rates are agreed for the majority of financial assets and liabilities of the Bank, changes in current interest rates lead to changes in agreed interest rates,

## 5. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Quoted market prices are used for exchange-traded securities. The fair value of the remaining securities is calculated as the net present value of future anticipated cash flows.

The fair values of currency derivatives are calculated on the basis of discounted, anticipated future cash flows. In doing so, the Bank applies the market rates applicable for the remaining maturity of the financial instruments.

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

### *Valuation of financial instruments*

The Bank's accounting policy on fair value measurement is disclosed in accounting policy 3(k) (vi).

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

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

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable price exists and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter such as like interest rate swaps.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the future markets.

## 5. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
<b>31 December 2021</b>				
Receivables arising from derivatives	13,669	-	-	13,669
Securities	22,939,650	37,493,304	-	60,432,954
Loans and receivables from customers	-	-	-	-
	<b>22,953,319</b>	<b>37,493,304</b>	<b>-</b>	<b>60,446,623</b>
Liabilities arising from derivatives	9,220	-	-	9,220
Liabilities arising from financial derivatives held for hedging against risks	58,837	-	-	58,837
	<b>68,057</b>	<b>-</b>	<b>-</b>	<b>68,057</b>
<b>31 December 2020</b>				
Receivables arising from derivatives	64,707	-	-	64,707
Securities	19,594,232	30,895,621	-	50,489,853
Loans and receivables from customers	-	-	896	896
	<b>19,658,939</b>	<b>30,895,621</b>	<b>896</b>	<b>50,374,498</b>
Liabilities arising from derivatives	2,014	-	-	2,014
Liabilities arising from financial derivatives held for hedging against risks	498,508	-	-	498,508
	<b>500,522</b>	<b>-</b>	<b>-</b>	<b>500,522</b>

The effects of changes in fair value of financial instruments measured at fair value through profit and loss are as follows:

	2021	2020
Gains from change in fair value of derivatives	6,036,392	8,929,682
Gains from change in fair value of financial assets measured at FVTPL	125,750	108,146
	<b>6,165,142</b>	<b>9,037,828</b>
Losses from change in fair value of derivatives	(6,081,424)	(8,883,127)
Losses from change in fair value of financial assets measured at FVTPL	(30,656)	(38,286)
	<b>(6,112,079)</b>	<b>(8,921,413)</b>
<b>Net gain from change in fair value of financial instruments</b>	<b>53,062</b>	<b>116,415</b>

5. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total	Carrying Amount
<b>Balance as at 31 December 2021</b>					
Cash and balances with central banks	-	90,618,192	-	90,618,192	90,618,192
Loans and receivables to banks and other financial institutions	-	-	26,603,238	26,603,238	26,603,238
Loans and receivables to customers	-	-	214,580,019	214,580,019	216,672,440
Securities at amortized costs	1,100,844	27,174,559	-	28,275,403	28,192,285
	<b>1,100,844</b>	<b>117,792,751</b>	<b>241,183,257</b>	<b>360,076,852</b>	<b>362,086,155</b>
Deposits and other liabilities to banks, other financial institutions and central bank	-	-	2,340,980	2,340,980	2,340,980
Deposits and other liabilities to other customers	-	-	366,617,048	366,617,048	366,617,048
	-	-	<b>368,958,028</b>	<b>368,958,028</b>	<b>368,958,028</b>
<b>Balance as at 31 December 2020</b>					
Cash and balances with central banks	-	86,432,095	-	86,432,095	86,432,095
Loans and receivables to banks and other financial institutions	-	-	24,620,212	24,620,212	24,620,212
Loans and receivables to customers	-	-	181,944,414	181,944,414	186,913,354
Securities at amortized costs	-	20,314,641	-	20,314,641	19,852,939
	-	<b>106,746,736</b>	<b>206,564,626</b>	<b>313,311,362</b>	<b>317,818,600</b>
Deposits and other liabilities to banks, other financial institutions and central bank	-	-	4.926.799	4.926.799	4.926.799
Deposits and other liabilities to other customers	-	-	303.752.087	303.752.087	303.752.087
	-	-	<b>308.678.886</b>	<b>308.678.886</b>	<b>308.678.886</b>

Where available, the fair value of loans and receivables is based on observable market transactions. Where such data are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Inputs used in the valuation techniques include expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

## 5. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

To improve the accuracy of the valuation estimate for retail and smaller commercial loans, loans are grouped into portfolios with similar characteristics such as product and borrower type, currency, remaining maturity etc.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms, such as deposit type, currency, customer type and remaining maturity. The fair value of deposits payable on demand is the amount payable at the reporting date.

Below are disclosed methods and valuation and assumption used for determination of fair value for financial instruments which are not measured at fair value in financial statements.

### ***Assets and liabilities with fair value approximately equivalent to their carrying amounts***

For certain financial instruments without defined maturity or with short maturity less than three months, the assumption is that their carrying amounts is approximately equivalent to their fair values. This assumption is also used for sight (demand) deposits, saving deposits without defined maturities, as well as for financial instruments with floating interest rates, and is only applicable for items with no incremental costs and in case the credit risk of the bank (counterparty) does not change since initial recognition,

### ***Financial instruments with fixed interest rates***

Fair value of financial instruments with fixed interest rate measured at amortised costs is assessed based on comparison initially agreed interest rates and current interest rates for similar financial instruments. Determination of fair value of loans and deposits with fixed interest rates is based on discounting of future anticipated cash flows to their present value, using current interest rates for financial instruments with similar characteristics, such as product type, customer type, remaining maturity and currency.

## 6. NET INTEREST INCOME

Net interest income comprises:

	2021	2020
<b>Interest income</b>		
Central Bank	67,299	146,276
Banks		
- local banks	1,916	1,785
- foreign banks	1,560	253
Corporate customers	3,112,028	2,858,965
Public sector	4	-
Private individuals	5,175,385	5,333,151
Securities	1,672,057	1,515,762
Foreign entities	32,901	37,702
	<b>10,063,150</b>	<b>9,893,894</b>
<b>Interest expense</b>		
Banks		
- local banks	(6)	(1,071)
- foreign banks	(117,555)	(115,094)
Corporate customers	(36,186)	(44,290)
Public sector	(509)	(6,072)
Private individuals	(25,463)	(23,847)
Securities	(46,496)	(4,771)
Foreign entities	(32,452)	(36,221)
	<b>(258,667)</b>	<b>(231,366)</b>
<b>Net interest income</b>	<b>9,804,483</b>	<b>9,662,528</b>

From the total interest income for the year ended 31 December 2021, an amount of RSD 29,260 thousand (2020: RSD 12,446 thousand) relates to accrued interest on impaired financial assets.

Interest income for 2021 also includes income from originated fees which form an integral part of the effective interest rate in the amount of RSD 379,795 thousand (2020: RSD 395,319 thousand).

## 7. NET FEE AND COMMISSION INCOME

Net fee and commission income includes:

	Corporate Banking	Retail Banking	Investment Banking	Total
<b>Fee and commission income from services where performance obligations are satisfied over time</b>				
Card business fees and fees for maintenance of current accounts	32,200	2,722,429	434	2,755,063
Fees for Credit Bureau	300	48,566	0	48,866
Fees for participation in sales on POS terminals	253,064	301,872	7,359	562,295
<b>Total</b>	<b>285,565</b>	<b>3,072,867</b>	<b>7,793</b>	<b>3,366,223</b>
<b>Fee and commission income from providing services where performance obligations are satisfied at a point in time</b>				
Fees for securities transactions	16,830	2,468	26,481	45,780
Agent fees - sale of leasing product and investment funds units	34,644	175,410	0	210,055
Insurance agency fees	148	261,097	1	261,245
Fees for nostro and loro payments	200,532	329,333	17,288	547,153
Fees for cash payments	1,962	29,322	8	31,293
Fees for warnings sent to clients	0	88,126	0	88,126
Payment transfer business	529,675	476,883	16,144	1,022,702
Other fees and commissions	246,754	297,234	28,994	572,981
<b>Total</b>	<b>1,030,544</b>	<b>1,659,874</b>	<b>88,917</b>	<b>2,779,335</b>
<b>Total fee and commission income from contracts with customers</b>	<b>1,316,109</b>	<b>4,732,741</b>	<b>96,710</b>	<b>6,145,558</b>
Loan administration and guarantee business	336,750	45,646	31,762	414,158
Fees for loan granting, processing and administration (commitments) and prepayment fees	72,263	25,708	26	97,998
Revenues from realized transactions of purchase and sale of foreign exchange	2,486,100	390,036	211,851	3,087,988
<b>Total fee income as of 31.12.2021.</b>				<b>9,745,702</b>

7. NET FEE AND COMMISSION INCOME (Continued)

	Corporate Banking	Retail Banking	Investment Banking	Total 2020 reclassified
<b>Fee and commission income from services where performance obligations are satisfied over time</b>				
Card business fees and fees for maintenance of current accounts	27,358	2,406,915	46	2,434,319
Fees for Credit Bureau	324	43,954	12	44,290
Fees for participation in sales on POS terminals	153,603	224,656	0	378,259
<b>Total</b>	<b>181,285</b>	<b>2,675,524</b>	<b>57</b>	<b>2,856,867</b>
<b>Fee and commission income from providing services where performance obligations are satisfied at a point in time</b>				
Fees for securities transactions	27,304	2,752	20,517	50,572
Agent fees - sale of leasing product and investment funds units	21,168	99,926	0	121,094
Insurance agency fees	186	204,254	0	204,440
Fees for nostro and loro payments	181,080	315,885	353	497,318
Fees for cash payments	1,533	34,345	2	35,880
Fees for warnings sent to clients	0	56,303	0	56,303
Payment transfer business	445,098	415,400	407	860,904
Other fees and commissions	242,219	305,910	2,341	550,470
<b>Total</b>	<b>918,588</b>	<b>1,434,774</b>	<b>23,619</b>	<b>2,376,981</b>
<b>Total fee and commission income from contracts with customers</b>	<b>1,099,873</b>	<b>4,110,298</b>	<b>23,676</b>	<b>5,233,848</b>
Loan administration and guarantee business	299,475	44,967	38,824	383,266
Fees for loan granting, processing and administration (commitments) and prepayment fees	99,478	29,967	17	129,462
Revenues from realized transactions of purchase and sale of foreign exchange	2,085,365	391,683	203,026	2,680,074
<b>Total fee income as of 31.12.2020.</b>				<b>8,426,650</b>

## 7. NET FEE AND COMMISSION INCOME (Continued)

Fee and commission expenses include:

Fee and commission expenses	2021	2020
Payment transfer business in the country	(201,211)	(257,847)
Payment transfer business abroad	(1,268,863)	(1,076,196)
Loan insurance fees	(140,488)	(121,473)
Fees on MIGA guarantee	(99,150)	(96,001)
Fees for Credit Bureau	(81,825)	(81,865)
Fees for SMS messages setn to clients	(42,321)	(85,284)
Other fees and commissions	(47,774)	(47,164)
Fees based on mediation contracts	(249,038)	-
Expenses from realized transactions of purchase and sale of foreign exchange	(573,146)	(581,960)
	<b>(2,697,816)</b>	<b>(2,347,790)</b>

According to the letters of the NBS no. 885/1/21 of 5 April 2021 and 885/4/21 of 4 June 2021, the Banks were obliged to disclosed part of the income and expenses incurred in the realized transactions of purchase and sale of foreign currency and effective foreign currency with individuals and legal entities, in the position Income statement - Income / expenses from fees and commissions. In connection with the above, and in order to specify the comparative data for 2020, the Bank decided to reclassify the relevant data in the Income Statement for 2020. (Note 2(i).

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations. When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time. The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer, except for agent fees-sales of leasing product and investment funds units and Insurance agency fees.

The nature of each of the Bank's revenue contracts result in a single performance obligation. Therefore, the Bank has not made any significant judgements when allocating the transaction price to the performance obligation.

### *Fee and commission income from services where performance obligations are satisfied over time*

Performance obligations satisfied over time include, card business, maintenance of current accounts, and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs. The revenue is recognised evenly over the period, based on time-elapsed.

### *Fee and commission income from providing services where performance obligations are satisfied at a point in time*

Services provided where the Bank's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees securities transactions, for nostro and loro payments, cash payments, warnings sent to clients, payment transfer business. The Bank has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

The Bank has not disclosed information about the allocation of the transaction price to remaining performance obligations in contracts. This is due to the contract periods being typically less than one year in duration.

## 8. NET GAINS ON FOREIGN EXCHANGE DIFFERENCES AND EFFECTS OF FOREIGN CURRENCY CLAUSE

Net gains on foreign exchange differences and effects of foreign currency clause include:

	2021	2020* reclassified
<b>Gains on foreign exchange differences and effects of foreign currency clause</b>		
Derivatives	27	114
Spot transactions	-	-
Cash in vault, foreign currency accounts	612,860	333,353
Obligatory reserves	12,173	24,174
Loans and other receivables in foreign currency	1,555,318	205,640
Loans and other receivables linked to foreign currency	83,803	154,596
Deposits and borrowings in foreign currency	1,831,335	3,844,973
Securities	1,929,151	573,136
Other	988	2,619
	<b>6,025,655</b>	<b>5,138,606</b>
<b>Losses on foreign exchange differences and effects of foreign currency clause</b>		
Derivatives	(28)	(94)
Spot transactions	-	-
Cash in vault, foreign currency accounts	(275,799)	(414,075)
Obligatory reserves	(10,626)	(26,119)
Loans and other receivables in foreign currency	(1,283,234)	(235,986)
Loans and other receivables linked to foreign currency	(63,151)	(161,601)
Deposits and borrowings in foreign currency	(4,445,294)	(2,095,903)
Securities	(746,694)	(1,445,183)
Other	(1,235)	(3,221)
	<b>(6,826,061)</b>	<b>(4,382,182)</b>
<b>Net gains on foreign exchange differences and effects of foreign currency clause</b>	<b>(800,406)</b>	<b>756,424</b>

\* Note 2 (i)

## 9. NET IMPAIRMENT GAIN/(LOSS) ON FINANCIAL ASSETS

Net impairment gain/(loss) on financial assets consists of:

	2021	2020
<b>Release of impairment allowance</b>		
Release of impairment allowance for financial assets	7,729,970	6,450,446
Release of impairment allowance for contingent liabilities	1,632,932	1,388,204
Interest income of impaired assets	29,259	12,446
Income on collection of written-off receivables	595,370	587,912
Gains on the modification of financial instruments	4,143	-
	<b>9,991,674</b>	<b>8,439,008</b>
<b>Impairment losses on financial assets</b>		
Impairment allowance for financial assets	(8,916,931)	(8,207,633)
Impairment allowance for contingent liabilities	(1,573,410)	(1,597,814)
Impairment allowance for interest on impaired loans	(55,153)	(22,896)
Write-offs	(3,946)	(1,320)
Losses based on the modification of financial instruments	(14,698)	(293,188)
	<b>(10,564,138)</b>	<b>(10,122,851)</b>
<b>Net impairment gain/(loss) on financial assets</b>	<b>(572,464)</b>	<b>(1,683,843)</b>

During 2020 and 2021, due to the COVID-19 pandemic and the negative impact on business operations, the Bank assessed and adjusted its impairment calculation models, resulting in an increase in expenses based on impairment of financial assets not measured at fair value.

In accordance with the provisions of the Moratorium implemented during 2020 and 2021, and due to changes in contractual elements that caused changes in future cash flows in the repayment plans of appropriate loans, the Bank calculated modifications in the amount of RSD 10,555 thousand (2020: RSD 293,188 thousand).

## 10. NET GAIN/(LOSS) ON DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST AND OTHER OPERATING INCOME

10.1 Net gains and losses on derecognition of financial instruments measured at amortized costs relate to:

	2021	2020
Net gain on sale of financial instruments	415,704	74,434
<b>Net gains/(losses) on derecognition of financial instruments measured at amortized costs</b>	<b>415,704</b>	<b>74,434</b>

Net gain on derecognition of financial instruments measured at amortized cost relate to gain on sale of non-performing loans as one of the exit strategies for defaulted clients.

10. NET GAIN/(LOSS) ON DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST AND OTHER OPERATING INCOME (Continued)

10.2 Other operating income comprises:

	2021	2020
Rental income	30,104	33,122
Refund of expenses from insurance of loans	25	5,712
Gain on sale of properties taken in process of loan collection	24,715	5,857
Other operating income	40,982	33,382
<b>Total</b>	<b>95,826</b>	<b>78,073</b>

The bank owns an office building. Part of the space of the business building is rented out to its related parties who, according to the contract, pay a usage fee. As a lessor, the Bank generates rental income, which is recognized in the income statement in the position Other operating income. In 2021, the bank generated rental income in the amount of RSD 30,104 thousand ( in 2020 : RSD 33,122 thousand).

Only insignificant part of the space of the business building (less than 5%) is rented out to its related parties who, according to the contract, pay a usage fee. Therefore the building in its entirety is classified under property, plant and equipment.

Maturity analysis of lease collections to be received are as presented:

Rental income	Calculated as of 31.12.2021.
Up to one year	15,551
From 1-2	15,551
From 2-3	15,551
From 3-4	15,551
From 4-5	15,551
More than 5 years	77,757
<b>Total</b>	<b>155,513</b>

11.PERSONNEL EXPENSES

Personnel expenses include:

	2021	2020
Wages and salaries	2,469,061	2,348,900
Tax on wages and salaries	302,919	289,073
Contributions on wages and salaries	595,570	575,155
Provisions for bonus, pension, vacation and others employee benefits	257,071	249,973
Release of provisions for pension	(56,337)	(25,351)
Release of provisions for vacation	(125,157)	(187,209)
Release of provisions for bonus payment	(46,157)	(83,129)
Other personal expenses	23,317	50,504
<b>Total</b>	<b>3,420,287</b>	<b>3,217,916</b>

## 12. OTHER INCOME AND OTHER EXPENSES

12.1 Other income comprises of:

	2021	2020
Reversal of unused provisions for liabilities	454	55,950
Income from disposal of property and equipment	6,819	221
Income from reduction of liabilities	-	-
Surplus	1,488	743
Costs of court fees collected	62,964	42,725
Interest collected after write-off of receivables	141,263	98,585
Other income	22,687	35,235
<b>Total</b>	<b>235,675</b>	<b>233,459</b>

12.2 Other expenses comprise of:

	2021	2020
Rental expenses	64,782	98,592
Costs of indirect taxes and contributions	565,359	550,789
Advertising, PR and promotional expenses	230,339	174,670
Costs of fixed assets maintenance	663,800	598,940
Other non-material costs	469,703	687,701
Training expenses for staff	22,992	17,995
The cost of office supplies	44,266	57,526
Advisory and consulting expenses	497,303	323,764
Communication expenses	152,702	154,406
Security expenses	120,303	122,318
Other material costs and services	118,424	125,508
The costs of business trips	5,909	6,617
The cost of postal services	20,805	19,377
Other materials costs	146,690	164,155
Insurance premiums	941,780	837,499
Tax expenses	66,295	65,914
The costs of bringing into operation of office space	12,094	17,176
Representation costs	14,468	9,034
Membership fees	3,978	6,317
Other	298,515	242,865
Increase in provisions for liabilities	264,199	305,521
<b>Total</b>	<b>4,724,706</b>	<b>4,586,684</b>

Increase in provision for liabilities in the amount of RSD 251,880 thousand relates to provisions for litigations and claims (note 26.4 and 29.2).

The bank recognized expenses related to low value leases or lease payments related to short term contracts as a other expenses in the amount of rsd 64,782 ths ( 2020: rsd 98,592 ths)

13. INCOME TAX

13.1 Major components of income tax expenses as at 31 December are as follows:

	2021	2020
Current income tax	990,215	782,651
Deferred tax	(27,004)	(131,612)
<b>Total</b>	<b>963,211</b>	<b>651,039</b>

13.2 Reconciliation of the effective tax rate is presented as follows:

	2021	2020
Profit for the year before tax	7,820,291	6,180,387
Income tax using the domestic corporation tax rate of 15%	1,173,044	927,058
<b>Reconciliation of effective interest rate:</b>		
Non-deductible expenses	11,308	5,585
Transfer prices adjustment	20,877	26,926
Non-taxable income	(230,717)	(201,730)
Difference in net carrying amount of asset for tax and financial reporting purpose	(26,777)	(9,774)
Employee benefits	15,598	8,108
Tax credit in amount of 2% of the remaining debt in accordance with Article 4, paragraph 2 of the Law on the conversion of housing loans indexed in CHF	-	(104,873)
Other	(123)	(261)
<b>Tax expenses</b>	<b>961,211</b>	<b>651,039</b>
<b>Effective tax rate</b>	<b>12.32%</b>	<b>10.53%</b>

13.3 Change in deferred tax as at 31 December 2020 and 2019 is as follows:

	Balance as at 1 January 2021	Recognized in profit or loss	Recognized in OCI	Balance as at 31 December 2020
Property and equipment	227,182	38,102	-	265,284
Employee benefits	51,160	2,676	-	53,836
Provision for legal cases	114,268	33,966	-	148,234
Valuation of CF hedge and financial assets at fair value through OCI	(87,046)	-	64,359	(22,687)
Tax credit	52,437	(52,437)	-	-
Other	4,238	4,696	-	8,934
<b>Total</b>	<b>362,239</b>	<b>27,004</b>	<b>64,359</b>	<b>453,601</b>
	Balance as at 1 January 2020	Recognized in profit or loss	Recognized in equity	Balance as at 31 December 2020
Property and equipment	196,854	30,328	-	227,182
Employee benefits	50,685	475	-	51,160
Provision for legal cases	68,873	45,395	-	114,268
Valuation of CF hedge and financial assets at fair value through OCI	(51,404)	-	(35,642)	(87,046)
Tax credit		52,437		52,437
Other	1,260	2,978	-	4,238
<b>Total</b>	<b>266,268</b>	<b>131,613</b>	<b>(35,642)</b>	<b>362,239</b>

## 13. INCOME TAX (Continued)

Deferred tax is calculated by applying the tax rate of 15% for both presented periods,

### 13.4. Tax arising from other comprehensive income

	2021	2020
Tax arising from other comprehensive income		
Debt investment at FVOCI change in fair value	73,429	(37,738)
Cash flow hedging - valuation	(9,070)	2,096
<b>Tax arising from other comprehensive income</b>	<b>64,359</b>	<b>(35,642)</b>

## 14. CASH AND BALANCES WITH CENTRAL BANKS

### 14.1 Cash and balances with central banks include:

	2021	2020
<b>Cash and balances with central banks in dinar</b>		
Giro account	36,070,434	17,833,281
Cash on hand	5,222,656	4,829,416
Deposits of liquidity surplus	-	15,230,000
	<b>41,293,090</b>	<b>37,942,697</b>
<b>Cash and balances with central banks in foreign currency</b>		
Obligatory reserves	32,656,435	29,647,929
Cash on hand	16,668,669	18,841,414
Cash deposits at the Central Registry of Securities	4	63
	<b>49,325,108</b>	<b>48,489,406</b>
Less: Allowance for impairment	(6)	(8)
<b>Balance as at December 31</b>	<b>90,618,192</b>	<b>86,432,095</b>

Changes in allowance for impairment are presented as follows:

	2021	2020
<b>Collective allowances for impairment</b>		
<b>Balance as at 1 January</b>	<b>8</b>	<b>4</b>
Expense	2,741	687
Releases	(2,743)	(683)
<b>Balance as at December 31</b>	<b>6</b>	<b>8</b>

The Bank also set aside in 2021 the obligatory reserve in accordance with the currently applicable NBS Decision on Obligatory Reserves of Banks with the National Bank of Serbia.

## 14. CASH AND BALANCES WITH CENTRAL BANKS (continued)

The rates of the obligatory Dinar reserves on Dinar deposits not indexed to a currency clause remained the same as in 2020 and were 5% on Dinar deposits maturing within two years and 0% on Dinar deposits maturing over two years.

Conversion rates were 38% for deposits maturing within two years and 30% for foreign currency deposits maturing beyond two years, and remained unchanged in 2021.

On the amount of the achieved average daily balance the Dinar obligatory reserves set aside in the accounting period not exceeding the amount of the calculated Dinar obligatory reserves the National Bank of Serbia calculated and paid interest at the rate of 0.10% p.a. during 2021. Exceptionally, in order to mitigate the economic consequences of the COVID-19 pandemic, the National Bank of Serbia pays part of these funds, if the prescribed conditions are met - interest at an interest rate of 0.60% per annum (0.10% + 0.50 b.p.).

Foreign currency obligatory reserve is set aside on foreign currency sources of funds and Dinar sources indexed to a currency clause, During 2021, following rates for allocation of foreign currency obligatory reserve are applied:

- the rate of allocation of the obligatory reserve on foreign currency liabilities maturing beyond two years was 20%,
- the rate of allocation of the obligatory reserve on foreign currency liabilities maturing over two years was 13%,
- Rate for the allocation of the obligatory reserves on Dinar liabilities indexed to a currency clause was 100%.

The National Bank of Serbia pays no interest on the foreign currency obligatory reserves. In 2021 on the amount of foreign currency obligatory reserve which exceeds calculated amount, the National Bank of Serbia calculated interest at rate equal to 3-month Euro LIBOR plus margin of 5% p.a. Such interest was not paid by the Bank in 2021 since foreign currency obligatory reserve never exceed limits which trigger interest payments.

### 14.2 Cash in Statement of cash flow includes:

	2021	2020
Giro account	36,070,434	17,883,281
Cash on hand in dinars	5,222,656	4,829,416
Cash on hand in foreign currency	16,668,669	18,841,414
Foreign currency accounts	4,612,280	2,613,234
<b>Balance as at December 31</b>	<b>62,574,039</b>	<b>44,167,345</b>

### 14.3 Reconciliation between Cash in Statement of cash flow and Cash as a position in Balance Sheet

	2021 Balance Sheet	2021 Cash Flow statement
Giro account	36,070,434	36,070,434
Cash on hand	5,222,656	5,222,656
Deposits of liquidity surplus	-	-
Obligatory reserves	32,656,435	-
Cash on hand	16,668,669	16,668,669
Cash deposits at the Central Registry of Securities	4	-
Less: Allowance for impairment	(6)	-
Foreign currency accounts (Note 17)		4,612,280
<b>Balance as at December 31</b>	<b>90,618,192</b>	<b>62,574,039</b>

## 14. CASH AND BALANCES WITH CENTRAL BANKS (continued)

	2020 Balance Sheet	2020 Cash Flow statement
Giro account	17,883,281	17,883,281
Cash on hand	4,829,416	4,829,416
Deposits of liquidity surplus	15,230,000	-
Obligatory reserves	29,647,929	-
Cash on hand in foreign currency	18,841,414	18,841,414
Cash deposits at the Central Registry of Securities	63	-
Less: Allowance for impairment	(8)	-
Foreign currency accounts (Note 17)		2,613,234
<b>Balance as at December 31</b>	<b>86,432,095</b>	<b>44,167,345</b>

## 15. DERIVATIVE RECEIVABLES

Financial assets at fair value through Profit and Loss comprise:

	2021	2020
Derivative receivables in local currency	13,669	51,496
Derivative liabilities in local currency	9,220	2,014
<b>Balance as at December 31</b>	<b>4,449</b>	<b>49,482</b>

	2021				2020			
	Nominal (Bought)	Nominal (Sold)	Net position	Fair value	Nominal (Bought)	Nominal (Sold)	Net position	Fair value
<b>Trading derivatives</b>								
FX Forward	1,252,922	1,246,082	6,839	3,639	1,918,433	1,870,164	48,269	45,584
FX SWAP	12,225,289	12,224,545	745	810	17,483,483	17,478,825	4,658	3,898
<b>Total</b>	<b>13,478,211</b>	<b>13,470,627</b>	<b>7,584</b>	<b>4,449</b>	<b>19,401,916</b>	<b>19,348,989</b>	<b>52,927</b>	<b>49,482</b>

16. SECURITIES

Securities comprise of:

	2021	2020
Bonds of foreign institutions	20,804,165	19,594,741
Bonds of other banks	-	498,052
Treasury bills – Ministry of Finance	67,038,978	49,465,168
Treasury bills – Ministry of Finance-conversion from CHF to EUR	794,480	794,480
Less: Allowance for impairment	(12,384)	(9,650)
Balance as at December 31	88,625,239	70,342,791

Changes in allowance for impairment are presented as follows:

	2021	2020
Collective allowances for impairment S-1		
Balance as at 1 January	9,650	6,801
Expense	35,101	29,660
Releases	(32,465)	(26,653)
Effect of foreign currency movements	98	(158)
	12,384	9,650
Balance as at December 31	12,384	9,650

	2021	2020
Securities at fair value through profit and loss	3,480,028	597,659
Securities at fair value through other comprehensive income	56,960,756	49,898,260
Securities at amortized cost	28,196,838	19,856,524
Less: Allowance for impairment	(12,384)	(9,650)
Balance as at December 31	88,625,239	70,342,791

The sale of debt securities at fair value through other comprehensive income resulted in 1,024 thousand RSD recognized in Profit and loss due to reclassification from OCI (2020: 370 thousand RSD).

## 17. LOANS AND RECEIVABLES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Loans and receivables to banks and other financial institutions include:

	2021	2020
Foreign currency account - Raiffeisen Bank International AG	2,243,498	1,860,425
Foreign currency accounts - other banks	2,368,783	752,809
REPO transactions	17,000,000	15,000,000
Checks in foreign currency	199,890	-
Liquidity and working capital loans	4,785,666	385,434
Overnight deposits in local currency	7,415	-
Other loans and receivables	2,243,498	4,277,906
Short-term deposit up to 7 days in foreign currency	2,368,783	2,344,165
	<b>26,605,252</b>	<b>24,620,739</b>
Less: Allowance for impairment	(2,014)	(527)
<b>Balance as at December 31</b>	<b>26,603,238</b>	<b>24,620,212</b>

Changes in allowance for impairment are presented as follows:

	2021	2020
<b>Collective allowances for impairment S-2</b>		
<b>Balance as at 1 January</b>	<b>527</b>	<b>740</b>
Expense	2,554	740
Releases	(1,067)	(527)
Total		
<b>Balance as at December 31</b>	<b>2,014</b>	<b>527</b>

18. LOANS AND RECEIVABLES TO CUSTOMERS

Loans and receivables to customers consist of:

	Gross 31.12.2021	Allowance 31.12.2021	Net 31.12.2021	31.12.20
Foreign currency accounts and checks in foreign currency	2,082	-	2,082	4,116
Overdrafts	3,106,897	186,773	2,920,124	3,091,393
Consumer loans	310,490	19,681	290,809	276,521
Liquidity and working capital loans	76,410,959	1,168,561	75,242,398	62,819,150
Loans for working capital-at fair value	-	-	-	896
Investment loans	34,455,007	757,948	33,697,059	29,634,841
Housing loans	31,521,372	806,809	30,714,563	26,929,794
Cash loans	32,982,220	1,787,860	31,194,360	30,760,619
Other loans and credit cards	35,771,746	1,943,838	33,827,908	31,530,283
Factoring without recourse	798,377	233	798,144	341,576
Factoring with recourse	24,595	6	24,589	96,963
Other receivables and discount of bills of exchange	63,196	8,322	54,874	31,665
Credit for p/o of imports of goods and services from abroad	7,975,746	72,322	7,903,424	7,778,247
Deposits	2,107	1	2,106	2,107
	223,424,794	6,752,354	216,672,440	193,298,171
Less: Allowance for impairment	(6,752,354)			(6,383,921)
Balance as at December 31	216,672,440			186,914,250

Changes in allowance for impairment are presented as follows:

Specific allowances for impairment S-3		
Balance as at 1 January	3,912,449	3,802,470
Expense	3,858,020	3,008,516
Releases	(3,289,174)	(2,595,092)
Write-off	(777,613)	(377,608)
Effect of foreign currency movements	3,323	(317)
		74,528
Other adjustment	44,062	74,480
Total	3,751,067	3,912,449
Collective allowances for impairment S-1		
Balance as at 1 January	506,418	681,060
Expense	1,136,006	1,295,276
Releases	(1,096,508)	(1,469,789)
Effect of foreign currency movements	(2,050)	(129)
Other	(23,424)	-
Total	520,442	506,418

## 18. LOANS AND RECEIVABLES TO CUSTOMERS (continued)

<b>Collective allowances for impairment S-2</b>		
<b>Balance as at 1 January</b>	<b>1,965,054</b>	<b>454,745</b>
Expense	3,852,795	3,844,019
Releases	(3,286,279)	(2,333,848)
Write off	(14)	-
Effect of foreign currency movements	253	138
Other	(50,964)	-
<b>Total</b>	<b>2,480,845</b>	<b>1,965,054</b>
<b>Balance as at December 31</b>	<b>6,752,354</b>	<b>6,383,921</b>

In 2021 the Bank granted to corporate and small enterprises customers following loans:

- Short-term loans at annual interest rate depending on the customer credit rating range, up to EURIBOR / BELIBOR plus margin up to 3.65% / 2.9%;
- Long-term loans up to 10 years of maturity, at annual interest rate depending on the customer credit rating range, up to EURIBOR / BELIBOR plus margin up to do 4.45% / 2.5%.

For segment of SME customers, in 2021 the Bank granted following loans:

- Loans with monthly instalments, depending on the customer credit rating range, at fixed annual interest rate in the range from 4.9% to 8.5% and with floating interest rate in the range BELIBOR plus margin from 2.25 % to 5%, EUR-linked loans are granted at annual interest rate in the range EURIBOR plus margin from 3,5% to 4.95%;
- For SE sub-segment, long-term loans up to 10 years of maturity, at annual interest rate up to EURIBOR plus margin in the range from 2.85 to 4.5%, These loans are granted mainly from internal funds of the Bank;
- For Micro sub-segment, loans with monthly instalments, depending on the customer credit rating range, at fixed annual interest rate in the range from 7.5% to 12% and with prevailing floating interest rate BELIBOR plus margin from 3% to 5%. For EUR-linked loans, loans are granted at fixed annual interest rate in the range from 4,8% to 7,5% and with prevailing floating interest rate EURIBOR plus margin from 3% to 5,5%. Long-term loans up to 10 years of maturity at annual interest rate for EUR-linked loans up to 6-month EURIBOR plus margin from 4% to 6%. Dinar loans are granted at fixed annual interest rate in range from 8% to 10% or floating interest rate in the range 3-m BELIBOR plus margin 2.25% to 6.25%.
- Significantly in 2021, all clients of the small business and entrepreneurial sector were granted loans to finance liquidity and working capital secured by the guarantee of the Republic of Serbia, with a repayment period of 36 months and a variable interest rate annually, for loans in dinars of 2.5% + 1m Belibor, for loans with currency clause in the amount of 3% + 3M Euribor
- For registered agricultural farms, the Bank approved dinar loans with interest subsidized from the Ministry of Agriculture, Forestry and Water Management. Loans were approved with a repayment period of up to 60 months for investment loans and a repayment period of up to 36 months for permanent working capital, at interest rates of 1% and 3%.

18. LOANS AND RECEIVABLES TO CUSTOMERS (continued)

In 2021, the Bank granted to private individuals following loans:

- Short term loans with foreign currency clause at floating interest rate calculated as EURIBOR plus margin of 6.75% p.a, and BELIBOR plus margin in the range from 4.80% to 8.70% p.a, for loans in dinars;
- Short term loans with foreign currency clause and fixed interest rate of 9.90% p.a, and in the range from 10.95% to 30.00% for loans in dinars;
- Overdrafts at interest rates in the range from 0% to 29.76% on annual level;
- Long-term loans with foreign currency clause at floating interest rate calculated as EURIBOR plus margin of 5.75% p.a and BELIBOR plus margin of 2.90% p.a for long term loans in dinars;
- Long term loans (housing) with maximum maturity of 30 years with floating annual interest rate calculated as EURIBOR plus margin in the range from 3.24% to 3.34 % for loans with foreign currency clause and BELIBOR plus margin of 3.60% for loans in dinars;
- Long term loans with foreign currency clause and fixed interest rates of 9.90% and from 7.75% to 30.00% for loans in dinars;
- Long-term loans (housing) with maximum maturity of 30 years with fixed annual interest rate of 3.45% - 3.95% for loans with a currency clause.

19. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries comprise of equity investments in following entities:

	2021	2020
<b>Equity investments:</b>		
Raiffeisen Future a,d, Beograd, Asset Management Company for managing of voluntary pension fund	117,582	188,129
Raiffeisen Invest a,d, Beograd, Asset Management Company for managing of investment funds	517,361	540,869
Raiffeisen Leasing d,o,o, Beograd	658,460	505,594
Humanitarian Fund „Budimir Kostić“	30	30
<b>Balance as at December 31</b>	<b>1,293,433</b>	<b>1,234,622</b>

Following alternatives allowed by IAS 27, the Bank decided to measure its investments in subsidiaries at fair value. Following options allowed by IFRS 9, the changes in the fair value are recognised through other comprehensive income.

The positive valorization effect for 2021 is recognized in OCI in the amount of rsd 58.811 ths (2020: negative effect in the amount of rsd 58.929 ths)

Positive and negative effects of valorization in each entitie are presented as follows:

	2021	2020
Raiffeisen Leasing d,o,o, Beograd	152,865	(23,573)
Raiffeisen Future a,d, Beograd	(70,546)	(11,779)
Raiffeisen Invest a,d, Beograd	(23,508)	(23,577)
	<b>58,811</b>	<b>(58,929)</b>

## 20. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include:

	2021	2020
Land and buildings	3,193,208	3,265,489
Equipment	1,279,865	1,193,582
Investments in the leased assets	433,214	444,434
	<b>4,906,287</b>	<b>4,903,505</b>
Right-of-use	1,034,362	1,192,082
<b>Balance as at December 31</b>	<b>5,940,649</b>	<b>6,095,587</b>

Movements in property and equipment were as follows:

	Land and buildings	Fixtures and fittings	Tangible assets under construction	Total
<b>Cost</b>				
<b>Balance as at 1 January 2020</b>	<b>3,919,230</b>	<b>5,373,158</b>	-	<b>9,292,388</b>
Acquisitions	-	-	591,474	591,474
Transfer	10,962	580,512	(591,474)	-
Disposals	-	(208,923)	-	(208,923)
<b>Balance as at 31 December 2020</b>	<b>3,930,192</b>	<b>5,744,747</b>	-	<b>9,674,939</b>
<b>Balance as at 1 January 2021</b>	<b>3,930,192</b>	<b>5,744,747</b>	-	<b>9,674,939</b>
Acquisitions	-	-	575,349	575,349
Transfers	10,802	5643,547	(575,349)	-
Disposals	-	(283,831)	-	(283,831)
<b>Balance as at 31 December 2021</b>	<b>3,940,994</b>	<b>6,025,463</b>	-	<b>9,966,457</b>
<b>Accumulated depreciation and impairment losses</b>				
<b>Balance as at 1 January 2020</b>	<b>581,949</b>	<b>3,872,234</b>	-	<b>4,454,183</b>
Depreciation	82,754	442,821	-	525,575
Disposals	-	(208,324)	-	(208,324)
<b>Balance as at 31 December 2020</b>	<b>664,703</b>	<b>4,106,731</b>	-	<b>4,771,434</b>
<b>Balance as at 1 January 2021</b>	<b>664,703</b>	<b>4,106,731</b>	-	<b>4,771,434</b>
Depreciation	83,083	483,949	-	567,032
Disposals	-	(278,296)	-	(278,296)
<b>Balance as at 31 December 2021</b>	<b>747,786</b>	<b>4,312,384</b>	-	<b>5,060,170</b>
<b>Carrying amount</b>				
<b>Balance as at 1 January 2020</b>	<b>3,337,281</b>	<b>1,500,924</b>	-	<b>4,838,205</b>
<b>Balance as at 31 December 2020</b>	<b>3,265,489</b>	<b>1,638,016</b>	-	<b>4,903,505</b>
<b>Balance as at 31 December 2021</b>	<b>3,193,208</b>	<b>1,713,079</b>	-	<b>4,906,287</b>

There are no restrictions on title of assets neither property nor equipment pledged as a collateral.

20. PROPERTY, PLANT AND EQUIPMENT (continued)

Movement on right of use assets were as follow:

	Car	Business premises	Total
Acquisitions cost			
Balance as at 1 January 2020	48,158	1,634,415	1,682,573
Acquisitions-anexed contracts	3,013	7,707	10,720
Acquisitions-new contracts		203,168	203,168
Expiration of the contract	(3,216)	(88,480)	(91,696)
Balance as at 31 December 2020	47,955	1,756,810	1,804,765
Balance as at 1 January 2021	47,955	1,756,810	1,804,765
Acquisitions-anexed contracts	9,372	60,902	70,274
Acquisitions-new contracts		57,088	57,088
Expiration of the contract	(1,498)	(121,231)	(122,729)
Balance as at 31 December 2021	55,829	1,753,569	1,809,398
Accumulated depreciation and impairment losses			
Balance as at 1 January 2020	12,942	335,213	348,155
Depreciation	14,238	370,890	385,128
Anexes		(1,476)	(1,476)
New contracts		(28,038)	(28,038)
Expiration of the contract	(2,606)	(88,480)	(91,086)
Balance as at 31 December 2020	24,574	588,109	612,683
Balance as at 1 January 2021	24,574	588,109	612,683
Depreciation	13,159	354,627	367,786
Anexes		(49,622)	(49,622)
New contracts		(33,081)	(34,580)
Expiration of the contract	(1,499)	(121,231)	(121,231)
Balance as at 31 December 2020	36,234	738,802	775,036
Carrying amount			
Balance as at 31 December 2020	23,381	1,168,701	1,192,082
Balance as at 31 December 2021	19,595	1,014,767	1,034,362

The Bank leases business premises for branches and vehicles. The average lease term is five years for business premises and four years for vehicles.

Total cash outflows for lease amounted to 433,533 thousand RSD (2020: 434,055 thousand RSD).

## 20. PROPERTY, PLANT AND EQUIPMENT (continued)

	2021	2020
<b>Amounts recognised in profit and loss</b>		
Depreciation expense on right-of-use assets	367,786	385,128
Interest expense on lease liabilities	12,661	14,619
Expense relating to short-term leases	7,089	9,927
Other expenses relating to short-term leases	18,171	15,761
Income from sub-leasing right-of-use assets	30,105	33,121

Some of the business premises leases in which the Bank is the lessee contain variable lease payment terms that are linked to index of consumer prices. The breakdown of lease payments for these business premises is as follows.

	2021	2020
Fixed payments	321,144	337,987
Variable payments	112,389	96,068
<b>Total payments</b>	<b>433,533</b>	<b>434,055</b>

The Bank benefited from the waiver of lease payments in the amount of 12,171 thousand RSD in 2021 (14,631 thousand RSD in 2020). The Bank applied the practical expedient to all rent concessions due to Covid 19 pandemic. The carrying amounts and maturity analysis of lease liabilities are disclosed in Note 27.

## 21. INTANGIBLE ASSETS

Intangible assets consist of:

	2021	2020
Software and purchased licences	951,433	831,133
<b>Balance as at December 31</b>	<b>951,433</b>	<b>831,133</b>

21. INTANGIBLE ASSETS (continued)

Movements in intangible assets are presented as follows:

	Software and purchased licences	Other intangible assets	Total
<b>Cost</b>			
Balance as at 1 January 2020	3,801,193	27,257	3,828,450
Acquisitions	398,220	-	398,220
<b>Balance as at 31 December 2020</b>	<b>4,199,413</b>	<b>27,257</b>	<b>4,226,670</b>
Balance as at 1 January 2021	4,199,413	27,257	4,226,670
Acquisitions	437,149	-	437,149
<b>Balance as at 31 December 2021</b>	<b>4,636,562</b>	<b>27,257</b>	<b>4,663,819</b>
<b>Amortisation and impairment losses</b>			
Balance as at 1 January 2020	3,070,049	27,257	3,097,306
Amortisation for the period	298,231	-	298,231
<b>Balance as at 31 December 2020</b>	<b>3,368,280</b>	<b>27,257</b>	<b>3,395,537</b>
Balance as at 1 January 2021	3,368,280	27,257	3,395,537
Amortisation for the period	316,849	-	316,849
<b>Balance as at 31 December 2021</b>	<b>3,685,129</b>	<b>27,257</b>	<b>3,712,386</b>
<b>Carrying amount</b>			
<b>Balance as at 1 January 2020</b>	<b>731,144</b>	<b>-</b>	<b>731,144</b>
<b>Balance as at 31 December 2020</b>	<b>831,133</b>	<b>-</b>	<b>831,133</b>
<b>Balance as at 31 December 2021</b>	<b>951,433</b>	<b>-</b>	<b>951,433</b>

22. DEFERRED TAX ASSETS

Calculation of deferred tax assets as at 31 December 2021 is presented as follows:

	2021			2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Difference of the carrying amount of fixed assets	265,284	-	265,284	227,182	-	227,182
Provision for legal cases	148,234	-	148,234	114,260	-	114,260
The severance for retirement	53,836	-	53,836	51,160	-	51,160
Other	8,934	-	8,934	4,238	-	4,238
Tax credit	-	-	-	52,437	-	52,437
Valuation - cash flow hedge and securities at fair value through OCI	-	(22,687)	(22,687)	-	(87,046)	(87,046)
<b>Deferred tax asset / liability</b>	<b>476,288</b>	<b>(22,687)</b>	<b>453,601</b>	<b>449,285</b>	<b>(87,046)</b>	<b>362,239</b>

Deferred tax assets are calculated at tax rate of 15% for both presented periods.

## 22. DEFERRED TAX ASSETS (Continued)

In 2019, the Bank converted housing loans indexed in CHF in accordance with the Law governing the conversion of housing loans indexed in CHF

Pursuant to the Law governing the conversion, the remaining debt represents the amount of principal on the day of conversion increased by the amount due, and uncollected regular interest on the day of conversion. The remaining debt calculated in this way is RSD 5,243.662 thousand.

According to the Law on Corporate Income Tax, the Bank is recognized the right to a tax credit in the amount of 104,873 thousand RSD, which represents 2% of the remaining debt determined in accordance with the Law governing the conversion

The Bank used the tax credit in two consecutive tax periods, in 2020 in the amount of 50% of the calculated tax credit, which is 52,436 thousand RSD, and used the other half in 2021 in the amount of 52,436 thousand RSD.

No deferred tax liability is recognised on temporary differences relating to the cumulative positive fair value revaluation as the Bank is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

## 23. OTHER ASSETS

Other assets include:

	2021	2020
Receivables for fees for payment transactions and for others non-credit activities	83,470	75,572
Receivables from sales	1,539	1,629
Advance payments for working capital	8,271	3,061
Advance payments for tangible assets	-	1,433
Receivables from employees	4,648	4,965
Receivables for paid contributions to employees – sick leave	26,785	31,599
Other receivables from business transactions	114,094	112,000
Suspense and temporary accounts	390,726	188,159
Other receivables	6,588	11,410
Deferred interest expenses	7	11
Deferred other expenses	131,724	194,759
Other prepayments	210,992	201,353
Assets acquired through collection of receivables	11,910	19,130
Inventory	2,017	2,017
	<b>992,771</b>	<b>847,098</b>
Less: Allowance for impairment	(95,416)	(87,758)
<b>Balance as at December 31</b>	<b>897,355</b>	<b>759,340</b>

23. OTHER ASSETS (continued)

Changes in allowance for impairment are presented as follows:

	2021	2020
Specific allowances for impairment S-3		
Balance as at 1 January	75,295	68,466
Expense	15,846	15,844
Releases	(8,693)	(8,949)
Write-off	(399)	(66)
Effect of foreign currency movements	166	-
	82,215	75,295
Collective allowances for impairment S-1		
Balance as at 1 January	2,164	
Expense	180	217
Releases	(188)	(198)
Effect of foreign currency movements	(3)	1
	2,153	2,164
Collective allowances for impairment S-2		
Balance as at 1 January	10,299	11,906
Expense	13,688	12,887
Releases	(12,853)	(14,494)
Effect of foreign currency movements	(86)	-
	11,048	10,299
Balance as at December 31	95,416	87,758

Assets acquired through collection of receivables consist of:

	2021		2020	
	Surface (m2)	Value	Surface (m2)	Value
Smederevska Palanka, st. Neznanog junaka no. 47 -business and residential property	274.52	5,890	274.52	5,890
Novi Sad, Jovana Dučića 35, object of physical education, tennis courts,	246.00	6,020	541.00	13,240
Balance as at December 31	520.52	11,910	815.52	19,130

Changes in allowance for impairment are presented as follows:

	2021	2020
Allowances for impairment		
Balance as at 1 of January	76	76
Expense	2	-
Balance as at 31 of December	78	76

## 23. OTHER ASSETS (continued)

Buildings, which are repossessed during the process of collection of defaulted loans, are included in Other assets. The initial measurement is carried at cost, which includes all purchase costs, costs of conversion and other costs that are directly attributable to the acquisition of these assets.

In each following period new assessment of net realizable value is performed, so that the new carrying value is equal to cost or market value, depending on which is lower. Assessment of net realizable value is based on the most reliable evidence available at the time of the assessment about the amounts for which inventories can be held for sale and sold.

Impairment expenses are recognized in the period in which an impairment loss is incurred, or when carrying value is reduced to net realizable value. All gains or losses on disposal of assets are included in Other operating income or Other expenses.

## 24. DEPOSITS AND OTHER FINANCIAL LIABILITIES FROM BANKS, OTHER FINANCIAL INSTITUTIONS AND CENTRAL BANK

Deposits and other financial liabilities from banks, other financial institutions and central bank include:

	2021			2020		
	In dinars	In foreign currency	Total	In dinars	In foreign currency	Total
Sight deposits	1,758,302	532,694	2,290,996	1,206,628	959,367	2,165,995
Special purpose deposits	10,000	5,882	15,882	10,000	-	10,000
Other deposits	4,358	1,469	5,827	4,839	31,295	36,134
Borrowings	-	-	-	-	2,527,974	2,527,974
Other financial liabilities	-	-	-	-	171,709	171,709
	82	28,193	28,275	41	14,946	14,987
<b>Balance as at December 31</b>	<b>1,772,742</b>	<b>568,238</b>	<b>2,340,980</b>	<b>1,221,508</b>	<b>3,705,291</b>	<b>4,926,799</b>

Borrowings include:

	2021		2020	
	In 000 EUR	In 000 RSD	In 000 EUR	In 000 RSD
The European Fund for Southeast Europe - EFSE	-	-	1,470	171,709
<b>Balance as at December 31</b>	<b>-</b>	<b>-</b>	<b>1,470</b>	<b>171,709</b>

Maturity of long term borrowings is up to 8 years. Borrowings are repaid in equal half annual instalments. Interest rates are calculated at the and 6-month EURIBOR plus a margin of 3.05% p.a. Long term borrowings is repaid during 2021.

## 25. DEPOSITS AND OTHER FINANCIAL LIABILITIES FROM OTHER CUSTOMERS

Deposits and other financial liabilities from other customers include:

	2021			2020		
	In dinars	In foreign currency	Total	In dinars	In foreign currency	Total
Sight deposits	132,017,591	191,692,530	32,710,121	98,260,291	164,149,088	262,409,379
Savings deposits	298,795	29,713,002	30,011,797	260,110	28,356,727	28,616,837
Deposits as collateral for loans granted	78,458	1,030,991	1,109,449	67,712	915,366	983,078
Special purpose deposits	191,752	5,674,999	5,866,751	527,148	4,484,612	5,011,760
Other deposits	368,251	205,061	573,312	719,035	223,797	942,832
Borrowings	-	4,136,560	4,136,560	-	4,991,071	4,991,071
Other financial liabilities	17,169	1,191,889	1,209,058	10,617	786,513	797,130
Balance as at December 31	132,972,016	233,645,032	366,617,048	99,844,913	203,907,174	303,752,087

Borrowings in the amount of RSD 4,135,560 thousands (2019: RSD 4,991,071 thousands) refer to loans granted by Ministry of Finance of Republic of Serbia – APEX loans with maturity up to 12 years, Borrowings are repaid in equal half annual and annual instalments. Interest rates are calculated at the 3-month and 6-month EURIBOR plus a margin in the range from 0.277% to 1.38% p.a.;

The Bank generally did not pay interest in 2020 to large and medium-sized enterprises, but optionally offered the services of Raiffeisen Invest Cash Fund, where average yields on dinar deposits were app. 1.31%, and for foreign currency deposits in EUR yields ranged from 0.63%.

In 2021, the Bank did not offer time deposits to small enterprises and entrepreneurs, but optionally offered the receivables to USITS funds of Raiffeisen CASH and Raiffeisen EURO CASH, where average yields on dinar deposits were app. 0.8%, and for foreign currency deposits in EUR yields ranged from 0.3%.

The Bank did not calculate and pay interest on the foreign currency household accounts, except for deposits in EUR deposited in savings accounts opened before 2015, in the amount of 0.1% per annum. The Bank did not calculate and pay interest dinar current and saving household accounts.

Dinar short term deposits of households with maturity of 12 months have an annual interest rate of 1.00%, while all other models of dinar term deposits were withdrawn from the Banks offer from 2016.

## 25. DEPOSITS AND OTHER FINANCIAL LIABILITIES FROM OTHER CUSTOMERS (continued)

For dinar and foreign currency deposits placed on term accounts opened before 2016, with the possibility of more successive payments and automatic re-payment, the interest was calculated at a rate of 0.11% when it was a deposit in the EUR currency, or 0.01% in the case of deposits in other currencies, regardless of the term of deposit.

	Note	2021	2020
<b>Opening balance</b>			
Deposits and other liabilities from banks, other financial institutions and central bank	24	4,926,799	4,287,532
Deposits and other liabilities from other customers	25	303,752,087	251,813,778
<b>Opening balance 1 January</b>		<b>308,678,886</b>	<b>256,101,310</b>
Net inflow – deposits		58,692,017	56,097,376
Net outflow – borrowings		(1,027,391)	(1,737,704)
Net outflow – interest		(258,552)	(232,555)
Net outflow – fees		(2,757,919)	(1,715,273)
Foreign exchange differences		2,613,560	(1,782,990)
Accrued interest and other non-cash transactions		3,017,427	1,948,722
<b>Closing balance</b>			
Deposits and other liabilities from banks, other financial institutions and central bank	24	2,340,980	4,926,799
Deposits and other liabilities from other customers	25	366,617,048	303,752,087
<b>Closing balance 31 December</b>		<b>368,958,028</b>	<b>308,678,886</b>

### 25.1. Changes in liabilities arising from financing activities

The table below details changes in the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were classified in the Bank's cash flow statement as cash flows from financing activities.

2021	Opening balance	Cash inflows	Cash outflows	Accrued interest	Closing balance
Borrowings	5,162,780	-	(1,027,391)	1,171	4,136,560
2020	Opening balance	Cash inflows	Cash outflows	Accrued interest	Closing balance
Borrowings	6,821,607	-	(1,657,383)	(1,444)	5,162,780

## 26. PROVISIONS

26.1 Provisions consist of:

	2021	2020
Provision for employee benefits		
- provisions for retirement benefit	271,691	263,262
- provisions for other long term payments	87,217	77,806
- other short term provisions (bonus, vacations)	176,964	172,199
	<b>535,872</b>	<b>513,267</b>
Provision for contingent liabilities	808,869	868,217
Provision for pending legal cases	951,981	703,547
Other provisions	54,480	58,239
<b>Balance as at December 31</b>	<b>2,351,202</b>	<b>2,143,270</b>

26.2 Movements in provisions for employee benefits are presented as follows:

	2021	2020
Balance as at 1 January	513,267	560,709
Provision for the year	257,071	249,973
Release during the year	(227,651)	(295,689)
Payments	(6,815)	(1,726)
<b>Balance as at December 31</b>	<b>535,872</b>	<b>513,267</b>

26.3 Movements in provision for contingent liabilities are presented as follows:

	2021	2020
Balance as at 1 January	868,217	658,872
Provision for the year	1,573,410	1,597,814
Release during the year	(1,632,932)	(1,388,204)
Foreign exchange differences	(174)	(265)
<b>Balance as at December 31</b>	<b>808,521</b>	<b>868,217</b>

Provision for contingent liabilities in the amount of RSD 808,869 thousand (31 of December 2020: RSD 868,217 thousand) is made for guarantees and other off-balance sheet placements in accordance with Methodology on calculation of impairment provision of financial assets and off-balance sheet items.

## 26. PROVISIONS (continued)

26.4 Movements in provision for pending legal cases are presented in the table below:

	2021	2020
<b>Balance as at 1 January</b>	<b>703,547</b>	<b>443,595</b>
Provision for the year	251,880	262,687
Other	(454)	(188)
Usage	(2,992)	(2,547)
<b>Balance as at December 31</b>	<b>951,981</b>	<b>703,547</b>

26.5 Movements in other provisions are presented as follows:

	2021	2020
<b>Balance as at 1 January</b>	<b>58,239</b>	<b>81,613</b>
Provision for the year	12,319	42,834
Usage	(16,078)	(66,208)
<b>Balance as at December 31</b>	<b>54,480</b>	<b>58,239</b>

## 27. OTHER LIABILITIES

Other liabilities consist of:

	2021	2020
Fee liabilities	3,139	62,144
Suppliers	79,738	243,647
Advances received	147,361	189,587
Lease liabilities (Note 20)	1,061,438	1,217,959
Other liabilities from business activities	95,142	49,990
Liabilities in settlement	164,804	119,290
Suspense and temporary accounts	466,105	448,237
Liabilities for to wages and salaries	3,107	3,355
Liabilities for VAT	63,398	49,865
Liabilities for other taxes and contributions	3,379	3,366
Other accrued expenses	139,094	131,862
Accrued interest income	93,333	105,925
Other accrued income	214,188	168,994
Other accruals	317	475
<b>Balance as at December 31</b>	<b>2,534,543</b>	<b>2,794,696</b>

28. EQUITY

28.1 Equity includes:

	2021	2020
Share capital	27,466,158	27,466,158
Profit reserves	23,353,465	23,353,465
Revaluation reserves from the change in the value of equity instru- ments – investment in subsidiaries	566,953	508,142
Hedging reserves	(29,563)	(80,960)
Revaluation reserves from the change in the value of debtinstru- ments - bonds	158,124	574,221
Profit for the year	6,956,409	11,742,560
<b>Balance as at December 31</b>	<b>58,471,546</b>	<b>63,563,586</b>

Raiffeisen SEE Region Holding GmbH, Vienna holds 100% of the Bank's equity. Raiffeisen Bank International AG is ultimate parent of the Bank.

The shareholders of the Bank's ordinary shares are liable for the liabilities of the Bank and bear the risk of business activities of the Bank in proportion to number of shares which possess. Shares may be transferred on third parties in accordance with provisions of the Decision on founding. The shareholder of the Bank's ordinary shares has the right on dividend pay-out.

In 2021, based on the Shareholder's Assemble Decision dated 28 April 2021, retained earnings related to 2019 and 2020 profit, are distributed through dividend pay-out in the amount of RSD 11,061,069 thousand.

In 2020, due to COVID measures, dividend was not paid to shareholder of the Bank. Due to pandemic disease COVID-19 and crises which it has caused, the Bank has signed an Agreement on the maintenance of the stability of the financial system and prevention of the risk caused by the pandemic outbreak of Covid-19 disease with the National Bank of Serbia, the Ministry of Finance and all commercial banks operating in Serbia which is inter alia obliging the Bank, as well as all banks which are operating in Republic of Serbia, not to distribute the profit by paying out dividends to shareholder until the termination of all emergency measures which have been implemented due to pandemic caused by the COVID-19.

28.2 Profit reserves include:

	2021	2020
Specific reserve from credit losses on balance-sheet assets and off- balance sheet items	23,353,465	23,353,465
<b>Balance as at December 31</b>	<b>23,353,465</b>	<b>23,353,465</b>

According to regulations for the banking sector, the Bank was obliged to create profit reserves at the level of specific reserves for credit losses, which was calculated in accordance with requirements defined by the Decision on the Classification of Bank Balance Sheet Assets and Off-Balance Sheet Items.

In accordance with regulation which is in force, the Bank can formally reduce value of profit reserves if it receives prior consent from National Bank of Serbia. In order to receive mentioned approval, Bank has to prove that it will replace instruments with instruments of equal or higher quality and similar or lower costs or its capital adequacy ratios remain above specified levels after capital / reserves decrease. Having in mind that profit reserves are part of CET1 capital there is no possibility that they will be replaced with higher capital quality.

28.3 The Bank has complied with all externally imposed capital requirements to which it is subject (Note 4 (f)).

## 29. COMMITMENTS AND CONTINGENT LIABILITIES

29.1 Commitments and contingent liabilities as at 31 December comprise the following:

	2021	2020
Payment and performance guarantees	59,449,194	54,487,010
Letters of credit	1,377,251	663,426
Irrevocable credit lines	14,712,858	13,646,417
Revocable credit lines	101,033,754	87,084,200
<b>Balance as at December 31</b>	<b>176,573,057</b>	<b>155,881,053</b>

In respect of contingent liabilities, the Bank estimated and booked provision in the amount of RSD 808.869 thousand (2020: RSD 868,217 thousand).

Irrevocable credit lines comprise the following:

	2021	2020
Overdrafts to non-retail	25,000	20,000
Commitments related to short-term loans and guarantees	37,908	21,101
Commitments related to long-term loans and guarantees	2,600,182	1,553,734
Credit cards to non-retail	948,439	982,180
Overdraft to individuals	1,181,595	1,239,570
Credit cards to individuals retail	9,919,734	9,829,832
<b>Balance as at December 31</b>	<b>14,712,858</b>	<b>13,646,417</b>

29.2 Legal proceedings

As of December 31, 2021 there were 13,872 litigations filed against the Bank (2020: 6,234), with the total value claimed in the amount of RSD 2,601,589 thousand (2020: RSD 2,292,046 thousand). For these court cases, the Bank created provisions in the amount of RSD 951,981 thousand (2020: RSD 703,547 thousand), based on the management's estimate of the probable positive outcome of the proceedings and the total losses that the Bank may suffer.

The Bank has filed a number of lawsuits against third parties, mostly for the purpose of collecting its receivables.

## 30. RELATED PARTIES

The Bank is controlled by the Raiffeisen SEE Region Holding GmbH, Vienna incorporated in Austria, which owns 100% of its ordinary shares. The ultimate parent of the Bank is the Raiffeisen Zentralbank Österreich AG incorporated in Austria. In addition, the Bank has control over its subsidiaries Raiffeisen Future a.d. Beograd, Raiffeisen Invest a.d. Beograd and Raiffeisen Leasing d.o.o. Beograd.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, equity investments and derivative instruments.

30. RELATED PARTIES (continued)

Outstanding balances of assets and liabilities as of December 31, 2021 and 2020, resulting from the Bank's related party transactions are summarized below:

	2021	2020
<b>ASSETS</b>		
<b>Receivables arising from derivatives</b>		
Parent company	9.862	5.913
	<b>9.862</b>	<b>5.913</b>
<b>Loans and receivables to banks and other financial institutions</b>		
Parent company	2.243.800	1.860.715
Subsidiaries	4.986.815	4.571.563
	<b>7.230.615</b>	<b>6.432.278</b>
<b>Loans and receivables to customers</b>		
Subsidiaries	1.163.175	1.153.359
	<b>1.163.175</b>	<b>1.153.359</b>
<b>Receivables from derivatives held for hedging against risks</b>		
Parent company	586.824	13.211
	<b>586.824</b>	<b>13.211</b>
<b>Property, plant and equipment</b>		
Subsidiaries	19.594	23.382
	<b>19.594</b>	<b>23.382</b>
<b>Other assets</b>		
Parent company	25.538	34.474
Subsidiaries	2.487	4.678
Other related parties	11.637	13.539
	<b>39.662</b>	<b>52.691</b>

## 30. RELATED PARTIES (continued)

	2021	2020
<b>LIABILITIES</b>		
<b>Liabilities arising from derivatives</b>		
Parent company	9.051	2.014
	<b>9.051</b>	<b>2.014</b>
<b>Liabilities arising from derivatives held for hedging against risks</b>		
Parent company	9.130	498.508
	<b>9.130</b>	<b>498.508</b>
<b>Deposits and other liabilities from banks, other financial institutions and central bank</b>		
Parent company	127.246	8.027
Subsidiaries	375.705	132.161
Other related parties	42.398	8.372
	<b>545.349</b>	<b>148.560</b>
<b>Deposits and other liabilities from other customers</b>		
Subsidiaries	85.406	157.199
	<b>85.406</b>	<b>157.199</b>
<b>Provisions</b>		
Parent company	10	13
Subsidiaries	1.813	656
	<b>1.823</b>	<b>669</b>
<b>Other liabilities</b>		
Parent company	64.592	73.611
Subsidiaries	22.489	67.434
	<b>87.081</b>	<b>141.045</b>

30. RELATED PARTIES (continued)

The following table summarizes total income and expenses arising from related party transactions realized during the years ended December 31, 2021 and 2020:

	2021	2020
<b>STATEMENT OF PROFIT OR LOSS</b>		
<b>Interest income:</b>		
Parent company	10	7
Subsidiaries	21.474	27.264
	<b>21.484</b>	<b>27.271</b>
<b>Interest expense:</b>		
Parent company	(35.351)	(31.150)
Subsidiaries	(398)	(583)
	<b>(35.749)</b>	<b>(31.733)</b>
<b>Fee and commission income:</b>		
Parent company	413.462	40.236
Subsidiaries	8.803	6.256
Other related parties	-	247
	<b>422.265</b>	<b>46.739</b>
<b>Fee and commission expense:</b>		
Parent company	(641.605)	(197.655)
Subsidiaries	(275.912)	(267.358)
Other related parties	(4)	(1)
	<b>(917.521)</b>	<b>(465.014)</b>
<b>Net gain/loss on change in fair value of financial instruments</b>		
Parent company	(53.673)	10.513
Subsidiaries	(49)	-
	<b>(53.722)</b>	<b>10.513</b>
<b>Net gains / (losses) on hedging</b>		
Parent company	957.913	(378.401)
	<b>957.913</b>	<b>(378.401)</b>

### 30. RELATED PARTIES (continued)

	2021	2020
<b>OTHER OPERATING INCOME</b>		
Parent company	10.005	6.43
Subsidiaries	23.383	26.476
Other related parties	8.598	9.787
	<b>41.986</b>	<b>42.693</b>
<b>Net impairment gain/(loss) on financial assets</b>		
Parent company	6	(13)
Subsidiaries	(2.912)	51
	<b>(2.906)</b>	<b>38</b>
<b>Other income</b>		
Parent company	8	958
Subsidiaries	284	4.333
	<b>292</b>	<b>5.291</b>
<b>Other expenses</b>		
Parent company	(448.409)	(356.747)
Subsidiaries	(61.718)	(44.079)
	<b>(510.127)</b>	<b>(400.826)</b>
<b>Net as at 31 December</b>	<b>(76.085)</b>	<b>(1.143.429)</b>

Total gross salaries for the Managing board members and other key executives in 2021 amount to RSD 807,755 thousand (2020: RSD 710,429 thousand). Apart from gross salaries, there were no other key management personnel compensation in 2021 and 2020.

### 31. SUBSEQUENT EVENTS

The Bank has on August 5, 2021 signed Share Purchase Agreement with Crédit Agricole S.A. on the basis of which the Bank will become the owner of 100% of ordinary shares in Credit Agricole Banka Srbija a.d. Novi Sad (CA bank) and CA Leasing Srbija d.o.o. Beograd (CA Leasing). The realization of the transaction is conditioned by the fulfilment of a number of suspensive conditions, including the approval of the transaction by the competent regulatory authorities (National Bank of Serbia and the Austrian regulatory bodies - FMA/ECB), as well as the approval of the commissions for protection of competition in the jurisdictions and on territories of some countries in Europe. Up to now, we received approvals of commissions for protection of competition in all relevant jurisdictions and territories, as well as necessary approval of the Austrian regulatory authorities – FMA/ECB. Documentation for the approval of the transaction by NBS has been filled. The finalization of the transaction is expected till the end of the first quarter of 2022.

As can be seen from the above stated, one of the key goals of the Bank is successful transaction closing and smooth and efficient integration of the CA bank. This acquisition will enable the Bank to strengthen its market share in the Republic of Serbia, increase its customer base, more adequately employ funds, diversify and optimize its capital structure and increase its earning capacity. It will also enable the Bank to enter and at the same time gain a significant share in the segment of business with farmers, whereby in this segment the level of NPLs of CA Bank has been assessed as adequate. In addition, the Bank will become a leader in car loans.

## 31. SUBSEQUENT EVENTS (Continued)

In case of successful completion of the transaction, significant synergy potential and bank profitability improvement is expected. The synergy potential mainly stems from the projected cost savings, due to the optimization of the branch network and the number of employees, as well as IT-related savings, due to the strategy of full integration of CA bank into Bank systems. However, synergy potential is also expected on the revenue side on the basis of x-sell, on the basis of changes in interest rates on deposits, in order to comply with Banks pricing policy, as well as on the basis of employing Banks excess liquidity. On the other hand, integration costs will arise, mainly related to severance payments, incentives for employees, IT OPEX migration costs, one-time migration IT CAPEX, CAPEX due to branch transformation and card migration.

Bearing in mind that CA bank is part of an international banking group, we assessed that the corporate culture and value system of CA bank and the Bank are very similar, and slightly complex Ca bank organizational structure, will significantly facilitate the integration process, which is also perceived as another benefit of this Transaction. The Bank intends to conduct the merger of CA bank to Bank, as well as the merger procedure of CA Leasing to the legal entity Raiffeisen Leasing d.o.o. Beograd. After the realization of the subject transactions, CA bank and CA Leasing will cease to exist as a legal entity, without conducting a liquidation procedure. The realization of the merger is planned within 12 to 15 months from the day of the realization of the transaction which is the subject of the Share Purchase Agreement.

### *The Impact of the Russian-Ukrainian Crisis on Risk Exposures*

With the commencement of Russian-Ukraine crisis on 24 February, a large number of countries have imposed economic sanctions on Russia and Belarus. The sanctions were wide-ranging, targeting individuals, banks, businesses, monetary exchanges, bank transfers, exports, and imports. The sanctions included cutting off major Russian banks from SWIFT, the global messaging network for international payments, although there would still be limited accessibility to ensure the continued ability to pay for gas shipments. In addition, a growing number of public and private companies have announced actions to curtail business activities with Russia and Belarus. The Impact on the Level of Credit Risk Exposure

In its assessment of a potential impact of the crisis on the RBRS portfolio, the Bank has identified the customers whose business operations are connected with the markets of Russia, Ukraine and Belarus.

Also, the Bank has identified the customer whose owners are citizens of the regions hit by the crisis or legal entities – founders which are registered in the territory of the Russian Federation, Ukraine, or Belarus.

For the customers selected in that manner, assessment of potential impact on each customer was made. This assessment took into consideration a type of connection with these markets (import/export/ownership structure), as well as percentage participation of such businesses in relation to the total business operations of customers, type of exposure (direct borrower/guarantor), industry in which the customer operates, etc.

Substitution of such markets was assessed in terms of sales of goods/services (export) and purchase (import). We have classified the substitution risk zone to low (easy to find substitutes), medium and high (difficult to find substitutes).

Considering the results of the above assessments, as well as the position of the Bank in terms of the volume of exposure, limit structure (maturity, method of repayment), collateral instruments, financial strength of customers and other relevant indicators, potential level of the negative impact of the selected customers has been assessed and classified as low, medium, or high levels.

## 31. SUBSEQUENT EVENTS (Continued)

For the identified customers, appropriate measures have been determined in accordance with the assessed risk level: collection of additional information, analysis of the existing limits, intensive monitoring, change of the risk status and internal customer rating.

For all identified customers we have also identified the level of exposure towards private individuals employed in these companies and established the monitoring.

The exposure towards customers where high probability of the negative impact on the portfolio of the Bank has been assessed accounts for 3% of the total portfolio in the corporate segments, whereas the level of balance exposure towards private individuals employed in these companies is below 1% of the total balance exposure towards private individuals.

Given the limited level of exposure towards the identified groups with high risk levels, the Bank does not expect to see any significant direct effects on the quality of the portfolio and financial indicators.

Potential indirect effects caused by a growth of inflation and deterioration of other macroeconomic parameters may not be excluded and shall be additionally monitored and analysed, but according to presently available information and assessments of macroeconomic development trends in Serbia for 2022, the Bank does not intend to make any more substantial correction of the assessment of the volume of problem exposures or risk costs.

### *The Impact on the Level of Exposure to Liquidity Risk*

The unstable situation caused by the conflict between Russia and Ukraine has led the Bank management to conduct a more detailed assessment of liquidity risk and potential losses. Although the Bank has a high liquid position, with the regulatory indicators significantly exceeding the minimum values (as at 28/02/2022, Liquidity indicator – 2.15, Narrow liquidity indicator – 1.54, Liquidity coverage ratio -192%), to ensure timely monitoring and taking appropriate measures, while also considering the expected outflows of funds due to the forthcoming acquisition, the Bank has undertaken the following measures:

- Liquidity Contingency Committee has been activated, in an effort to improve the daily management of liquidity through monitoring of trends of the balance sheet positions and unexpected changes, as well as negative media publications, on the one hand, and through analysing potential funding sources, on the other hand;
- A more frequent calculation of the Liquidity Coverage Ratio (on daily basis);
- Stress tests of potential deterioration of the Bank's liquidity position that may occur as a result of a significant increase of customers' deposits withdrawal, higher use of approved committed/uncommitted lines and increased volume of credit activities of the Bank have been conducted.

The Bank is in the process of analysing the effects of the unstable situation caused by the conflict between Russia and Ukraine where special attention is attached to the level of exposure to foreign exchange risk. As the Bank maintains the relatively low level of open foreign exchange position, which is substantially below the regulatorily prescribed level (as at 28/02/2022, the indicator of the Bank's daily risk is below 3%), together with the activities conducted by the NBS aimed at maintaining the stability of the exchange rate, the Bank does not expect any negative implications for its business operations.

## 31. SUBSEQUENT EVENTS (Continued)

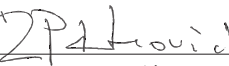
*The Impact on the Level of Exposure to Operational Risk*

RBI Group is closely monitoring the aspects of the Ukrainian crisis regarding the information and cyber security. RBI Group Cyber Defence Operational Centre is taking additional measures to ensure relevant threat intelligence data and conducts stronger monitoring. On its part, RBRS is also increasingly monitoring, on preventive basis, to ensure timely detection of any attempts of cyber attacks that may be caused by the events related to the conflict in Ukraine and provide fast and efficient response.

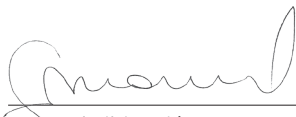
After the date of the reporting period, there were no other events that would require disclosure in the notes to the financial statements of the Bank as of and for the year ended 31 December 2021.

Belgrade, 19 April 2022

For and on behalf of the Management Raiffeisen banka a.d., Beograd

  
\_\_\_\_\_  
Zoran Petrović  
Chairman of the Managing Board



  
\_\_\_\_\_  
Nenad Sibinović  
Member of the Managing Board/COO

[www.raiffeisenbank.rs](http://www.raiffeisenbank.rs)



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