

Annual Report 2022

Survey of key data

Raiffeisen banka a.d.			
Monetary values are in thousands RSD	2022	Change	2021
Income Statement			
Net interest income after provisioning	11,641,163	26.1%	9,232,019
Net commission income	9,631,583	36.7%	7,047,886
Net trading income	(434,292)	226.4%	(133,075)
General administrative expenses	(10,994,740)	17.0%	(9,398,662)
Profit before tax	11,233,618	43.6%	7,820,291
Profit after tax	9,693,612	41.4%	6,857,080
Balance Sheet			
Loans and advances to banks	61,337,473	130.6%	26,603,238
Loans and advances to customers	237,489,395	9.6%	216,672,440
Amounts owed to other banks	17,482,064	646.8%	2,340,980
Amounts owed to customers	431,692,058	17.8%	366,617,048
Equity (incl. minorities and profit)	67,788,071	15.9%	58,471,546
Balance-sheet total	534,095,277	23.4%	432,656,073
Regulatory information			
Total own funds	46,539,481	-2.8%	47,869,298
Own funds requirement	23,168,565	10.3%	21,014,353
Core capital ratio	14.00%	-23.2%	18.22%
Own funds ratio	16.07%	-11.8%	18.22%
Performance			
Return on equity (ROE) before tax	19.53%	40.5%	13,90%
Return on equity (ROE) after tax	16.85%	38.2%	12,19%
Cost/income ratio	42.11%	-9.4%	46.49%
Return on assets (ROA) before tax	2.10%	16.4%	1.81%
Risk/earnings ratio	5.93%	3.6%	5.73%
Resources			
Number of staff on balance-sheet date	1,482		1,435
Business outlets	81		81

Pregled najvažnijih podataka

Raiffeisen banka a.d.			
Vrednosti su izražene u hiljadama dinara	2022	Promena	2021
Bilans uspeha			
Neto dobitak po osnovu kamata posle rezervisanja	11.641.163	26,1%	9.232.019
Neto dobitak po osnovu naknada i provizija	9.631.583	36,7%	7.047.886
Neto prihodi od trgovanja	(434.292)	226,4%	(133,075)
Administrativni troškovi	(10.994.740)	17,0%	(9.398.662)
Dobitak pre oporezivanja	11.233.618	43,6%	7.820.291
Dobitak posle oporezivanja	9.693.612	41,4%	6.857.080
Bilans stanja			
Plasmani bankama	61.337.473	130,6%	26.603.238
Plasmani klijentima	237.489.395	9,6%	216.672.440
Obaveze prema bankama	17.482.064	646,8%	2.340.980
Obaveze prema klijentima	431.692.058	17,8%	366.617.048
Kapital	67.788.071	15,9%	58.471.546
Bilans stanja (ukupno	534.095.277	23,4%	432.656.073
Kontrolne informacije			
Ukupni sopstveni kapital	46.539.481	-2,8%	47.869.298
Potreban sopstveni kapital	23.168.565	10,3%	21.014.353
Adekvatnost kapitala (osnovni kapital)	14,00%	-23,2%	18,22%
Adekvatnost kapitala (ukupni kapital)	16,07%	-11,8%	18,22%
Pokazatelji poslovanja			
Stopa povraćaja kapitala pre oporezivanja	19,53%	40,5%	13.90%
Stopa povraćaja kapitala posle oporezivanja	16,85%	38,2%	12.19%
Odnos rashoda i prihoda	42,11%	-9,4%	46,49%
Stopa povraćaja aktive	2,10%	16,4%	1,81%
Učešće ispravke vrednosti u neto prihodima od kamate	5,93%	3,6%	5,73%
Izvori			
Broj zaposlenih na dan bilansa	1.482		1.435
Broj poslovnica	81		81

Contents

Report by the Chairman of the Board of Directors	6
Introductory Address by the Chairman of the Managing Board	8
Raiffeisen Bank International at a Glance	14
Macroeconomic Enviroment, Opportunities for Foreign Investors and Prospects	16
Social Responsibility	26
Corporate Banking	30
Retail Banking	36
Treasury and Investment Banking	44
Raiffeisen Leasing d.o.o.	48
Raiffeisen Future	50
Raiffeisen Invest	52
Branch Network	54
Organization Structure	56
Addresses	58
Financial Statements	
Independent Auditor's Report	64
Separate Statement of Profit or Loss	66
Separate Statement of Other Comprehensive Income	67
Separate Statement of Financial Position	68
Separate Statement of Changes in Equity	69
Separate Statement of Cash Flows	70
Notes to the Financial Statements	72

Sadržaj

Izveštaj predsednika Upravnog odbora	7
Uvodna reč predsednika Izvršnog odbora	9
Kratak pregled Raiffeisen Bank International	15
Makroekonomsko okruženje, mogućnosti za strane investitore i perspektive	17
Društvena odgovornost	27
Poslovanje sa privredom	31
Poslovanje sa stanovništvom	37
Sredstva i investiciono bankarstvo	45
Raiffeisen Leasing d.o.o.	49
Raiffeisen Future	51
Raiffeisen Invest	53
Mreža filijala	54
Organizaciona struktura banke	56
Adrese	58
Finansijski izveštaj	
Nezavisno mišljenje revizora	64
Pojedinačni bilans uspeha	66
Pojedinačni izveštaj o ostalom rezultatu	67
Pojedinačni bilans stanja	68
Pojedinačni izveštaj o promenama na kapitalu	69
Pojedinačni izveštaj o tokovima gotovine	70
Napomene uz finansijske izveštaje	72

Report of the Board of Directors



Ladies and Gentlemen,

It is our pleasure to announce that Raiffeisen banka a.d. Beograd completed the financial year 2022 with outstanding business results, the best since the beginning of its business activities in Serbia. Thanks to a good client base, a high-quality loan portfolio in all segments, but also the expertise and resources invested in a comprehensive and well-timed digital transformation, the bank has fully responded to market needs and proven that it offers superior user experience to its clients. Evidence of this is also the leading position of the bank in the Serbian market with regard to the degree of satisfaction of clients with the services offered. The bank also has the support of our management in its probably most important venture since the start of business activities in Serbia: the acquisition of RBA banka (formerly Crédit Agricole Srbija A.D. Novi Sad), which was successfully finalized in the month of April 2022. The full integration of both banks is expected in the second quarter of 2023.

During the 2022 financial year, the members of the Board of Directors held nine meetings. The overall attendance rate for Board of Directors meetings was 100 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 about capital structure 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 the 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.

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 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 overall strategy, the capital management strategy and plan were one of the focus topics for the monitoring activities of the Board of Directors in 2022. These activities included the review and adoption of the ICAAP report, implementation of measures to strengthen the capital position, which includes, among other things, the decision on the retention in capital of the profit generated in previous years, but also discussions with the Management Board on the supervisory process and evaluation requirement (SREP).

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,

Sa zadovoljstvom objavljujemo da je Raiffeisen banka a.d. Beograd završila finansijsku 2022. godinu sa odličnim poslovnim rezultatima, najboljim od početka poslovanja u Srbiji. Zahvaljujući dobroj klijentskoj bazi, kvalitetnom kreditnom portfoliju u svim segmentima, ali takođe i ekspertizi i resursima ulozenim pravovremeno u sveobuhvatnu digitalnu transformaciju, banka je u potpunosti odgovorila na potrebe tržišta i potvrdila da pruža superiorno korisničko iskustvo svojim klijentima. Potvrda toga je i vodeća pozicija koju banka zauzima na srpskom bankarskom tržištu kad je reč o stepenu zadovoljstva klijenata pruženom uslugom. Podršku naše uprave banka ima i u svom, verovatno i najznačajnijem poduhvatu od početka rada u Srbiji: akviziciji RBA banke (nekadašnje Crédit Agricole Srbija A.D. Novi Sad), a koja je uspešno okončana u aprilu mesecu 2022. godine. Puna integracija banaka očekivana je u drugom kvartalu 2023. godine.

Tokom 2022. godine, članovi Upravnog odbora održali su devet sednica. Ukupna stopa učešća na sastancima Upravnog odbora u finansijskoj 2022. godini bila je 100%.

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.

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 2022. godini. Ove aktivnosti uključivale su pregled i usvajanje izveštaja ICAAP, preduzimanje aktivnosti u cilju jačanja kapitalne pozicije što između ostalog podrazumeva i donošenje odluke o zadržavanju dobitka ostvarenog u prethodnim godinama u kapitalu, kao i diskusiju sa Izvršnim odborom u pogledu zahteva procesa supervizorskog nadgledanja i procene (SREP).

Iskoristio bih ovu priliku da uputim iskrenu zahvalnost Izvršnom odboru i svim zaposlenima Raiffeisen banke na njihovom odlučnom zalaganju, a takođe i 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 wish to inform you that in the business year 2022, we have realized outstanding, even record results since the beginning of our bank's business activities in Serbia. We have greatly surpassed the planned goals in most segments, largely as a result of loan volume growth, but also growth of interest income and commissions.

You will find a more detailed overview of achievements of all segments, as well as key business indicators, in the following pages of this report. This success is all the more important because it was realized in a year marked by new challenges both globally and locally, being a consequence of war conflict in Europe we are sadly witnessing .

As concerns the local business activities of the bank, we are especially proud of the fact that 2022 will not remain "just" a record year in the domain of business results. In this year, we have successfully realized our first acquisition in the Serbian market, after more than two decades of organic growth. RBA banka (formerly Crédit Agricole Srbija A.D. Novi Sad) was acquired on April 1st, 2022, including the leasing company (already successfully merged with our company Raiffeisen Leasing in September, 2022).

With this acquisition, we are realizing long-term strategic plans regarding business expansion in Serbia, since, strengthened by the high-quality offer of products and services, as well as the human resource capital of RBA banka, we will be in a position to offer to an even greater number of clients in all business segments an even more superior user experience.

We wish to express our full gratitude to our head office in Vienna, Raiffeisen Bank International, which considers the Serbian market of strategic importance to its business in this region and offers full support to our bank for this important step in its further development.

The complex tasks aimed at concluding the integration of the two banks, planned in May, 2023, are fully underway. I would like to say words of appreciation for the exceptional dedication, professionalism and commitment of all colleagues in both banks, who are working tirelessly on all challenging tasks, without neglecting their regular duties.

Speaking of merits, it is unavoidable to mention our appreciation of all the staff in Raiffeisen banka who have, apart from achieving the set business goals and financial results, maintained their focus also on market needs and the degree of client satisfaction. Aware of the changing needs of the contemporary client, we have continued introducing innovations and further service digitalization, which has become almost our signature sign in the local market.

Our business network coverage with transformed, digital branch offices, with services available 24 hours a day, seven days a week, has reached almost 90 per cent of the total number of branch offices. We have invested significant efforts into education of both ourselves, but even more importantly – the clients using our services. We have introduced numerous innovations and improved already existing services, and we are continuing the same trend in the following year as well, with an inevitable focus on improving client satisfaction and user experience. The vision of our Group is to be the "most recommended financial services provider" by 2025. Raiffeisen banka certainly contributes to the realization of this vision because it has leading positions in all segments among the main competitors in the market as far as this feature is concerned.

It is our plan to continue this trend in the forthcoming period as well, additionally strengthened after the merger with RBA banka in the second quarter of 2023. Our improved internal and external processes, digital services in all business segments, as well as the agile way of working and the resources we have invested – all give us an excellent basis for that.

Uvodna reč predsednika Izvršnog odbora



Poštovani akcionari, poslovni partneri, kolegice i kolege,

U ime Izvršnog odbora Raiffeisen banke a.d. Beograd, obaveštavam vas da smo u poslovnoj 2022. godini ostvarili odlične rezultate, čak rekordne od početka poslovanja naše banke u Srbiji. Uveliko smo premašili projektovane ciljeve u većini segmenata, a tome je doprineo prvenstveno rast kreditnih volumena, rast prihoda od kamata i provizija.

Detaljan pregled ostvarenja po svim segmentima, kao i ključne poslovne pokazatelje, naći ćete na narednim stranama ovog izveštaja. Ovaj uspeh je utoliko značajniji jer je ostvaren u godini obeleženoj i novim izazovima na globalnom, a posledično i lokalnom tržištu, kao posledica ratnih sukoba u Evropi kojima, nažalost, svedočimo.

Kad je reč o lokalnom poslovanju banke, posebno smo ponosni na činjenicu da 2022. godina neće ostati zapamćena „samo“ kao rekordna u domenu poslovnih rezultata. U njoj smo uspešno realizovali našu prvu akviziciju na srpskom tržištu, posle više od dve decenije organskog rasta. RBA banka (nekadašnja Crédit Agricole Srbija A.D. Novi Sad) akvizirana je 1. aprila 2022, uključujući i lizing kompaniju (koja je već uspešno pripojena našoj kompaniji Raiffeisen Leasing u septembru 2022. godine). Ovom akvizicijom realizujemo dugoročne

strateške planove o proširenju poslovanja u Srbiji, budući da ćemo, pojačani kvalitetnom ponudom proizvoda i usluga, kao i ljudskim kapitalom RBA banke, biti u mogućnosti da još većem broju klijenata u svim segmentima poslovanja pružimo još superiornije korisničko iskustvo.

Veliku zahvalnost dugujemo našoj centrali u Beču, Raiffeisen Bank International-u, koji srpsko tržište smatra strateški važnim za svoje poslovanje u ovom regionu, a našoj banci pruža punu podršku za ovaj važan korak u njenom daljem razvoju.

Kompleksan posao na potpunoj integraciji banaka, planiranoj za maj 2023. godine, uveliko je u toku. Pohvalio bih izuzetnu posvećenost, profesionalizam i zalaganje svih koleginica i kolega iz obe banke, koji predano rade na ovim zahtevnim zadacima, nimalo ne zapostavljajući svoje redovne obaveze.

Govoreći upravo o zaslugama, neizbežno je upućivanje pohvale svim zaposlenima u Raiffeisen banci što su, osim ostvarivanja zadatih poslovnih ciljeva i finansijskih rezultata, zadržali fokus i na praćenju potreba tržišta i stepena zadovoljstva klijenata. Svesni izmenjenih potreba savremenog klijenta, nastavili smo sa uvođenjem inovacija i daljom digitalizacijom usluge, koja je postala gotovo zaštitni znak naše banke na domaćem tržištu.

Pokrivenost mreže transformisanim, digitalnim poslovnica, sa uslugom dostupnom 24 sata, 7 dana u nedelji, dostigla je gotovo 90 odsto ukupnog broja filijala. Značajne napore smo uložili i u edukaciju kako nas samih, ali još važnije – klijenata koji koriste naše servise. Uveli smo brojne inovacije i unapredili već postojeće usluge, a sledeće godine nastavljamo isti trend, uz neizbežan fokus na unapređenju stepena zadovoljstva klijenata i korisničkom iskustvu. Vizija naše grupacije je da do 2025. budemo „najpreporučivani pružalac finansijskih usluga“. Raiffeisen banka svakako daje svoj doprinos njenom ostvarenju jer već zauzima jednu od vodećih pozicija u svim segmentima među glavnim konkurentima na tržištu kada je o ovom parametru reč.

Plan nam je da ovakav trend nastavimo i u narednom periodu, i to dodatno ojačani nakon pripajanja RBA banke u drugom kvartalu 2023. godine. Naši unapređeni interni i eksterni procesi, digitalni servisi u svim segmentima poslovanja, te agilan način rada i resursi koje smo uložili – daju nam odličnu osnovu za to.

As concerns priorities, the issues of ESG and sustainability were at the top of business plans and tasks and will remain so in the following years as well. This area is complex and has many facets and I am glad that we have already incorporated a great many of them into our work. Above all, this refers to our social responsibility and giving back to the community where we do business, which sets us apart in this market, both through donations and charity projects, as well as through long-term strategic partnerships and support to sports, art and culture.

We continued analyzing our loan portfolio and our options of reducing investments into industries that are major polluters, contributing thereby to reducing harmful impact on the environment. We also strive to abide by ecological principles and reduce the harmful impact on our environment to the extent possible; there is certainly room for further improvement in this regard in the future.

I am convinced that in the years ahead, we will confirm, by our hard work and constant education regarding our role in ensuring sustainable development, that we are an important player in the banking industry of Serbia.

The year 2022 brought new awards, both locally – the bank was awarded for its business success in 2022 by the Serbian Chamber of Commerce – as well as from international experts, especially in the domain of digitalization. The globally renowned financial magazine "Global Finance" awarded Raiffeisen banka the title "Best Digital Consumer Bank in Serbia". This is the third title received by the bank from renowned magazines for its achievements in the area of digitalization in banking.

Last, but certainly not least, I would like to stress that the bank has been offering ongoing support to a great extent to the business activities of companies Raiffeisen Leasing, Raiffeisen Future a.d. Beograd Voluntary Pension Fund Asset Management Company, as well as Raiffeisen Invest j.s.c. Belgrade Asset Management Company of UCITS Funds and AIF. Our leasing company and funds have been achieving excellent results each year and are among the leading companies in their respective segments in the Serbian market.



Zoran Petrović
Chairman of the Managing Board

Kada govorimo o prioritetima, pitanja ESG-a i održivosti bila su u 2022. a ostaće i u narednim godinama u samom vrhu poslovnih planova i zadataka. Oblast je kompleksna i pokriva mnogo aspekata, a drago mi je što smo većinu njih već inkorporirali u naš rad. Pre svih, socijalnu odgovornost i „vraćanje“ zajednici u kojoj poslujemo, a po čemu smo prepoznati na tržištu kako kroz donacije i humanitarne akcije, tako i kroz dugogodišnja strateška partnerstva i podršku sportu, kulturi i umetnosti.

Nastavili smo i sa analizom kreditnog portfolija i mogućnosti smanjenja ulaganja u industrije koje su veliki zagađivači, čime doprinosimo smanjenju štetnog uticaja na životnu sredinu. I sami u svom poslovanju nastojimo da se pridržavamo ekoloških principa i smanjenja uticaja na sredinu, u meri u kojoj je to moguće, a svakako ima prostora za dalji napredak na tom polju u budućnosti.

Uveren sam da ćemo u godinama pred nama, napornim radom i konstantnom edukacijom o našoj ulozi u obezbeđivanju održivog razvoja, potvrditi da smo i u ovoj oblasti važan akter u bankarskom sektoru Srbije.

U 2022. godini nisu izostala ni priznanja, kako na domaćem tržištu: nagrada banci za poslovni uspeh u 2022. godini koju dodeljuje Privredna komore Srbije, tako i od strane međunarodnih stručnjaka, i to posebno u oblasti digitalizacije. Renomirani svetski finansijski magazin „Global Finance“ proglasio je Raiffeisen banku „Najboljom digitalnom bankom u segmentu poslovanja sa stanovništvom“ u Srbiji (Best Digital Consumer Bank in Serbia). Ovo je treća titula koju banka dobija od strane prestižnih magazina za svoja dostignuća na polju digitalizacije u bankarstvu.

Na kraju, ali svakako ne i najmanje važno, ističem 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. Naša lizing kompanija i fondovi iz godine u godinu ostvaruju odlične rezultate i među vodećima su na tržištu u svojim segmentima.



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 12 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 44,000 RBI employees serve 17.6 million customers from around 1,700 business outlets, the vast majority of which are in CEE. At year-end 2022 RBI's total assets was approximately € 207 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 12 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 44.000 zaposlenih u mreži RBI uslužuje 17,6 miliona klijenata u preko 1.700 poslovnica, prvenstveno u srednjoj i istočnoj Evropi. Krajem 2021. godine, ukupna aktiva RBI-a iznosila je približno 207 milijardi 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

Although the start of 2022 was marked by the spreading of the omicron variant of COVID-19 virus, the final stage of the health crisis was nevertheless nearing its end and the energy crisis entered the global scene. The new crisis was first underpinned by the strong recovery of global economy after the coronavirus pandemic and the fact that most of the EU countries were not able to produce enough energy from renewable sources due to the bad weather conditions in 2021, and was additionally exacerbated by the conflict between Russia and Ukraine, which catapulted oil and gas prices.

The government brought measures with the aim of preventing the negative effect of rising fuels and food prices on the citizens' cost of living (freezing the prices of basic foods, monetary support to targeted groups of people who were most hit by the rising prices) and measures of support to the economy (seven-day fixed prices of oil and oil derivatives, limiting the price increase of electricity until June 2022, subsidy for interest rates for fertilizer loans and other measures).

On the extraordinary parliamentary elections held on April 3, the Serbian Progressive Party (Srpska napredna stranka – SNS) won, according to the Republic Electoral Commission, 42.91 per cent of votes (120 mandates), the coalition "United for the Victory of Serbia" („Ujedinjeni za pobedu Srbije“) was ranked second with 13.70 per cent (38 mandates), and the Socialist Party of Serbia (Socialistička partija Srbije – SPS) was ranked third, winning 11.42 per cent of votes (32 mandates). According to data from the Republic Electoral Commission, voting turnout was 58.71 per cent of the total number of voters officially registered. Aleksandar Vučić won the most votes, a total of 58.8 per cent, in the presidential elections. Zdravko Ponoš was ranked second, with 18.1 per cent of votes, followed by Miloš Jovanović with 5.96 per cent of votes.

The new stand-by arrangement which the government agreed upon with the International Monetary Fund (IMF) was officially approved in December 2022 for a period of two years, until December 2024. Out of the total value of the arrangement (€ 2.4 billion), € 985 million were drawn in December 2022, and the government will be able to draw € 206.8 million on June 1, as well as € 399.9 million on December 19. Starting from 2024, this arrangement will have the status of a precautionary

arrangement and if needed, the government will be able to use additional funds in the amount of € 799.6 million.

The policies of the energy sector will play a central role in the stand-by arrangement and will focus on the financial sustainability of state energy companies, energy security and setting the foundation for green transition. An important task is making EPS and Srbijagas capable of financing their own business expenditures, stabilize the production of electricity and increase energy security. Simultaneously, significant structural reforms are planned to improve the management of both EPS and Srbijagas.

Rating agency "Fitch" confirmed the credit rating of Serbia (BB+ with stable outlook), while rating agency "Standard and Poor's" confirmed the credit rating BB+, but lowered the prospects of increasing the credit rating from positive to stable, the key argument for lowering prospects being the agency's estimate that the conflict between Russia and Ukraine would have an impact on the slowing down of the EU economy, Serbia's key foreign trade partner, as well as influence the slowing down of the local economy through the export channel. Also, the energy crisis will have an impact on inflation growth and, subsequently, domestic demand.

Macroeconomic Trends

The Statistical Office of the Republic of Serbia published the estimate of economic trends in 2022 and, according to preliminary data, GDP slowed down growth to 2.3 per cent, due to the energy crisis, after having risen by 7.5 per cent in 2021, when the government was thoroughly supporting the economy during the health crisis. The rise in interest rates and energy costs contributed to the zero rate of investment growth (2021: 15.9 per cent) and the slowing down of processing industry growth (plus 1.5 per cent), after its growth by 6.3 per cent in 2021. The same factors, apart from rising prices of construction material, caused a decline in the construction industry by 11.8 per cent (2021: plus 18.4 per cent), and another dry season caused an additional decline in agriculture (minus 8 per cent), after the decline by 5.6 per cent in 2021.

Makroekonomsko okruženje, mogućnosti za strane investitore i perspektive

Iako je početak 2022. godine bio obeležen širenjem omikron varijante virusa kovid-19, epilog zdravstvene krize ipak se bližio kraju, a na globalnu scenu stupila je energetska kriza. Nova kriza bila je prvobitno podstaknuta snažnim oporavkom globalne ekonomije posle korone i činjenicom da dobar deo zemalja EU nije bio u mogućnosti da proizvede dovoljno energije iz obnovljivih izvora zbog loših vremenskih uslova tokom 2021. godine, a dodatno je pogoršana konfliktom Rusije i Ukrajine, koji je katapultirao cene nafte i gasa.

Vlada je donela mere u cilju sprečavanja negativnog efekta rasta cena energenata i hrane na životni standard građana (zamrzavanje cena osnovnih životnih namirnica, isplata novčane pomoći ciljanim grupama stanovništva najviše pogođenim rastom cena) i mere pomoći privredi (fiksiranje cena nafte i naftnih derivata na sedam dana, ograničenje rasta cena električne energije do juna 2022, subvencija za kamate za kredite za veštačka đubriva i druge mere).

Na vanrednim parlamentarnim izborima održanim 3. aprila, Srpska napredna stranka (SNS) je, prema Republičkoj izbornoj komisiji (RIK), osvojila 42,91% glasova (120 mandata), na drugom mestu je koalicija "Ujedinjeni za pobjedu Srbije" sa osvojenih 13,70% (38 mandata), a na trećem mestu je Socialistička partija Srbije (SPS), koja je osvojila 11,42% glasova (32 mandata). Prema podacima RIK-a, izlaznost na parlamentarnim izborima bila je 58,71% od ukupnog broja upisanih birača. Na predsedničkim izborima najviše glasova dobio je Aleksandar Vučić, koji je osvojio 58,8% glasova. Na drugom mestu je Zdravko Ponoš sa 18,1% glasova, zatim sledi Miloš Jovanović sa 5,96% glasova birača.

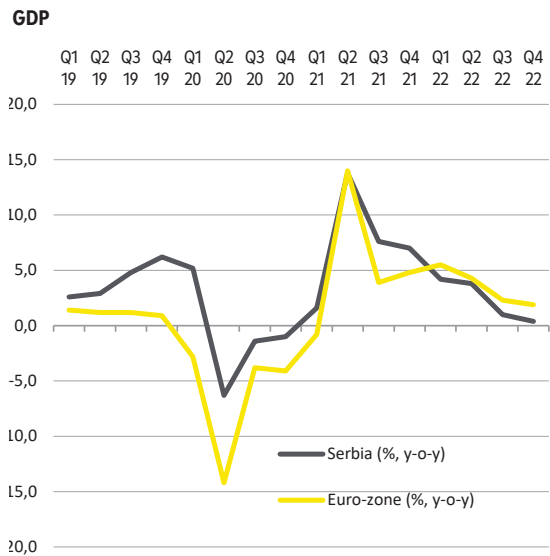
Novi stend baj aranžman (SBA) koji je Vlada dogovorila sa Međunarodnim monetarnim fondom (MMF) zvanično je odobren u decembru 2022. godine na period od dve godine, do decembra 2024. godine. Od ukupne vrednosti aranžmana (2,4 milijarde evra), 985 miliona evra povučeno je u decembru 2022, a Vlada će 1. juna moći da povuče 206,8 miliona evra i još 399,9 miliona evra 19. decembra. Od 2024. godine, ovaj aranžman dobija status aranžmana iz predostrožnosti i po potrebi, Vlada će moći da iskoristi dodatna sredstva u iznosu od 799,6 miliona evra.

Politike energetskog sektora igraće centralnu ulogu u okviru SBA i fokusiraće se na finansijsku održivost energetskih državnih preduzeća, energetske sigurnost i postavljanje temelja za zelenu tranziciju. Važan zadatak je osposobljavanje EPS-a i Srbijagasa da finansiraju svoje troškove poslovanja, stabilizacija proizvodnje električne energije i povećanje energetske bezbednosti. Paralelno, planiraju se i značajne strukturne reforme za unapređenje upravljanja EPS-om i Srbijagasom.

Rejting agencija „Fitch“ je potvrdila kreditni rejting zemlje (BB+ sa stabilnim izgledima), dok je rejting agencija „Standard and Poor's“ potvrdila kreditni rejting BB+, ali je smanjila perspektive povećanja kreditnog rejtinga sa pozitivnih na stabilne, a ključni argument smanjenja perspektive je procena agencije da će konflikt Rusije i Ukrajine uticati na usporavanje rasta EU ekonomije, našeg ključnog spoljnotrgovinskog partnera, i preko izvoznog kanala uticati na usporavanje domaće ekonomije. Takođe, energetska kriza će uticati na rast inflacije i, posledično, na domaću tražnju.

Makroekonomski trendovi

Republički zavod za statistiku objavio je procenu ekonomskih kretanja u 2022. godini i prema preliminarnim podacima, BDP je usporio rast na 2,3%, usled energetske krize, a posle 7,5% rasta u 2021. godini, kada je Vlada izdašno pomagala privredu tokom zdravstvene krize. Rast kamata i troškova energenata doprineo je nultoj stopi rasta investicija (2021: 15,9%) i usporavanju rasta prerađivačkog sektora (+1,5%), posle rasta od 6,3% u 2021. godini. Isti faktori, pored rasta cena građevinskog materijala, uzrokovali su pad građevinarstva od 11,8% (2021: +18,4%), a druga sušna godina dodatno je doprinela padu poljoprivrede (-8%), nakon pada od 5,6% u 2021. godini.



After the strong growth of GDP in the 1st (plus 4.1 per cent yoy) and 2nd quarter (plus 3.8 per cent yoy), GDP slowed down its growth to 1 per cent annually in the 3rd quarter and 0.4 per cent annually in the 4th quarter, even with the high inflow of foreign direct investments (2022: 4.3 billion euros), whose growth was in part stimulated by the allocation of investments from risky areas to the territory of Serbia.

There is the possibility that this part of the capital will be invested in the following year and that in this way it would mitigate the slowing down of the local economy, which, again, will depend on the geopolitical situation. The high energy costs and increased geopolitical risks supported the decline in state and private investments (minus 2.7 per cent).

Further, state consumption declined by 2.4 per cent annually in the 4th quarter due to very conservative fiscal consumption. High employment managed to curb the decline in household consumption, which gave the greatest contribution to GDP growth, realizing an interannual growth by 1.2 per cent. Nevertheless, even with the still healthy personal consumption sentiment, the decline in available income had an impact on the slowing down of the dynamics of citizens' consumption growth compared to the first three quarters.

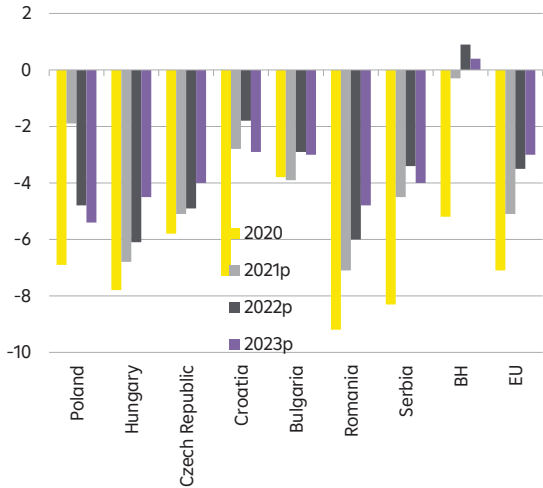
Net export gave a positive contribution since energy import declined in the 4th quarter. Viewed by industries, drought left agriculture in negative territory, with an average rate of decline in 2022 by 8.3 per cent (2021: average decline by 5.7 per cent). The processing and energy industry realized growth by 1.2 per cent in the 4th quarter, after a decline by 1.2 per cent in the 3rd quarter. Generally, this industry realized weaker growth in 2022, due to the high cost of production and rising financing expenses.

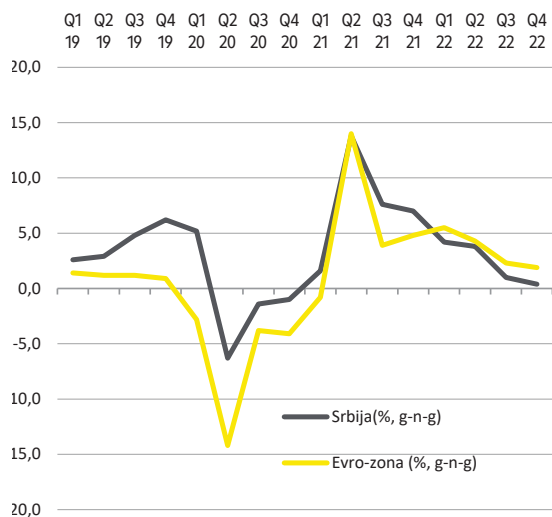
Further, construction declined in the 4th quarter (minus 12.5 per cent), after a decline by 12.1 per cent in the 3rd quarter. The largest contribution to economy growth was made by wholesale and retail trade (plus 2.8 per cent), although a slowdown is evident in this sector as well, compared to the 3rd quarter (plus 5.5 per cent), 2nd quarter (plus 8.10 per cent) and the 1st quarter (plus 11.4 per cent). This is followed by informing and communications (plus 7.7 per cent), but also art and entertainment, albeit they have a rather small share in the GDP structure.

The unemployment rate dropped to 9.4 per cent in 2022 from 11 per cent in 2021, due to the reduced number of qualified workers in certain industries. Viewed according to the main profession groups, employment growth was registered with operators of machinery and plant facilities, mounting technicians and drivers, followed by engineers, expert associates and technicians. The practice of working from home, established during the coronavirus pandemic, was reduced in 2022 by 64,000, whereas the number of employees who were reported to be working from home actively was 184,100.

High fuel costs and interest rate growth had an impact on the slowing down of industry production growth in the period of January-December 2022 (plus 1.7 per cent), compared to the growth by 6.3 per cent in 2021, however, the government had at that time provided substantial financial support to the economy in order to mitigate the negative aftermath of the health crisis. Industry growth in 2022 was supported by growth of the mining industry (plus 22.6 per cent since the start of the year) and, to a smaller extent, the processing industry (plus 1.4 per cent since the start of the year), while the electricity production industry was in negative territory (minus 7.1 per cent since the start of the year).

Consolidated Budget Deficit/Surplus Compared to GDP



BDP

Nakon snažnog rasta BDP-a u 1. (+4,1% gng) i 2. kvartalu (+3,8% gng), bruto domaći proizvod (BDP) usporio je rast na 1% godišnje u trećem kvartalu i 0,4% godišnje u 4. kvartalu i pored visokog priliva stranih direktnih investicija (2022: 4,3 milijarde evra), čiji rast je u jednom delu bio stimulisan alokacijom investicija iz rizičnih područja na teritoriju Srbije.

Postoji mogućnost da će taj deo kapitala biti investiran naredne godine i da će na taj način ublažiti usporavanje domaće ekonomije, što opet zavisi od geopolitičke situacije. Visoki troškovi energije i povećani geopolitički rizici podržali su pad državnih i privatnih investicija (-2,7%).

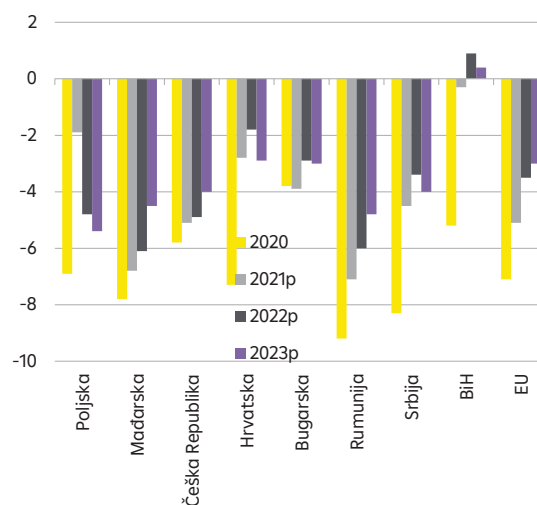
Dalje, državna potrošnja je pala za 2,4% godišnje u 4. kvartalu zbog veoma konzervativne fiskalne potrošnje. Visoka zaposlenost uspela je da obuzda pad potrošnje domaćinstava koja je dala najveći doprinos rastu BDP-a, ostvarivši međugodišnji rast od 1,2%. Ipak, i pored još uvek zdravog sentimenta lične potrošnje, pad raspoloživog dohotka utiče na usporavanje dinamike rasta potrošnje stanovništva u odnosu na prva tri kvartala.

Neto izvoz dao je pozitivan doprinos pošto je pao uvoz energije u 4. kvartalu. Sektorski gledano, suša je ostavila poljoprivredu u negativnoj teritoriji, sa prosečnom stopom pada tokom 2022. godine od 8,3% (2021: prosečan pad od 5,7%). Prerađivački i energetskektor ostvarili su rast od 1,2% u 4. kvartalu, posle pada od 1,2% u 3. kvartalu. Generalno ovaj sektor je ostvario slabiji rast tokom 2022. usled visokih troškova proizvodnje i rasta troškova finansiranja.

Dalje, građevinarstvo je bilo u padu u 4. kvartalu (-12,5%) posle pada od 12,1% u 3. kvartalu. Najveći doprinos rastu ekonomije dao je sektor trgovine na veliko i malo (+2,8%), iako je uočljivo usporavanje i ovog sektora u odnosu na 3. kvartal (+5,5%), 2. kvartal (+8,10%) i 1. kvartal (+11,4%). Zatim, sledi informisanje i komunikacija (+7,7%), ali i umetnost i zabava, iako ima prilično mali udeo u strukturi BDP-a.

Stopa nezaposlenosti je pala u 2022. godini na 9,4% sa 11% u 2021. godini, usled manje ponude kvalifikovane radne snage u određenim sektorima delatnosti. Posmatrano prema glavnim grupama zanimanja, rast zaposlenosti zabeležen je kod rukovalaca mašinama i postrojenjima, montera i vozača, potom kod inženjera, stručnih saradnika i tehničara. Praksa rada od kuće, uspostavljena tokom trajanja pandemije korona virusa, smanjena je tokom 2022. godine za 64.000, a broj zaposlenih prijavljenih da aktivno rade od kuće iznosio je 184.100.

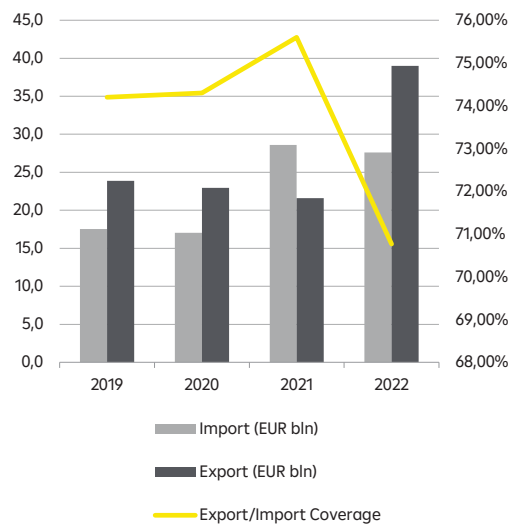
Visoki troškovi energenata i rast kamata uticali su na usporavanje rasta industrijske proizvodnje u periodu jan-dec/2022. godine (+1,7%) u poređenju sa rastom od 6,3% u 2021. godini, međutim Vlada je tada obezbedila veliku finansijsku pomoć privredi kako bi se ublažile negativne posledice zdravstvene krize. Rast industrije u 2022. godini je bio podstaknut rastom sektora rudarstva (+22,6% od početka godine) i u manjoj meri prerađivačkim sektorom (+1,4% od početka godine), dok je sektor proizvodnje električne energije bio u negativnoj teritoriji (-7,1% od početka godine).

Konsolidovani budžetski deficit/suficit u odnosu na BDP

The growth rate of retail trade turnover (in permanent prices) slowed down its dynamics in 2022 (plus 5.9 per cent since the start of the year), compared to the growth rate of 10.3 per cent in 2021, supported by reduced consumption of food, beverages and tobacco (plus 2.1 per cent since the start of the year), after having grown by 7.4 per cent in 2021, as well as weaker consumption of non-alimentary products (plus 6.8 per cent since the start of the year), after a growth by 12 per cent in 2021. The consumption of motor fuels slowed down its growth mildly in 2022 (plus 12.7 per cent), after plus 14.2 per cent in 2021.

Exports increased by 26.3 per cent annually in 2022 (2021: 28.2 per cent), while imports marked a growth by 34.8 per cent annually (2021: 26 per cent), due to increased import of fuels in 2022, as a result of lower hydropotential caused by the drought and the energy crisis. As a result, the foreign trade deficit increased by 61.2 per cent annually.

Foreign Trade



Foreign direct investments increased by 19 per cent in 2022 and amounted to € 4.3 billion, compared to € 3.6 billion in 2021. This increase was supported by a reallocation of investments from the regions affected by the conflict between Russia and Ukraine into Serbia. Further, the inflow of private individuals' payments from abroad marked a record growth by 46.1 per cent annually to € 3.7 billion in 2022.

After the strong rise in consumer prices due to the growth in fuel prices on global markets and the rise of food prices due to the second dry season in a row, total inflation stabilized in December 2022 at the level of 15.1 per cent.

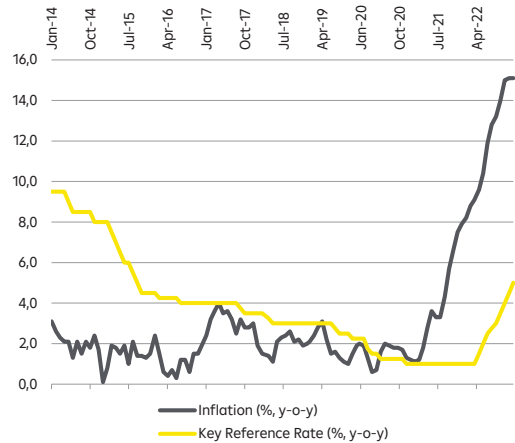
The strong inflation growth in 2022 compared to 2021 (plus 7.9 per cent annually) was mostly supported by rising prices of food and non-alcoholic beverages (plus 23.4 per cent annually), housing, water, electricity, gas and other fuels (plus 19.3 per cent annually), housing furnishings and maintenance (plus 18.2 per cent annually), transport (plus 9.2 per cent annually) and alcoholic beverages (plus 7.8 per cent annually).

Right now it is too early to conclude whether the trend of inflation growth is over, having in mind the announced increase in electricity and gas prices in Serbia. The real question for 2023 is whether inflationary factors will have the upper hand (income corrections in the public sector, pensions, prices of gas and electricity in the first half of 2023), or whether anti-inflationary factors will be stronger (slowing down of economic growth, as well as personal and export demand).

Core inflation (consumer prices after the exclusion of energy, food, alcohol and cigarette prices) was growing by 10.1 per cent in 2022, after having grown by 3.5 per cent in 2021.

The core inflation coming out of the inflation target in April 2022 enticed the National Bank of Serbia to start the process of increasing the key interest rate, which was increased by 400 bp, from 1 per cent to 5 per cent, until the end of 2022. In the beginning, this rate was first increased three times by 50 bp, during the two summer months the growth process of the interest rate was slowing down (two times by 25 bp) anticipating the new agricultural season, only to increase again from September (four times by 50 bp), due to the strong rise in food prices generated by the new drought season.

Inflation and the Key Interest Rate

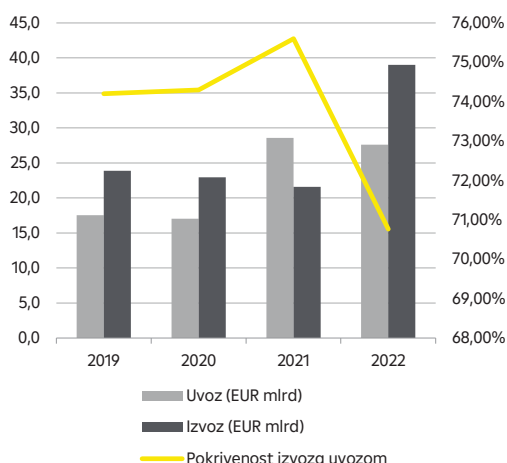


In the period January-April 2022, the NBS sold EUR 2.3 billion net due to strong depreciatory pressures, supported by geopolitical tensions and growing fuel prices. Strong inflow of foreign direct investments and private individuals' payments pressured towards the dinar strengthening from May 2022, so that the NBS was the net buyer of foreign currency from May until the end of the year in the amount of 3.3 billion euros.

Stopa rasta prometa u trgovini na malo (u stalnim cenama) u 2022. je usporila rast (+5,9% početka godine) u poređenju sa stopom rasta od 10,3% u 2021, čemu je doprinelo usporavanje potrošnje hrane, pića i duvana (+2,1% od početka godine) posle rasta od 7,4% u 2021. i slabija potrošnja neprehrambenih proizvoda (+6,8% od početka godine), posle rasta od 12% u 2021 godini. Potrošnja motornih goriva je samo blago usporila rast u 2022. (+12,7%), posle +14,2% u 2021.

Izvoz je porastao za 26,3% godišnje u 2022. godini (2021: 28,2%), a uvoz je porastao za 34,8% godišnje (2021: 26%), usled većeg uvoza energenata tokom 2022. godine usled nižeg hidropotencijala izazvanog sušom i energetske krize. Kao rezultat, deficit spoljne trgovine porastao je za 61,2% godišnje.

Spoljna trgovina



Strane direktne investicije porasle su za 19% u 2022. godini i iznosile su 4,3 milijardi evra, u poređenju sa 3,6 milijarde evra 2021. godine. Ovaj rast bio je podstaknut realokacijom investicija iz regiona pogođenih konfliktom Rusije i Ukrajine u zemlju. Dalje, priliv doznaka iz inostranstva ostvario je rekordan rast od 46,1% godišnje na 3,7 milijardi evra u 2022. godini.

Nakon snažnog rasta potrošačkih cena usled rasta cena energenata na globalnim tržištima i rasta cena hrane usled druge sušne godine zaredom, ukupna inflacija se stabilizovala u decembru 2022. na nivou od 15,1%.

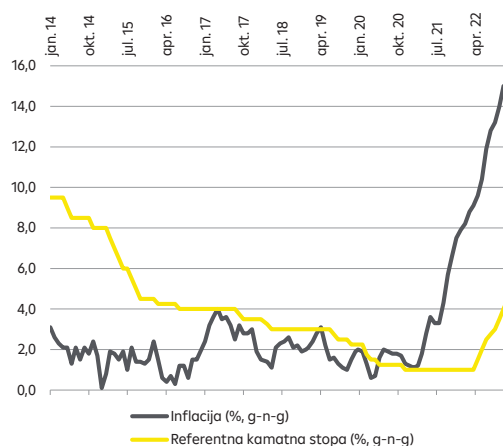
Snažan rast inflacije u 2022. godini u poređenju sa 2021. godinom (+7,9% godišnje) najviše je bio podstaknut rastom cena hrane i bezalkoholnih pića (+23,4% godišnje), stanovanja, vode, struje, gasa i drugih goriva (+19,3% godišnje), opreme za stan i tekućeg održavanja (+18,2% godišnje), transporta (+9,2% godišnje) i alkoholnih pića i duvana (+7,8% godišnje).

Za sada je rano donositi zaključak da li je završen trend rasta inflacije, s obzirom na najavljena povećanja cena električne energije i cena gasa u zemlji. Pravo pitanje za 2023. godinu jeste da li će biti jači efekat inflatornih faktora (korekcije zarada u javnom sektoru, penzija, cena gasa i električne energije u prvom delu 2023. godine) ili antiinflatornih faktora (usporavanje rasta ekonomije, lične i izvozne tražnje).

Bazna inflacija (potrošačke cene po isključenju cena energije, hrane, alkohola i cigareta) ostvarila je rast od 10,1% 2022. godini, nakon rasta od 3,5% u 2021. godini.

Izlazak bazne inflacije iz inflacionog targeta u aprilu 2022. godine, podstakao je Narodnu banku Srbije (NBS) da započne proces povećanja referentne kamatne stope, koja je do kraja 2022. godine povećana za 400 bp, sa 1% na 5%. U početku, ova kamata povećana je tri puta po 50bp, da bi tokom dva letnja meseca proces rasta kamate bio usporen (dva puta po 25bp) sa očekivanjem nove poljoprivredne sezone, a da bi od septembra proces opet bio ubrzan (4 puta po 50bp), usled snažnog rasta cena hrane generisanog novom sušnom sezonom.

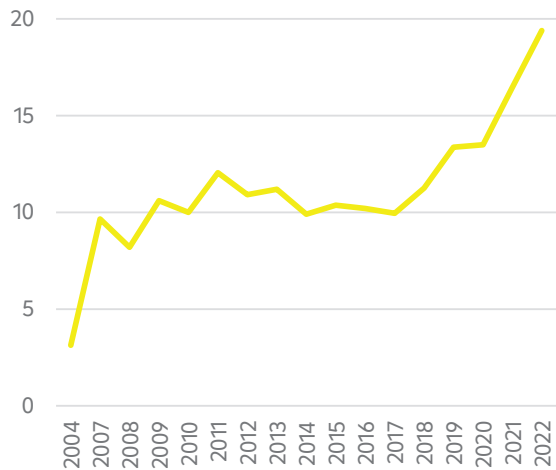
Inflacija i referentna kamatna stopa



U periodu januar-april 2022. godine, NBS je neto prodala 2,3 milijarde evra usled snažnih depresivacijskih pritisaka, podstaknutih geopolitičkim tenzijama i rastom cena energenata. Snažni prilivi stranih direktnih investicija i doznaka su od maja 2022. godine vršili pritisak ka jačanju dinara, tako da je NBS od maja do kraja godine bila neto kupac deviza u iznosu od 3,3 milijarde evra.

As a result, the dinar nominally strengthened by 0.2 per cent in 2022. Foreign currency reserves marked a new record in December 2022 (19.4 billion euros), thanks to the payment of 985 million euros within the stand-by arrangement with the IMF concluded recently and one billion dollars paid as per the Loan Contract with the Abu Dhabi Development Fund. Funds of the IMF will be used for direct budget financing, refinancing foreign currency obligations of the Republic of Serbia and for other budget purposes. In 2022, foreign currency reserves increased by 2.9 billion euros thanks to the above-mentioned arrangements, but also thanks to foreign currency interventions (one billion euros).

Foreign Currency Reserves



Even with the global energy crisis in 2022, the budget deficit (RSD 235.2 billion) was lower compared to the deficit planned by the rebalance of the Budget Law for 2022 (RSD 269 billion), due to the significantly lower increase in expenditures compared to the ones planned by the Budget Law, mostly lower interest rate expenditures and expenditures based on the purchase of goods and services.

The budget deficit was also lower compared to the deficit realized in 2021 (RSD 286.1 billion), due to the more dynamic budget revenues growth in 2022. The expenditures increase was more pronounced in 2022, due to the substantial support provided by the government to the energy industry, which is awaiting reforms in the course of the two upcoming years.

In 2022, budget revenues grew by 14.7 per cent annually, mostly value added tax (import component), corporate income tax (high revenue in 2021), as well as customs and citizens' income tax, whereas expenditures had a slower growth dynamics (plus 9.4 per cent annually). The most significant growth was realized by budget credits, capital expenditures, income in the public sector due to the income increase in November (7.3 per cent on average), as well as welfare expenditures. Subsidies were in decline (minus 26.6 per cent), because economy support programs were lower in value compared to corona packages in 2021.

In 2022, public debt increased by € 3.1 billion to € 33.3 billion (2021: plus € 3.5 billion), € 3 billion of which relate to foreign debt, i.e. the first tranche (€ 985 million) of the IMF stand-by agreement and the credit from the Abu Dhabi Development Fund (USD 1 billion). Public debt compared to GDP amounted to 55.9 per cent (GDP forecast 2022 Raiffeisen Research: 2.4 per cent annually).

Issues of T-bills by the Ministry of Finance in the Serbian market in 2022 (denominated in dinars and in euros) amounted to € 7.6 billion (2021: € 3.95 billion), and securities in the value of €1.3 billion were sold (€ 989.6 million securities denominated in dinars and € 315 million securities denominated in euros). Additional € 690 million were sold by the Ministry of Finance in direct deals with investors, so that the debt as per issued securities in the domestic debt market for 2022 was refinanced (€ 1.9 billion).

Due to increased geopolitical risk, investors' appetite was directed to securities with two-year maturities, so that 60 per cent of the total number of auctions of dinar-denominated securities were of this maturity. Apart from that, there was interest also for securities of ten-year maturity (33 per cent of the total number of auctions of dinar-denominated securities). Average returns for securities denominated in dinars grew by 4.53 per cent in 2022, from 2.76 per cent in 2021, due to the rising key interest rate and the inflation premium.

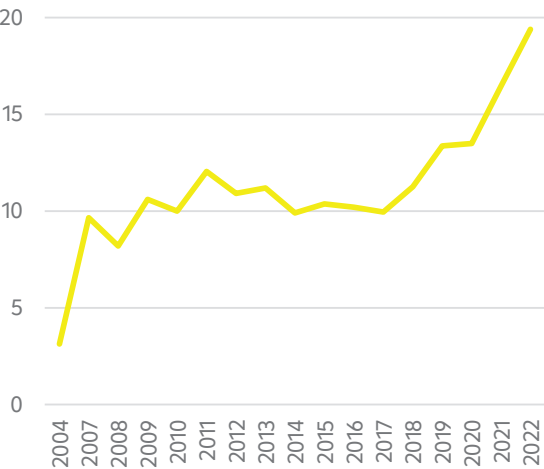
Trends in the Banking Industry

Domestic lending activity of the banking industry recorded two-digit growth rates in 2022, only for the growth rate to slow down its dynamics due to a significant increase of the key interest rate in the second half of the year. In 2022, corporate credits increased by 6.8 per cent annually, while consumer loans grew by 6.2 per cent annually.

As concerns the corporate segment, the greatest growth was supported by increased crediting of the processing industry, as well as the energy industry. The processing industry, especially industries using fuels to a greater extent, the prices of which were on the increase in 2022, showed greater demand for liquidity credits, including foreign currency credits and credits indexed in foreign currency, compared to 2021, when dinar loans were more in demand because of low interest rates.

Kao rezultat, dinar je nominalno ojačao za 0,2% u 2022. godini. Devizne rezerve zabeležile su novi rekord u decembru 2022. (19,4 milijarde evra), zahvaljujući isplati 985 miliona evra u okviru nedavno odobrenog stendbaj aranžmana MMF-a i 1 milijardu dolara isplaćenih u okviru Ugovora o zajmu sa Razvojnim fondom Abu Dabija. Sredstva MMF-a koristiće se za direktno budžetsko finansiranje, refinansiranje deviznih obaveza Republike Srbije i za druge budžetske svrhe. U 2022. godini, devizne rezerve porasle su za 2,9 milijardi evra zahvaljujući navedenim aranžmanima, ali i deviznim intervencijama (1 milijarda evra).

Devizne rezerve



I pored globalne energetske krize u 2022. godini, deficit budžeta (235,2 milijardi dinara) bio je niži u odnosu na deficit planiran rebalansom Zakona budžeta za 2022. godinu (269 milijardi dinara), usled dosta nižeg rasta rashoda u odnosu na planirane Zakonom o budžetu, ponajviše nižih rashoda po osnovu kamata i rashoda po osnovu kupovine roba i usluga.

Deficit budžeta je bio niži i u odnosu na deficit ostvaren u 2021. godini (286,1 milijardi dinara), usled dinamičnijeg rasta prihoda budžeta tokom 2022. godine. Rast rashoda bio je značajniji tokom 2022. godine usled značajne pomoći Vlade energetsom sektoru, čija reforma predstoji tokom naredne dve godine.

U 2022. godini, prihodi budžeta porasli su za 14,7% godišnje, najviše porez na dodatu vrednost (uvozna komponenta), porez na dobit preduzeća (visoka dobit u 2021. godini), kao i carine i porez na dohodak građana, a rashodi su imali sporiju dinamiku rasta (+9,4% godišnje). Najznačajniji rast ostvarili su budžetski krediti, kapitalni rashodi, zarade u javnom sektoru usled rasta zarada u novembru (7,3% u proseku) i troškovi socijalne zaštite. Subvencije su bile u padu (-26,6% godišnje) jer su programi podrške privredi ove godine bili niže vrednosti u odnosu na korona pakete u 2021.

U 2022. godini javni dug je porastao za 3,1 milijarde evra na 33,3 milijarde evra (2021: +3,5 milijarde evra), od toga 3 milijarde evra odnosi se na spoljni dug, tačnije, prvu tranšu (985 miliona evra) u okviru MMF stend baj aranžmana i kredit (1 milijardu dolara) od Razvojnog fonda Abu Dabi. Javni dug u odnosu na BDP iznosio je 55,9% (BDP projekcija 2022. godine Raiffeisen istraživanja: 2,4% godišnje).

Emisije blagajničkih zapisa Ministarstva finansija na domaćem tržištu tokom 2022. godine (denominovane u dinarima i evrima) iznosile su 7,6 milijardi evra (2021: 3,95 milijardi evra), a hartija od vrednosti prodato je u vrednosti od 1,3 milijarde evra (989,6 miliona evra hartije od vrednosti denominovane u dinarima i 315,0 miliona evra hartije od vrednosti denominovane u evrima). Dodatnih 690 miliona evra Ministarstvo finansija prodalo je direktnom pogodbom sa investitorima, tako da je u potpunosti refinansiran dug po osnovu emitovanih hartija od vrednosti na domaćem tržištu duga za 2022. godinu (1,9 milijardi evra).

Usled povećanog geopolitičkog rizika, apetit investitora bio je usmeren na hartije od vrednosti ročnosti dve godine, tako je 60% od ukupnog broja aukcija dinarski denominovanih hartija od vrednosti bilo te ročnosti. Pored toga, bilo je interesovanja i za hartije od vrednosti ročnosti deset godina (33% od ukupnog broja aukcija hartija od vrednosti denominovanih u dinarima). Prosečni prinosi na hartije od vrednosti denominovane u dinarima porasli su na 4,53% u 2022. godini, sa 2,76% u 2021. godini, usled rasta referentne kamatne stope i inflacione premije.

Kretanja u bankarskoj industriji

Domaća kreditna aktivnost bankarskog sektora u toku 2022. godine beležila je dvocifrene stope rasta, da bi sa značajnim povećanjem referentne kamatne stope u drugom delu godine, stopa rasta počela da usporava dinamiku. U 2022. godini krediti privredi porasli su za 6,8% godišnje, dok su krediti stanovništvu porasli za 6,2% godišnje.

Kada je u pitanju privreda, najveći deo rasta došao je iz pojačanog kreditiranja prerađivačkog sektora i energetskog sektora. Prerađivački sektor, naročito industrije koje u većoj meri koriste energente, čije su cene bile u velikom porastu 2022. godine, pokazale su veću tražnju za kreditima za likvidnost i to za deviznim i devizno indeksiranim kreditima u odnosu na 2021. godinu, kada je bila veća potražnja za dinarskim kreditima usled niskih kamatnih stopa.

As concerns industries, credit demand was more pronounced in the processing industry, mining and fuel industry. Banks raised their credit standards in 2022, mainly because of increased costs of financing sources, i.e. interest rate growth and the uncertain economic sentiment. Consequently, interest margins increased, the maximum credit maturity was lowered, as well as the maximum credit amount, while collateral requirements were raised.

As regards consumer loans issued, loan growth in 2022 was mainly generated from mortgage loans (plus 10.4 per cent annually) and cash loans (plus 4.7 per cent annually). Similar as with corporate crediting, loan standards were raised, mostly as regards dinar loans, as well as mortgage loans indexed in foreign currency. On the other hand, loan demand was slightly lower due to interest rate growth.

The NBS called on banks not to increase the prices of their services for one year, starting from September 1, 2022. Also, all banks that increased their tariffs as of January 2021, have to lower them by 30 per cent, but not necessarily to the level before the increase.

Apart from this, the NBS regulated prospective increases in tariffs after September 2023, demanding clear procedures defining the following: the process of decision making, methodology and justification for changing fees, including a comparison of the old and the new fees, clarification of communication with clients, feasibility analysis of the proposed change, detailed cost structure that initiates the change, analysis of impact on profitability, as well as a mandatory check-up of compliance that the change in fees was harmonized with the relevant regulations.

Thanks to credit growth and the strategy of dealing with NPLs, the ratio of NPLs in the corporate segment declined to 2 per cent in the 4th quarter of 2022, compared to 2.8 per cent in the 4th quarter of 2021, and in the case of consumers, it remained unchanged at 4 per cent, the same as in the 4th quarter of 2021. Coverage of NPLs by value corrections was at an extremely high level of 102.1 per cent (4th quarter of 2021: 90.6 per cent). Also, capital adequacy was still far above the mandatory 12 per cent, and this ratio amounted to 19.5 per cent in December 2022 (December 2021: 21.7 per cent).

In the course of 2022, banks placed the surplus of their liquidity into corporate and retail credits, but also into repo transactions of the NBS, as well as into dinar and foreign currency mandatory reserves with the NBS. The credit/deposit coverage ratio declined to 89.5 per cent in 2022, after 93.1 per cent in 2021, because credits grew faster than deposits. Total credits grew by 8.4 per cent annually, while total deposits increased by 7 per cent annually due to the growth of corporate deposits (plus 12.9 per cent annually), and retail deposits only to a smaller extent (plus 3 per cent).

The consolidation of the Serbian banking market continued in 2022 as well, so that after the merger of Komercijalna banka and NLB banka, the number of banks was 21 at the end of 2022. The reduction in the number of banks will continue after the merger of Crédit Agricole a.d. Novi Sad with Raiffeisen banka a.d. Beograd in 2023. As the result of the new mergers and the previous one which happened in the course of the past two-three years, five banks will keep 70.8 per cent of assets in the banking industry. The concentration of the banking sector was enforced by the necessity of digitalization of banking products and the inability of smaller banks to keep up with the process of innovation.

Posmatrajući sektorsku strukturu, najveća potražnja za kreditima bila je izražena kod prerađivačkog sektora, rudarstva i energetskog sektora. Banke su pooštrile kreditne standarde tokom 2022. godine prvenstveno usled povećanih troškova izvora finansiranja, tačnije rasta kamatnih stopa i neizvesnog ekonomskog sentimenta. Posledično, kamatne marže su povećane, maksimalna ročnost kredita je smanjena, kao i maksimalan iznos kredita, dok su pooštreni zahtevi u pogledu kolateralala.

Kada su u pitanju plasmani kredita stanovništvu, rast kredita u 2022. godini generisan je najvećim delom iz stambenih kredita (+10,4% godišnje) i gotovinskih kredita (+4,7% godišnje). Slično kao i kod privrede, kreditni standardi su pooštreni i to najviše u delu dinarskih gotovinskih kredita, kao i devizno indeksiranih stambenih kredita. S druge strane, tražnja za kreditima blago je smanjena usled rasta kamata.

NBS je pozvala banke da ne povećavaju cene svojih usluga godinu dana, od 1. septembra 2022. godine. Takođe, sve banke koje su povećale tarife od 1. januara 2021, moraju da ih smanje za 30%, ali ne nužno ispod nivoa pre povećanja. Pored toga, NBS je regulisala perspektivna povećanja tarifa posle septembra 2023. godine, zahtevajući jasne procedure koje definišu: proces donošenja odluka, metodologiju i opravdanje za promene naknada, uključujući poređenje starih sa novim naknadama, objašnjenje komunikacije sa klijentom, analizu izvodljivosti predložene promene, detaljnu strukturu troškova koja pokreće promenu, analizu uticaja na profitabilnost, kao i obaveznu proveru usklađenosti da su promene u naknadama usklađene sa relevantnim propisima.

Zahvaljujući rastu kredita i strategiji rešavanja problematičnih kredita, ratio problematičnih kredita privrede je pao na 2,0 u četvrtom kvartalu 2022. u poređenju sa 2,8% u četvrtom kvartalu 2021. godine, a u slučaju stanovništva ostao je nepromenjen na nivou od 4,0% isto kao i u 4. kvartalu 2021. godine. Pokrivenost problematičnih kredita ispravkama vrednosti bila je na izuzetno visokom nivou i iznosila je 102,1% (4. kvartal 2021: 90,6%). Takođe adekvatnost kapitala je i dalje dosta iznad propisanih 12%, a visina ovog racija u decembru 2022. iznosila je 19,5% (decembar 2021: 21,7%).

Tokom 2022. godine, banke su viškove likvidnosti plasirale u kreditiranje privrede i stanovništva, ali i u repo transakcije NBS, te u dinarske i devizne obavezne rezerve kod NBS. Racio pokrivenosti kredita depozitima pao je na 89,5% u 2022, posle 93,1% u 2021. godini, jer su krediti rasli bržom dinamikom od depozita. Ukupni krediti porasli su za 8,4% godišnje, dok su ukupni depoziti porasli za 7% godišnje usled rasta depozita privrednih društava (+12,9% godišnje), a u manjoj meri i depozita stanovništva (+3%).

Konsolidacija srpskog bankarskog tržišta nastavljena je tokom 2022, tako da je nakon spajanja Komercijalne banke i NLB banke broj banaka na kraju 2022. godine bio 21, a smanjenje broja banaka će se nastaviti nakon spajanja Crédit Agricole a.d. Novi Sad sa Raiffeisen bankom a.d. Beograd u 2023. godini. Kao rezultat novih spajanja i prethodnog koje se desilo u protekle dve-tri godine, pet 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 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. It nurtures the same approach as regards the mission of RBI Group, to “act in a socially responsible way and to contribute to the long-term wellbeing of people and companies in the markets where we do business”.

The bank is committed to continuous improvement of its products, services and business processes, in order to make them as compliant to ESG principles as possible. In 2022, the focus was on raising awareness of all important topics, both with employees and with clients. Also, a range of concrete steps and activities were undertaken with the aim of further developing and implementing ESG goals.

Constant efforts are invested with the aim of implementing best practice and policies of the RBI Group as concerns ESG concepts. In 2022, the screening of the existing credit portfolio in the corporate segment was performed, according to Group regulations and EU taxonomy. It was found that around 6 per cent of total credits issued in this segment can be marked as ESG (green and social aspect).

In the segment of small enterprises and entrepreneurs, a far better result was achieved than was at first planned as concerns the share of ESG loans in newly approved loans issued in 2022. The planned share of such loans in this segment was 3 per cent at first, whereas the share of new ESG loans amounted to as much as 24.54 per cent at year-end.

In 2022, activities were continued that were directed to digitalizing business and introducing products and services for which no submission of paper documents is needed. The bank considers that ecologically aware and responsible behavior means taking into account the effect of our business onto the environment. That is why a decision was brought to show responsibility in the future not only through offering financial services to those who are on the sustainability path, but also by creating our own products that strive to preserve the environment where we live and work.

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 considerably supporting the bank's strategy of sustainable business and offering services that are preserving natural resources of the environment we live in. Thanks to this, we can save resources such as paper, i.e. reduce the need for plastic, since drawing cash at ATMs is possible even without a payment card.

One of the important steps in this direction is also the introduction of payment cards made of recycled plastic, which were incorporated into the bank's offer in 2022. This is a direct contribution to reducing new waste, thereby saving energy and reducing the pollution of water, air and other vitally important resources. These are the first cards of this kind in the Serbian banking market, and it is estimated that in this way, CO₂ emissions are reduced by as much as 80 per cent compared to the manufacturing of cards made of non-recycled plastic.

Apart from ESG initiatives in the domain of crediting, the bank was always striving to approach responsibly those segments of society that need help the most. 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.

ESG inicijative, društvena odgovornost i održivost

Posvećenost promovisanju prakse 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 životnoj 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. Isti pristup neguje i kada je reč o misiji RBI grupacije da ćemo "delovati na društveno odgovoran način i doprinositi dugoročnoj dobrobiti ljudi i kompanija na tržištima na kojima poslujeemo".

Radimo na kontinuiranom unapređivanju svojih proizvoda, usluga i poslovnih procesa, kako bismo ih učinili što usklađenijima sa ESG principima. U 2022. godini banka je nastavila da ulaže napore na podizanju svesti o ovim važnim temama, kako kod zaposlenih, tako i kod klijenata. Takođe, učinjen je i niz konkretnih koraka i aktivnosti u cilju daljeg razvoja i implementacije ESG ciljeva.

Konstantni naponi ulažu se u cilju implementiranja najbolje prakse i politika RBI grupacije kad je reč o ESG konceptima. U 2022. godini nastavljena je praksa skrininga i obeležavanja postojećeg kreditnog portfolija u segmentu privrede, prema grupnim regulativama i EU taksonomiji. Utvrđeno je da se oko 6% ukupnih plasmana ovom segmentu može označiti kao ESG (zeleni i socijalni aspekt). U segmentu poslovanja sa stanovništvom i malim preduzećem i preduzetnicima je ostvaren daleko bolji rezultat od postavljenog cilja kad je reč o udelu ESG kredita u novoodobrenim plasmanima u 2022. godini. Planirano učešće ovih kredita u pomenutom segmentu bilo je 3%, a na kraju godine udeo novih ESG kredita iznosio je čak 24,54%.

U 2022. godini nastavljene su i aktivnosti usmerene ka digitalizaciji poslovanja i uvođenju proizvoda i usluga za koje nije potrebno dostavljanje dokumentacije u papirnoj formi. Banka smatra da ekološki osvešćeno i odgovorno ponašanje podrazumeva uzimanje u obzir efekata našeg poslovanja na životnu sredinu. Zato je doneta odluka da se u budućnosti odgovornost pokaže ne samo kroz pružanje finansijske podrške onima koji su na putu održivosti, već i kreiranjem sopstvenih proizvoda koji brinu o očuvanju okruženja u kome živimo i radimo.

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. Zahvaljujući njima obezbeđuje se ušteda resursa poput papira, odnosno smanjuje upotreba plastike budući da je podizanje novca na bankomatima omogućeno bez obaveze posedovanja platne kartice.

Jedan od važnih koraka u tom smeru jeste i uvođenje platnih kartica od recikliranog PVC-a, koje su od 2022. u ponudi banke, a čime se daje direktan doprinos smanjenju stvaranja novog otpada, a time i očuvanju energije i smanjenju nivoa zagađenosti vode, vazduha i ostalih životno važnih resursa. Ovo su prve kartice ove prirode na srpskom bankarskom tržištu, a procenjeno je da se na ovaj način emisija CO₂ smanjuje za čak 80% u odnosu na izradu kartica od nereciklirane plastike.

Pored ESG inicijativa u domenu bankarskih proizvoda i usluga, 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...

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 2022, 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 in 2022, including the voluntary blood donation by the bank's employees, with the number of donors at a constantly high level.

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 a volunteering project where 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.

In 2022, the bank started providing active support in protecting natural resources of Serbia, by donating funds for solar panels that will produce energy for "Zasavica", one of the largest protected natural reserves in Serbia.

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. Our employees are one of the key assets of our company. We are investing great efforts in providing continuous education and improvement of skills and talents of our employees, involving them into all the relevant fields, stimulating constructive exchange, inclusion and diversity, making sure all members of our company have equal opportunities.

We consider the issues of ecology and environment protection part of our responsibility towards the community where we do business. The direct impact of our operational business is small compared to some other industries. Yet, the RBI Group, which includes all the network banks, have made it one of their key goals to reduce the negative impact onto the environment on all locations and in all business segments. That is why we are continually improving key parameters of environment protection in our business. Energy savings, paper and electronic waste recycling is taken into account, and the system of all wiring installations of the bank's head office is 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 practices is certainly one of the most important, so that basic principles of the bank's business are transparency and ethical business, applying responsible and fair operational practices, promoting a constructive and open exchange with clients, business partners, organizations and institutions, as well as with employees.

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 2022. 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 Svratista 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 zadržan na konstantno visokom nivou.

Nastavljajući veoma uspešne volonterske akcije realizovane tokom prethodnih jedanaest godina uoči novogodišnjih i božićnih praznika, zaposleni Raiffeisen banke su krajem godine organizovali volontersku akciju u okviru koje su prikupili 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 decu iz ugroženih društvenih grupa.

Banka tradicionalno pruža podršku i 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.

Počev od 2022. godine, banka pruža aktivnu podršku zaštiti prirodnih bogatstava i resursa u Srbiji, i to donacijom za izradu solarnih panela za proizvodnju energije za „Zasavicu“, koja je jedan od najvećih prirodnih rezervata u Srbiji.

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. Naši zaposleni su jedna od najvećih vrednosti kompanije. Značajne napore ulažemo u cilju kontinuirane edukacije i unapređenje veština i talenata naših zaposlenih, te njihovo uključivanje u sve relevantne oblasti, podsticanje konstruktivne razmene, inkluziju i diverzitet, obezbeđivanje ravnopravnosti svih članova našeg kolektiva.

Pitanja ekologije i zaštite životne sredine smatramo delom naše odgovornosti prema zajednici u kojoj poslujemo. Direktni uticaj našeg operativnog poslovanja je srazmerno mali u odnosu na neke druge industrije. Ipak, RBI grupacija, a time i sve banke-članice, postavile su kao jedan od svojih ključnih ciljeva smanjenje negativnog uticaja na životnu okolinu na svim lokacijama i u svim oblastima u kojima posluju. Stoga nastojimo da kontinuirano unapređujemo ključne parametre zaštite životne sredine u našem poslovanju. 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, primena odgovornih i korektnih operativnih praksi, promovisanje konstruktivne i otvorene razmene sa klijentima, poslovnim partnerima, organizacijama i institucijama, kao i sa zaposlenima.

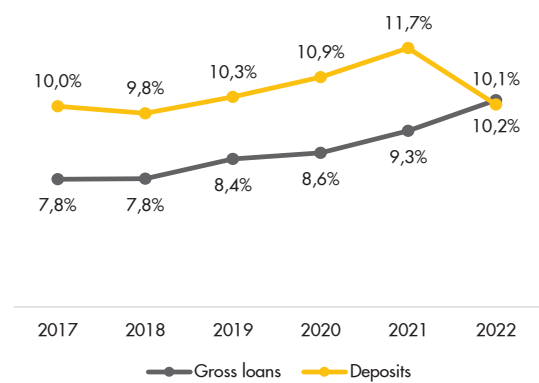
Corporate Banking

In 2022, in line with positive market developments and overall economic growth, Corporate Banking recorded another very successful business year, with significant asset portfolio growth and stable performance in all major product lines contributing to strong bottom-line profitability. In line with its strategic road map, maintaining the current level of excellent service and relationship management, growing customer base and maintaining a position of leadership in the international segment, Raiffeisen banka continued implementing key initiatives concerning product excellence and digital transformation, 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 the ESG concept and positioning itself as one of the market leaders in this segment.

Development of Key Products

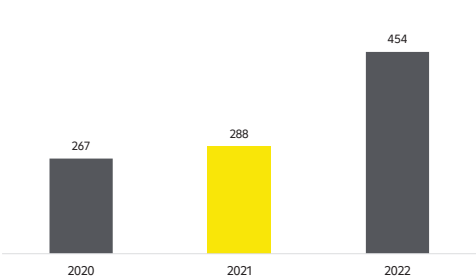
In terms of our key product assets and in line with the strategy to focus on top market performers and industries, the Corporate Banking segment grew its asset portfolio (+12.1 per cent yoy) and built up its credit market share to a historically high level of 10.1 per cent.

Market share - loans and deposits

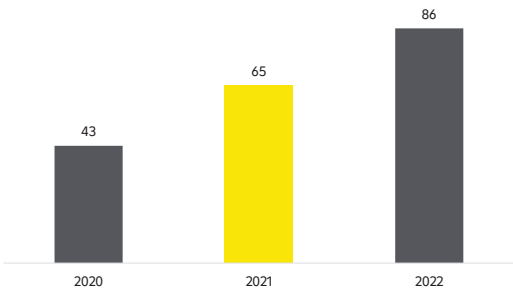


Maintaining long-term partnerships with its primary credit portfolio clients, focusing on well-structured deals and fully exploiting the cross-border potential and international strength of the RBI Group – represent our key success factors. The Corporate Banking segment continued to grow its cross-border 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, factoring, cash management apps/solutions, etc.), by using RBI Group tools, such as: Aqui tool, Group-wide sales competition, cross-selling workshops, thereby positioning itself as a market leader in the international client segment.

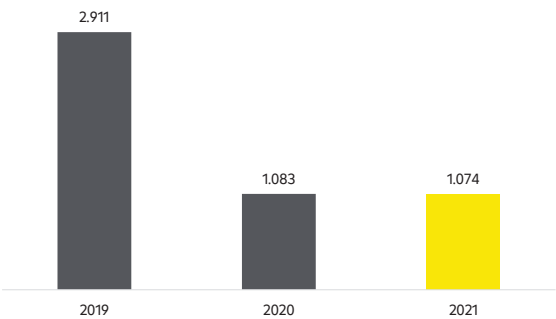
Number of newly acquired clients (GI>500 EUR)



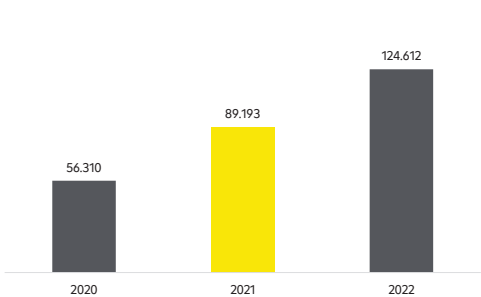
Number of new loan clients



GI New Clients



Volume of loans to new clients



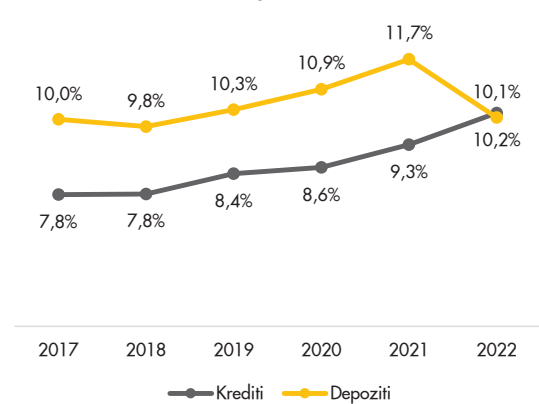
Poslovanje sa privredom

U 2022. 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. U skladu sa svojim strateškim smernicama, održavajući sadašnji nivo izuzetno kvalitetne usluge i upravljanja odnosima sa klijentima, rastućom bazom klijenata i čuvajući vodeću poziciju u međunarodnom segmentu, banka je nastavila sa uvođenjem ključnih inicijativa u vezi sa izvrsnošću proizvoda i digitalnom transformacijom, 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.

Razvoj ključnih proizvoda

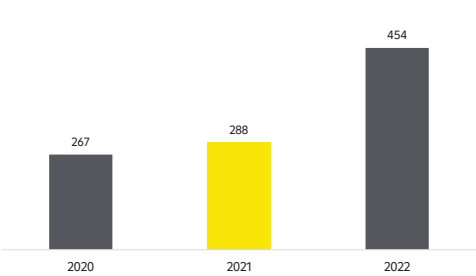
Kad je reč o ključnim proizvodima, u skladu sa strategijom da fokus bude na vodećim industrijskim granama i kompanijama sa najboljim performansama na tržištu, Sektor za poslovanje sa privredom ostvario je rast svog portfolija aktive (+12,1% g-n-g) i povećao tržišno učešće na do sada najveći udeo od 10,1%.

Tržišni udeo – krediti i depoziti

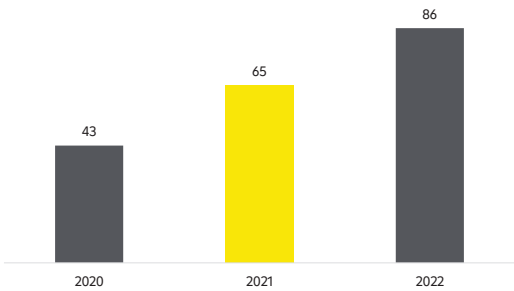


Održavanje dugoročnih partnerstava sa klijentima iz svog primarnog kreditnog portfolija, usmerenje na dobro strukturisane poslove, kao i korišćenje celokupnog prekograničnog potencijala i međunarodne snage grupacije Raiffeisen Bank International, predstavljaju ključne faktore uspeha. Segment poslovanja 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, pozicionirajući se u potpunosti kao vodeća banka na tržištu u segmentu poslovanja sa međunarodnim klijentima.

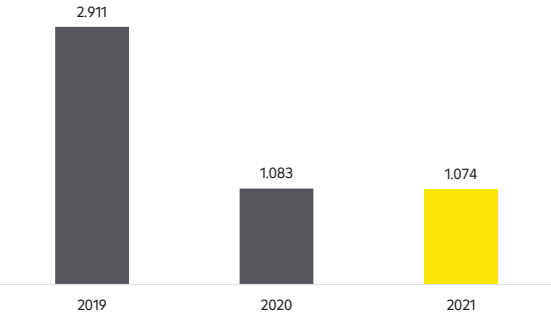
Broj novoakviziranih klijenata



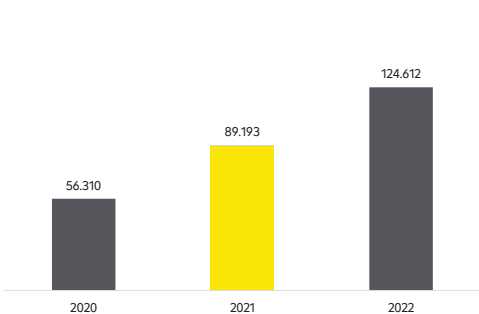
Broj novih kreditnih klijenata



Bruto zarada od novih klijenata



Volumen kredita izdatih novim klijentima



At the same time, client asset margins remained stable despite the competitive market environment. The bank managed to preserve its broad client base, particularly in the segment of international clients, offering high-quality modern services to its clients, which was reflected in excellent fee-business profitability in all product segments.

Results related to new customer acquisition were solid, with € 124.6 million new loans issued to new customers and 454 new corporate customers acquired by the bank.

Regarding risk parameters, the prudent risk approach applied in the past years continued to result in an excellent portfolio quality (PD of 1.89 per cent) and strong reduction of NPLs (currently 0.61 per cent).

Integration with RBA bank (former Crédit Agricole Srbija A.D. Novi Sad) is proceeding timely according to the defined project plan and all initiatives (e.g. related to clients, products, tariffs, KYC, etc.) are worked out and processed accordingly. Smooth acquisition and integration stand as key priority and the process is expected to be finalized on April 30, 2023.

New Innovations and Initiatives

On the innovation side related to new digital and sales initiatives in 2022, 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. The focus was on three key elements:

1. **Online Factoring Platform** 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.

Factoring turnover reached a total volume of € 54.4 million (more than double the turnover realized in 2021). The number of clients on the platform reached 35.

2. Digital client portals: Infoportal and Davinci

• Infoportal (local digital portal):

- Features created based on clients' needs, information available to clients around the clock (24/7), first in the Serbian market,
- Platform connected with CBS and local DMS, enabling direct product overview and existing documents usage by clients,
- Operational services now provided faster via modern platform leading to superior customer experience,
- Mutual digital education and up-to-date banking,
- Moving direct live communication with the client from operational business to consultancy tightening relationship.

A total of 764 clients (27.6 per cent of corporate clients) signed up on this platform, while 396 clients (14.3 per cent of active corporate clients) actively used the platform.

Main usage relates to automatic confirmation drawdown, notifications overview, credit drawdown and guarantees issuance requests, overview of products/documents, etc.

- **DaVinci (RBI Group platform)** – mainly targeting Group clients, (eKYC and eFinance featured implemented on the platform.

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

- Total share of 50 per cent of all FX customers are using the platform,
- Total share of 26 per cent of all loan drawdowns done digitally,
- Total share of 47 per cent of all guarantees issued done digitally.

U isto vreme, margine klijenata ostale su stabilne uprkos veoma konkurentnom tržišnom okruženju. Banka je uspela da očuva svoju široku bazu klijenata, posebno u segmentu internacionalnih klijenata, pružajući kvalitetne i moderne usluge, što se ogleda u odličnoj profitabilnosti od naknada u svim segmentima proizvoda.

Rezultati ostvareni na polju akvizicije novih klijenata bili su solidni, sa 124,6 miliona evra novih kredita plasiranih novim klijentima, kao i 454 novih korporativnih klijenata koje je banka akvizirala.

Što se tiče parametara rizika, strogi pristup riziku primenjen tokom prethodnih godina opet je kao rezultat imao odličan kvalitet portfolija (verovatnoća neizvršenja obaveza 1,89%), kao i značajno manje loših kredita (trenutno 0,61%).

Integracija sa RBA bankom (bivša Crédit Agricole Srbija) odvija se prema definisanom projektnom planu, a sve inicijative (npr. u vezi sa klijentima, proizvodima, tarifama, KYC platformi, itd) razrađene su i obrađuju se u skladu sa datim planom. Neometana akvizicija i integracija su ključni prioritet i očekuje se da će procesi s tim u vezi biti u potpunosti završeni 30. aprila 2023. godine.

Inovacije i inicijative

Kad je reč o inovacijama u 2022. 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 superiorno 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“ modul finansiranja, proširena na tradicionalni faktoring i bančin modul od drugog kvartala 2021. godine.

Uvođenjem ove platforme, volumen faktoring usluga dostigao je 54,4 miliona evra (više nego duplo u odnosu na volumen u 2021. godini). Broj klijenata na platformi dostigao je 35.

2. Digitalni portali za klijente: Infoportal and DaVinci

• Infoportal (lokalni digitalni portal):

- Kreiran na osnovu potreba klijenata, informacije su dostupne klijentima u svakom trenutku, prvi na srpskom tržištu
- Platforma povezana sa "Core Banking" sistemom i lokalnim sistemom upravljanja dokumentima omogućuje direktan pregled proizvoda i korišćenje postojećih dokumenata od strane klijenata
- Operativne usluge sada se mogu dobiti brže preko modern platforme, čime se postiže superiorno korisničko iskustvo
- Obostrana digitalna edukacija i savremeno bankarsko poslovanje
- Pomeranje direktne komunikacije uživo sa klijentom sa operativnog poslovanja na konsultantske usluge, uz jačanje poslovne saradnje

Ukupno 764 klijenta (27,6% klijenata iz privrede) registrovala su se na platformu, dok je 396 klijenata (14,3% aktivnih klijenata iz privrede) aktivno koristilo platformu.

Koristi se uglavnom automatsko povlačenje potvrda, pregled notifikacija, povlačenje kredita i zahtevi za izdavanje garancija, pregled proizvoda i dokumentacije, i slično.

- **DaVinci (platforma RBI grupacije)** – targetira uglavnom klijente same grupacije (eKYC i eFinance implementirani na platformu).

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

- Ukupan udeo od 50% svih klijenata koji obavljaju devizne transakcije koristi platformu
- Ukupan udeo od 26% svih povlačenja kredita izvršen je digitalnim putem
- Ukupan udeo od 47% svih izdavanja garancija izvršen je digitalnim putem

4. **ESG:** As an environmentally aware and responsible business partner, the bank continues with education and increasing employee and client awareness on the ESG topic, aiming to further improve its products, services and business processes so that they can be as much ESG compliant as possible.

In 2022, we organized several internal workshops for Corporate Credit Officers, attended a workshop organized by RBI experts in October 2022 (75 participants from Raiffeisen banka a.d. Beograd). Client meetings were also arranged and this was very well perceived by our clients with high ESG awareness.

Continuous screening of the existing client portfolio is being performed with abundant support from RBI in terms of further product development and exploring more possibilities on the Serbian market in order to identify ESG transactions. We share the increased focus of the international financial community when ESG is concerned, therefore the bank continued cooperating closely with international financial institutions (EIB, EIF, EBRD, KfW, IFC, etc.) in terms of risk sharing and technical advisory services.

We have also started distributing an e-questionnaire to our clients where there was a good response rate, especially having in mind the complexity of this e-questionnaire and the fact that Serbia is a non-EU country. As advised by RBI, we have initiated negotiations with other banks as regards the making of a unified version of the e-questionnaire for the Serbian market.

We managed to successfully implement ESG Group policies and best practices in terms of the ESG concept into our corporate credit procedures. In 2022, approx. 6 per cent of the corporate loan portfolio has been marked as ESG (green and social), where the bank has financed clients' investments into wind parks, green buildings, clean transportation, supporting digitalization processes in school education.

The bank also has a close cooperation with the Chamber of Commerce and the Serbian Association of Banks with regard to increasing the domestic banks' cooperation on sustainable finance in general. Also, our focus is on digitalization and paperless processes. In that respect, we are constantly improving our digital and paperless platforms for clients – cash management, RaiffeisenOnLine, Info Portal and factoring, which significantly contributes to the bank's orientation towards sustainable business.

Maintaining the current level of excellent service, relationship management and superior customer experience:

- **Availability, advisory, product knowledge**, etc. within the existing corporate organizational structure, provided excellent collaboration with back office
 - **Small Ticket Lending** pilot project with Mid-Market Competence Center in Tatra banka: acquiring 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 initialized, 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.
5. **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 the NPS client survey conducted in 2022, where the bank achieved an NPS score of 69 with a client response rate of 21 per cent.

- 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.

Tokom 2022. godine, organizovano je nekoliko internih edukacija za zaposlene iz segmenta kreditiranja privrede, zatim, zaposleni su pratili radionicu organizovanu od strane stručnjaka iz RBI u oktobru (75 učesnika iz Raiffeisen banke u Srbiji), a organizovani su i sastanci sa klijentima, koje su klijenti sa izraženom svešću o ESG temama veoma dobro ocenili.

Radi se stalni skrining postojećeg portfolija klijenata, uz veliku podršku RBI u smislu daljeg razvoja proizvoda i traženja mogućnosti na srpskom tržištu da se identifikuju ESG transakcije. Delimo veće usmerenje međunarodne finansijske zajednice na ESG teme, tako da smo nastavili blisku saradnju sa međunarodnim finansijskim institucijama (EIB, EIF, EBRD, KfW, IFC, itd) u pogledu deljenja rizika i tehničkih savetodavnih usluga.

Takođe, počeli smo sa slanjem elektronskih anketa klijentima, gde smo imali dobar odziv, posebno imajući u vidu kompleksnost e-upitnika i činjenicu da Srbija nije članica EU. Po savetu RBI, inicirali smo pregovore sa drugim bankama na tržištu u pogledu unificiranja e-upitnika za tržište Srbije.

Uspešno smo implementirali ESG smernice na nivou grupacije, kao i najbolje prakse u smislu ESG koncepta u naše procedure izdavanja kredita privredi. U 2022. godini, skoro 6% portfolija kredita privredi označen je kao ESG (zeleni i socijalni aspekt). Finansirali smo investicije klijenata u vetroparkove, zelene zgrade, čist transport, te pomogli procese digitalizacije u školskom obrazovanju.

Takođe, blisko sarađujemo sa Privrednom komorom i Udruženjem banaka Srbije na temu pospešivanja saradnje domaćih banaka po pitanju održivog finansiranja. 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, Infoportal i faktoring, što značajno doprinosi orijentaciji banke ka održivom poslovanju.

Održavanje trenutnog nivoa odličnih usluga, upravljanja odnosima i superiornog 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 brzih 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** „Upoznaj svog klijenta“ („Know Your Customer“ – KYC) – BCF projekat, digitalna platforma za KYC/ otvaranje računa, poboljšanje postojećeg procesa za klijente grupacije.

- 5. 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 izuzetan rezultat ankete klijenata u pogledu parametra NPS (Net Promoter Score) izvršene tokom 2022. godine, gde je banka ostvarila NPS parametar od 69, sa stopom odgovora klijenata od 21%.

Retail Banking

In 2022, the segment of Retail Banking marked growth in lending activity. New volumes of loan products increased by 7.6 per cent compared to 2021, whereas the volume of mortgage loans issued increased by approx. 17 per cent in 2022 compared to the year 2021.

Digitalization and Innovations

As a result of successful digital transformation and continuous improvements in service quality, the number of active mobile banking users grew by around 18 per cent in 2022. The number of clients who obtained a loan by using digital channels exceeded the number of loans contracted via traditional channels, while the number of digitally acquired users increased by 113 per cent compared to the year before, despite the strong competition in the banking industry.

While focusing on innovations and superior user experience, we identified one of the key components of digital transformation – education. In the course of 2022, all the bank's employees successfully completed the three-day training "Raiffeisen Digital Academy", which was aiming to help them acquire the most important understanding of new agile business principles, in order to raise awareness of a new way of thinking and working that enables us to foresee changes more successfully, focus on clients and readily take on the task of shaping business that is relevant for the future.

"iKEŠ" – the first cash loan in the market that is available fully online for all users, regardless of whether they have an account with the bank or not – represents the bank's platform for the further scaling of digital lending. After more than three years, over 32,000 users had the opportunity of obtaining a loan through "iKEŠ", which has, together with pre-approved loans, made it possible for more than 50 per cent of cash loan sales to be fully automated in the year before. "iKEŠ" is the winner of the prestigious "Finovate 2020" award as the best platform for user lending. Apart from that, "iKEŠ" was chosen as a Group-wide solution, which enabled three more banks from the Raiffeisen Group to offer this product to their users as well in the meantime.

Thanks to intensive and continuous improvements, "iKEŠ" was enhanced with new options and possibilities. As a response to current macroeconomic trends, obtaining an "iKEŠ" loan with variable interest rates was also offered. In order for users to consolidate their debts faster and more easily, refinancing of overdrafts, credit cards as well as cash loans was also enabled, without additional documents and without the need for the client to visit the bank.

Following global trends of internet shopping and modelled on "iKEŠ", the offer also includes the first fully online consumer "WEB" loan. The aim of this product is to additionally ease and boost internet shopping and it is available on 20 partner internet shops that are market leaders in their segments.

An important step further in the digital offer and digital acquisition of users has also been made by introducing "iRačun" ("iAccount"), a unique digital package in the market that enables users to open a current account in 15 minutes completely free of charge and fully online. With "iRačun", users receive digital payment cards immediately, which enables the activation of digital wallets through "RaiPay" or "Apple Pay" services. A few days after opening "iRačun", users also have at their disposal standard debit cards sent to their home address, with which they can make payments and draw cash at multifunctional devices.

Mobile banking is an increasingly important medium for everyday interaction of users with the bank, mainly because of the comfort and time saving enabled by the application. For that reason, special attention has been dedicated to further continuous improvements of the mobile banking application, which is among the best rated by users in our market. In the dinar payments segment, users can send money to a telephone number with the service "Transfer" ("Prenesi"), eliminating the need for knowing and entering the account number of the recipients registered for this service. Users who need to transfer money abroad can also do this on their own with the mobile application, in several simple steps and without having to visit the bank.

Further work continued on improving the chatbot based on artificial intelligence in communicating and offering services to clients. The results are reflected in the increased number of conversations and clients registered. In the course of 2022, the chatbot served 55,000 users monthly on average, and because of the new easier and faster registering process – the number of registered clients in 2022 increased by 25 per cent compared to the year before.

Significant investments were also made in developing advanced analytics, where Raiffeisen banka realized a tangible impact on retail banking (like improved CEX for proactive product offers or introducing new regulatory CRM campaigns) with six projects already implemented into business processes and another six in phases of development or testing and has also become an international provider of analytics services throughout the entire RBI Group. The network of banks within the Raiffeisen Group that use analytics services of the Serbian AA team expanded, while the scope of activities offered also included analytic model operations. Additional activities in this domain are planned in the course of 2023 as well.

Poslovanje sa stanovništvom

U 2022. godini zabeležen je rast kreditne aktivnosti u segmentu stanovništva. Novi volumeni kreditnih proizvoda veći su za 7.6% u odnosu na 2021, a volumen isplaćenih stambenih kredita porastao je za oko 17% u 2022. u odnosu na 2021. godinu.

Digitalizacija i inovacije

Kao rezultat uspešne digitalne transformacije i kontinuiranih unapređenja kvaliteta usluga, i u 2022. godini zabeležen je rast broja aktivnih korisnika mobilnog bankarstva za oko 18%. Broj klijenata koji su realizovali kredit korišćenjem digitalnih kanala premašio je broj kredita ugovorenih kroz tradicionalne kanale, dok je broj digitalno akviziranih korisnika porastao za 113% u odnosu na prethodnu godinu, uprkos snažnoj konkurenciji u bankarskom sektoru.

Uz fokus na inovaciju i najbolje korisničko iskustvo, identifikovali smo da je jedan od ključnih činilaca digitalne transformacije – edukacija. Tokom 2022, svi zaposleni banke uspešno su završili trodnevnu obuku „Raiffeisen digitalna akademija“, koja je imala za cilj da im pomogne u usvajanju najvažnijih znanja novih principa agilnog poslovanja, kako bi osvetlili način razmišljanja i rada koji omogućava da uspešnije predvidimo promene, fokusiramo se na klijente i spremno pristupimo osmišljavanju poslovanja koje je relevantno za budućnost.

„iKEŠ“ – prvi keš kredit na tržištu koji je potpuno onlajn za sve korisnike, bez obzira da li imaju račun u banci ili ne – predstavlja platformu banke za dalje skaliranje digitalnog kreditiranja. Nakon više od tri godine rada, preko 32.000 korisnika imalo je priliku da realizuje kredit pomoću „iKEŠ“-a, što je, uz unapred odobrene kredite, omogućilo da preko 50% prodaje keš kredita bude u potpunosti automatizovano u prethodnoj godini. „iKEŠ“ je dobitnik prestižne nagrade „Finovate 2020“ kao najbolja platforma za kreditiranje korisnika. Osim toga, „iKEŠ“ je izabran kao grupno rešenje, što je omogućilo da još tri banke iz Raiffeisen grupacije u međuvremenu ponude ovaj proizvod i svojim korisnicima.

Zahvaljujući intenzivnim i kontinuiranim unapređenjima, „iKEŠ“ je obogaćen novim opcijama i mogućnostima. Kao odgovor na tekuće makroekonomske trendove, ponuđeno je ugovaranje „iKEŠ“ kredita sa varijabilnom kamatnom stopom. Kako bi korisnici što jednostavnije i brže konsolidovali svoja dugovanja, omogućeno je refinansiranje pozajmica, kreditnih kartica i keš kredita, bez dodatne dokumentacije i bez dolaska u banku.

Prateći globalne trendove internet trgovine i po uzoru na iKEŠ, u ponudi je i prvi potpuno onlajn potrošački „WEB“ kredit. Proizvod ima za cilj da dodatno olakša i podstakne internet kupovinu i dostupan je na 20 partnerskih internet prodavnica koje su vodeće u svojoj oblasti na tržištu.

Važan iskorak u digitalnoj ponudi i digitalnoj akviziciji korisnika 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 digitalne platne kartice, što omogućava aktivaciju digitalnih novčanika kroz „RaiPay“ ili „Apple Pay“ usluge. Slanjem na kućnu adresu posle nekoliko dana od otvaranja, korisnicima „iRačuna“ su na raspolaganju i standardne debitne kartice pomoću kojih mogu da vrše uplatu i podizanje gotovine na višenamenskim uređajima.

Mobilno bankarstvo predstavlja sve značajniji medij za svakodnevnu interakciju korisnika sa bankom, prvenstveno zahvaljujući komforu i uštedi vremena koje aplikacija omogućava. Iz tog razloga, posebna pažnja posvećena je daljim kontinuiranim unapređenjima aplikacije za mobilno bankarstvo, koja je među najbolje ocenjenim od strane korisnika na našem tržištu. U delu dinarskih plaćanja, korisnicima je omogućeno slanje novca na broj telefona pomoću usluge „Prenesi“, što eliminiše potrebu za poznavanjem i unošenjem broja računa primaoca koji su registrovani za navedenu uslugu. Korisnici koji imaju potrebu za slanjem novca u inostranstvo, to sada mogu da urade i samostalno u okviru mobilne aplikacije, kroz nekoliko jednostavnih koraka i bez dolaska u banku.

Nastavljen je i dalji rad na unapređenju rada četbota zasnovanog na veštačkoj inteligenciji u komunikaciji i pružanju usluga klijentima. Rezultati rada ogledaju se u povećanom broju konverzacija i registrovanih klijenata. Tokom 2022. godine, četbot je u proseku mesečno opslužio 55.000 korisnika, a zbog nove mogućnosti lakšeg i bržeg registrovanja – broj registrovanih klijenta se ove godine povećao za 25% u odnosu na prethodnu godinu.

Značajno ulaganje investirano je i u razvoj napredne analitike, gde je Raiffeisen banka ostvarila opipljiv uticaj na poslovanje sa stanovništvom (poput poboljšanog CEX za proaktivne ponude proizvoda ili uvođenja novih regularnih CRM kampanja) sa šest projekata već implementiranih u poslovne procese i još šest u fazama razvoja/testiranja i postala međunarodni pružalac analitičkih usluga na nivou cele RBI grupe. Proširena je mreža banaka u okviru Raiffeisen grupacije koje su korisnici analitičkih usluga AA tima iz Srbije, dok se skup pruženih aktivnosti proširio i na operacije analitičkih modela. Dodatne aktivnosti u ovom domenu u planu su i tokom 2023. godine.

In order to improve user experience and improve client relationships, the bank developed a platform enabling bank employees to provide even higher-quality services to clients. A modern web application, apart from basic information, offers also very relevant information and recommendations (e.g. the need for a product or service, the need to check the client's contact data with the client, etc), aiming to serve the client in the best possible manner.

The application contains a great number of business modules that enable seamless work in a multichannel environment, which, for example, makes it possible for the client to start with a request for "iKEŠ" online, then to communicate with a Contact Center officer and finally to still be able to realize the loan in one of the bank's branch offices. Practically, the complete communication history between the client and the bank is available to the bank's employees and this makes it easier for clients to attain high-quality services faster.

Apart from the above-mentioned web application, the bank also invested into CRM and digital segments, where significant improvements and innovations were introduced, such as: obtaining a cash loan through the mobile application, creating a timely relevant offer from the range of the bank's products and services in real time or close to real time based on the client's needs. In addition, a mobile application module is in the testing phase, enabling the client a visual representation of personal consumption summed up according to months, brands and other categories.

Improving Processes in Branch Offices

In the segment of retail banking, the process of digitalizing branch offices and their switching to the agile mode of work continued in the course of 2022. Operative transformation was built on the foundations set in the previous years through a strong focus on moving transactions to digital channels and multipurpose devices, as well as through regularly introducing fully digital products in the offer of branch offices. At the end of 2022, almost 90 per cent of branch offices had already undergone the transformation of the operative business model.

Branch offices in the agile concept function either without or with limited use of classic cash tellers, and with pronounced care to maintain a warm personal approach in interactions with clients. The trend continued of introducing the brand ambassador concept, whose primary role is to give our clients initial information concerning the bank's products, as well as to provide support or additional education for using digital channels and multipurpose devices. Agile coaches, as the new role in branch offices, contribute to better communication within the team and a more efficient organization of work through implementing agile ceremonies and tools. At the end of 2022, more than half of the total number of branch offices harmonized their ceremonies with agile principles.

The new mode of work in branch offices enabled employees to devote themselves more systematically to clients' needs, which resulted in better productivity of employees in branch offices according to the new concept, as concerns both sales results and mobile banking penetration, as well as the significantly higher degree of satisfaction of both clients and employees.

In addition, following client needs and trends imposed by contemporary lifestyle, testing of the video communication concept (remote communication, no visit to the branch office) in the Mass segment began at the end of 2022. The further development of this communication mode is still to come, through expanding the offer of products and services that the client will be able to obtain or perform via this channel, and also through increasing the number of operators available to clients who would opt for this mode of communication. At the end of 2022, clients had at their disposal ten operators from branch offices with whom they could communicate remotely.

Premium Banking

In the course of 2022, the focus remained on transforming the Premium segment's business model from branch offices to remote access, in order to make the Premium Banking service better suited to expectations of a new and changed financial market. The Premium Direct service that enables clients to communicate with their personal bankers via video technology and video calls, without the need for them to visit the branch office, marked a growth by 35 per cent in the client base compared to 2021, Premium Direct reached a penetration of 65 per cent of the client base in the Premium segment, while 68 per cent of sales were made remotely.

Video communication adequately replaces meetings that were previously taking place in branch offices, with the help of various functionalities, such as overview of documents/applications, file sharing, joint search, media library sharing.

With the aim of increasing security, the complete communication and file sharing between clients and the bank was transferred from e-mail to the inbox in the mobile and electronic banking application. By logging in and checking the inbox, the client can simply upload all documents, which are then shared automatically with the client's personal banker.

A new advanced electronic signature was also introduced, based on two-factor authentication of the client through a one-time password. Client satisfaction with video meetings is 65 per cent according to the NPS parameter.

The total client base grew by 18 per cent compared to the year before, with a significant change in client behavior and migration of standard branch offices onto the bank's remote service – Premium DIRECT.

Kako bi poboljšala korisničko iskustvo i unapredila odnose sa klijentima, banka je razvila platformu koja omogućava bankarskim službenicima još kvalitetnije pružanje usluge klijentima. Moderna web aplikacija pored bazičnih informacija pruža i veoma relevantne informacije/preporuke (npr. potrebu za nekim proizvodom ili uslugom, potrebu za proverom klijentovih kontakata sa klijentom, itd) sa ciljem da klijent bude uslužen na najbolji mogući način.

Aplikacija sadrži veći broj biznis modula koji omogućavaju nesmetan rad u multikanalnom okruženju, što, na primer, omogućava da klijent započne svoj zahtev za „iKeš“ onlajn, zatim da komunicira sa službenikom Kontakt centra i na kraju da kredit ipak realizuje u nekoj od naših filijala. Faktički, kompletna istorija komunikacije između klijenta i banke dostupna je službenicima banke, što klijentima omogućava da lakše dobiju brže i kvalitetnije usluge.

Pored već pomenute web aplikacije, banka je dalje investirala u CRM i digital segmente, gde su urađena značajna unapređenja i inovacije, kao što su: realizacija gotovinskog kredita na mobilnoj aplikaciji, kreiranje pravovremene relevantne ponude iz palete bančnih proizvoda i usluga, u realnom/blisko realnom vremenu, a na bazi potreba klijenta. Dodatno, u pilot fazi je i modul na mobilnoj aplikaciji koji klijentu omogućava grafički prikaz lične potrošnje sumarno po mesecima, po brendovima i drugim kategorijama.

Unapređenje procesa u ekspoziturama

U segmentu poslovanja sa stanovništvom, tokom 2022. godine nastavljen je proces digitalizacije ekspozitura i njihovo prebacivanje na agilni način rada. Operativna transformacija građena je na temeljima postavljenim prethodnih godina kroz snažan fokus na izmeštanje transakcija na digitalne kanale i višenamenske uređaje, te redovno uvođenje potpuno digitalnih proizvoda u ponudu ekspozitura. Na kraju 2022. godine, gotovo 90% ekspozitura je već prošlo kroz transformaciju modela operativnog rada.

Ekspoziture u agilnom konceptu funkcionišu bez ili sa ograničenom upotrebom klasičnih blagajni, a sa naglašenim održavanjem srdačnog ličnog pristupa u interakcijama sa klijentima. Nastavljen je trend uvođenja koncepta 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. Agilni treneri, kao nova uloga u ekspoziturama, kroz sprovođenje agilnih ceremonija i alata doprinose boljoj komunikaciji unutar tima i efikasnijoj organizaciji posla. Na kraju 2022. godine, više od polovine ekspozitura je svoje ceremonije uskladilo sa agilnim principima.

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 ali i zaposlenih.

Takođe, prateći potrebe klijenata i trendove koje nameće savremeni način života, krajem 2022. godine počelo je testiranje koncepta video komunikacije (komunikacije na daljinu, bez posete ekspozituri) u Mass segmentu. Ovom načinu komunikacije tek predstoji dalji razvoj, što kroz proširenje ponude proizvoda i usluga koje je moguće ugovoriti/obaviti preko ovog kanala, što kroz povećanje broja operatera koji će biti na raspolaganju klijentima koji se opredele za ovaj vid komunikacije. Na kraju 2022. godine, klijentima je na raspolaganju 10 operatera iz ekspozitura sa kojima mogu da komuniciraju na daljinu.

Premium bankarstvo

Tokom 2022. godine, fokus je ostao na transformaciji 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 poslovnicu, zabeležio je rast od 35% u bazi klijenata u odnosu na 2021, Premium Direct dostigao je penetraciju od 65% baze klijenata u Premium segmentu, dok je 68% prodaje obavljeno „na daljinu“.

Video komunikacija adekvatno menja sastanke koji su se ranije održavali u filijalama uz pomoć različitih funkcionalnosti, kao što su pregled dokumenata/aplikacija, deljenje fajlova, zajednička pretraga, deljenje medijske biblioteke.

U cilju povećanja sigurnosti, kompletna komunikacija i deljenje fajlova između klijenta i banke prebačeno je sa i-mejla 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.

Uveden je i nov napredni elektronski potpis baziran na dvofaktorskoj autentifikaciji klijenta preko jednokratne lozinke („one-time password“). Zadovoljstvo klijenata video sastancima izraženo NPS-om iznosi 65%.

Ukupna baza klijenata u poređenju sa prethodnom godinom porasla je za 18%, sa značajnom izmenom ponašanja klijenata i migracijom iz standardnih poslovnica na naš servis na daljinu – Premium DIRECT.

In 2022, lending was very intensive, mostly in the segment of mortgage loans, which resulted in a loan portfolio increase by 23 per cent year-on-year, while the deposit portfolio increased by 33 per cent. Exchange transactions of Premium clients continued to grow, so in comparison to the year before, a growth by 56 per cent was realized as regards volumes, as well as a growth by 35 per cent in the number of clients who use exchange transactions. As much as 99 per cent of all transactions are performed via the internet and the mobile application.

The year 2022 marked the start of implementation of the "Financial Advisory" tool – a tool for the tablet and desktop for presenting a competitive offer of value, products and services to clients in a more professional way. Client impressions were excellent, which is also evident in the high NPS parameter of 81 per cent.

Private Banking Development

The Private Banking service was introduced in 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 the offer of investment products.

Our offer of products currently includes the local UCITS and alternative 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 2022, assets under management of the "Friedrich Wilhelm Raiffeisen" segment reached € 346 million and increased by 48 per cent yoy, driven by deposit portfolio growth of 68 per cent and a stable investment portfolio. The number of Private Banking clients reached 679 and increased by 52 per cent yoy. In order to increase the service level and the quality of financial and investment advisory services, in the course of 2022, Raiffeisen banka developed the "Financial Advisory" tool as a platform for professional management of customers' needs and their assets in Raiffeisen banka.

Small Enterprises and Entrepreneurs

The small enterprises and entrepreneurs segment realized another very successful business year and one of the most successful years since its formation. In 2022, the number of clients increased by 21.8 per cent, deposits grew by 26 per cent, all of which resulted in a revenue growth by 40 per cent. With a high-quality portfolio and good control of risk costs, the segment realized a profit growth by 66.5 per cent yoy and achieved a record profit of € 18.7 million.

The year 2022 confirmed that Raiffeisen banka was again one of the leaders in this segment. Namely, the bank maintained the leading position in the market according to the number of accounts opened for newly-founded enterprises in Serbia, and even increased market share in this parameter, so that it now amounts to 29.3 per cent for dinar accounts and as much as 35.4 per cent for foreign currency accounts.

The business segment of small enterprises and entrepreneurs continues with improvements in the product and service quality, with a focus on digitalization, which proved to be the only valid strategy, with the aim of further increasing the number of active clients through implementing new sales channels and new client segments.

Outstanding success was realized in the domain of mobile banking for legal entities – as much as 93 per cent of clients in the segment of small enterprises and entrepreneurs are mobile banking users. The number of users of the mobile banking application for legal entities exceeded 50,000.

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 2022, 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, blocking and deblocking of payment card, as well as the "Show PIN" functionality with a detailed overview of card data.

Tokom 2022. godine kreditiranje je bilo veoma intenzivno, uglavnom u segmentu stambenih kredita, što je dovelo do uvećanja kreditnog portfolija od 23% godina na godinu dok je portfolio depozita veći za 33%. Menjački poslovi Premium klijenata nastavljaju rast, te je u odnosu na prošlu godinu ostvaren rast od 56% u delu volumena i rast broja klijenata korisnika menjačkih psolova od 35%. Čak 99% svih transakcija obavlja se preko internet i mobilne aplikacije.

Godinu 2022. obeležio je početak primene alata pod nazivom „Financial Advisory“ - alat za tablet i desktop za predstavljanje konkurentne ponude vrednosti, proizvoda i usluga klijentima na profesionalniji način, a utisci klijenata su odlični, što pokazuje i visok NPS od 81%.

Razvoj Privatnog bankarstva

Usluga Privatnog bankarstva 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 klijentima obezbedimo najviši nivo usluge, da 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. Iskusni 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, kroz ponudu adekvatnih proizvoda grupacije, kao i težnju ka konstantnom poboljšanju ponude investicionih proizvoda.

Ponuda naših proizvoda trenutno uključuje lokalne UCITS i alternativne investicione fondove, obveznice Vlade RS 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 2022. godine, sredstva pod upravljanjem segmenta „Friedrich Wilhelm Raiffeisen“ dostigla su 346 miliona evra i uvećana su za 48% godina na godinu, kao rezultat rasta portfolija depozita od 68% i stabilnog stanja investicionog portfelja. Broj klijenata Privatnog bankarstva dostigao je 679 i uvećao se za 52% godina na godinu. Kako bi se uvećao nivo usluge, kvalitet naših finansijskih i investicionih usluga, tokom 2022. godine Raiffeisen banka je razvila alat „Financial Advisory“ kao platformu za profesionalno upravljanje potrebama klijenata i njihovom imovinom u Raiffeisen banci.

Mala preduzeća i preduzetnici

Segment poslovanja sa malim preduzećima i preduzetnicima realizovao je još jednu u nizu vrlo uspešnih poslovnih godina i jednu od najuspešnijih godina od kako postoji ovaj segment. Broj klijenata u 2022. godini povećan je za 21.8%, depoziti za 26%, a to je rezultiralo rastom prihoda za 40%. Uz dobar kvalitet portfolija i dobru kontrolu troškova rizika, segment je ostvario rast profita za 66.5% godina na godinu i ostvario rekordan profit od 18.7 miliona evra.

Da je Raiffeisen banka jedan od lidera u ovom segmentu dokazano je i ove godine. Naime, zadržali smo vodeću poziciju na tržištu po broju otvorenih računa novoosnovanih preduzeća u Srbiji i čak povećali tržišno učešće kod ovog parametra, tako da ono sada iznosi 29.3% kod dinarskih računa i čak 35.4% kod deviznih računa.

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.

Naročiti uspeh postignut je u domenu mobilnog bankarstva za pravna lica – čak 93% klijenata u segmentu malih preduzeća i preduzetnika korisnici su mobilnog bankarstva. Broj korisnika aplikacije za mobilno bankarstvo za pravna lica premašio je broj od 50.000.

Kartično poslovanje

Banka nastavlja trend rasta i u segmentu kartičnog poslovanja, kako u pogledu izdavanja kartica, tako i u pogledu prihvata platnih kartica. Tokom 2022. 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, blokada i deblokada platne kartice kao i „show PIN“ funkcionalnost sa pregledom detalja o kartici.

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 these applications, 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, one of the most important ones being 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 2022 it increased by 9 per cent, and as concerns transactions and turnover, growth by 27 per cent in the number of transactions and almost 40 per cent in turnover is recorded. Also, growth in the network of merchants opting for e-commerce is evident, 10 per cent compared to the preceding year, which contributed to turnover growth of almost 80 per cent.

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 2022. godini povećan je za 9%, a kada se posmatraju transakcije i promet, beleži se rast od 27% u broju transakcija i skoro 40% u prometu. Takođe, zabeležen je rast i u mreži trgovaca koji se opredeljuju za elektronsku trgovinu (e-commerce), 10% odnosu na prethodnu godinu, što je doprinelo rastu od blizu 80% u prometu.

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 2022. 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 2022 as well. Due to rising inflation reinforced by the global energy crisis, the NBS applied a restrictive monetary policy through increasing the repo rate on reverse repo auctions and by drawing excess liquidity from the banking sector. However, with the base inflation coming out of the inflation target in April 2022, the NBS began increasing the key interest rate, which at that moment was at a level of 1 per cent, to 5 per cent at the end of 2022.

Inflation sped up to 15.1 per cent in 2022, compared to its rise by 7.9 per cent in 2021. Such high inflation was for the most part the result of rising prices of oil and gas on global markets in the first half of the year, followed by rising prices of fertilizers and food, due to the second dry season in Serbia, which contributed to lower yields of certain crops.

The dinar exchange rate was stable in 2022 and ranged from 117,76 to 117,27. Stability in conditions of the energy crisis was secured by more intense inflow of foreign direct investments and incoming payments, credit activity, as well as foreign currency interventions of the NBS, amounting to € 1.0 billion (net purchase), compared to € 645 million in 2021.

The total turnover on the interbank market increased from € 10,88 billion in 2021 to € 15.35 billion in 2022. In the course of 2022, the NBS intervened with € 5.54 billion (of which, € 2.27 billion relate to sales, and € 3.27 billion to the purchase of foreign currency).

Raiffeisen banka was among the leading banks in foreign currency trading and foreign currency banknote trading on the interbank foreign currency market in 2022 as well. The Treasury and Investment Banking Division of Raiffeisen banka realized a market share of 18.25 per cent in trading products with corporate clients, thereby confirming its leading position in the market.

Aiming to support the financial system, the NBS organized two-week and three-month foreign currency swap auctions (until August 1), as well as bilateral swap transactions with banks, thereby providing additional foreign currency and dinar liquidity at more competitive 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.

In 2022, Raiffeisen banka signed a Credit Portfolio Guarantee Agreement with the American Developmental Finance Corporation in the amount of USD 80 million, aiming to support the financing of small enterprises, the development and liquidity increase of micro, small and medium enterprises, agricultural farms, as well as enterprises led by women and young people in business, supporting vulnerable social groups and investing into green financing, which is an increasingly important factor in global efforts to protect the environment, especially in the wake of the crisis caused by the pandemic of Covid-19 virus, as well as other negative factors caused by the situation in the global market.

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 2022 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.

Sektor sredstava i investicionog bankarstva

Sektor sredstava i investicionog bankarstva značajno je doprineo ostvarenju ukupnih rezultata banke i očuvanju liderske pozicije na tržištu u 2022. 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 i u 2022. godini nastavila sa monetarnom politikom targetiranja stope inflacije. Usled rasta inflacije koja je bila podstaknuta globalnom energetsom krizom, NBS je primenila restriktivnu monetarnu politiku kroz povećanje repo stope na reverznim repo aukcijama i povlačenjem viška likvidnosti iz bankarskog sektora. Međutim, sa izlaskom bazne inflacije iz inflacionog targeta u aprilu 2022, NBS je počela da povećava referentnu kamatnu stopu, koja je u tom trenutku bila na nivou od 1%, na 5% na kraju 2022. godine.

Inflacija je ubrzala rast na nivo od 15,1% u 2022. godini, u poređenju sa rastom od 7,9% u 2021. godini. Tako visoka inflacija je u najvećoj meri posledica rasta cena nafte i gasa na globalnim tržištima u prvom delu godine, a zatim cena veštačkih đubriva i cena hrane, usled druge sušne godine u zemlji, koja je doprinela smanjenju prinosa određenih kultura.

Kurs dinara prema evru je u 2022. godini bio stabilan i kretao se u rasponu od 117,76 do 117,27. Stabilnost u uslovima energetske krize obezbeđena je pojačanim prilivom stranih direktnih investicija i doznaka, kreditnom aktivnošću, kao i deviznim intervencijama NBS, koje su iznosile 1.0 milijardu evra (neto kupovina), u odnosu na 645 milion evra u 2021. godini.

Ukupan promet na međubankarskom tržištu povećan je sa 10,88 milijardi evra u 2021. godini na 15,35 milijardi evra u 2022. godini. NBS je u toku 2022. godine intervenisala sa 5,54 milijarde evra (od čega se 2,27 milijardi evra odnosilo na prodaju, a 3,27 milijardi evra na kupovinu deviza).

Raiffeisen banka je bila među vodećim bankama u trgovanju devizama i efektivnim stranim novcem na međubankarskom deviznom tržištu i u 2022. godini. Sektor sredstava Raiffeisen banke ostvario je tržišno učešće od 18,25% u trgovanju sa korporativnim klijentima, čime je ostvario lidersku poziciju na tržištu.

Narodna banka Srbije je u cilju podrške finansijskom sistemu organizovala dvonedeljne i tromesečne devizne svop aukcije (do 1. avgusta), kao i bilateralne svop transakcije sa bankama, te je time obezbedila dodatnu deviznu i dinarsku likvidnost po povoljnijim kamatnim stopama. Takođe, ovim je Narodna banka preventivno delovala i 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, banka je uspeła da bude značajan i pouzdan partner, kao i da izuzetno profesionalno ispunjava potrebe i zahteve klijenata.

U 2022. godini, Raiffeisen banka je potpisala Sporazum o garanciji kreditnog portfolija sa Američkom razvojnom finansijskom korporacijom (DFC) u iznosu od 80 miliona USD, koja ima za cilj pružanje podrške finansiranju male privrede; razvoj i povećanje likvidnosti mikro, malih i srednjih preduzeća, poljoprivrednih gazdinstava, kao i preduzeća koja vode žene i mladi u biznisu; pružanje podrške ugroženim socijalnim grupama i ulaganje u zeleno finansiranje koje predstavlja sve važniji faktor u globalnim naporima za očuvanje životne sredine, naročito u svetlu posledica krize koju su izazvali pandemija virusa kovid-19, kao i ostali negativni faktori uzrokovani dešavanjima na globalnom tržištu.

Kao rezultat saradnje sa Evropskim investicionim fondom (EIF), banka je i u 2022. godini nastavila da kroz garancijske šeme InnoFin, COSME i COSME digitalisation, finansiranu od strane EU, pruži 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.

Brokerage Operations

Mild optimism was evident in the market of state bonds at the start of the year. The state was successfully selling the new two-year dinar bond with maturity January 2024, for which there was great demand at auctions. The yield at the auction in January was 2.75 per cent, only to decline to 2.65 per cent at the following auction in February. March saw a historic correction in yield level. Within two months, returns on state bonds of the Republic of Serbia increased by 200-400 bps with minimal turnover. The above-mentioned Jan24 bond was 4.35 per cent at the last auction in November, although it had almost one year until maturity at that moment.

The Ministry of Finance reopened the maturity Feb28 in June with additional RSD 25 billion, which were sold in the course of the year at 6.80 per cent, while in August, it organized the auction of 12m T-bills in the value of RSD 33 billion, that were bought by local banks at the first auction in August at 3.90 per cent.

In the course of the year, foreign investors were mostly selling, aiming to reduce exposure in dinar bonds, so their share was reduced from 17.9 per cent at the end of 2021 to 14.1 per cent in November 2022, which is a historic minimum. Although turnover was at a historic minimum, Raiffeisen banka proved to be a reliable partner to both local and foreign investors.

Faced with rising rates and unfavorable circumstances, the Ministry of Finance decided to sell bonds in two private issues, i.e. by direct agreement with investors. This way, € 690 million were provided. Together with auctions denominated in dinars, the Ministry of Finance succeeded in obtaining funds needed to refinance obligations in the year 2022.

Both indices of the Belgrade Stock Exchange marked modest growth, Belex15 by 0.47 per cent and Belexline by 1.65 per cent, while the value of turnover realized was 7 per cent lower than in 2021.

Custody Services

The business year was mostly marked by efforts of all institutions in the market to adjust to the new Law on Capital Markets. In accordance with the adopted strategy and action plan of the Ministry of Finance of the Republic of Serbia, at the end of 2021, a law was passed with the aim of creating a suitable environment for creating and developing financial instruments offered in the capital market, as well as implementing greater transparency and responsibility in business, both for local as well as for foreign investors.

On Group level, the "Global Investo Gate" service was activated, enabling access to information regarding more than 25,000 investment funds. Our Group devotes special attention to providing high-quality service in the market of Central and Eastern Europe.

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 continued 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

Na tržištu državnih obveznica početkom godine vladao je blagi optimizam. Država je uspešno prodavala novu dvogodišnju dinarsku obveznicu sa dospećem januar 2024, za koju je tražnja na aukcijama bila velika. Prinos na aukciji u januaru bio je 2,75%, da bi se na sledećoj aukciji u februaru spustio na 2,65%. Sa martom nastupa istorijska korekcija nivoa prinosa. U roku od dva meseca prinosi na državne obveznice Republike Srbije skočili su za 200-400 bps sa minimalnim prometima. Pomenuta jan24 RSD obveznica je na poslednjoj aukciji u novembru bila 4,35%, iako je tada imala skoro godinu dana do dospeća.

Ministarstvo finansija je u junu reotvorilo dospeće feb28 sa dodatnih 25 milijardi RSD koji su prodati u toku godine na 6,80%, dok je u avgustu organizovalo aukciju 12m trezorskih zapisa u vrednosti od 33 milijarde RSD koje su kupile domaće banke na prvoj aukciji u avgustu na 3,90%.

Tokom godine strani investitori bili su na strani prodaje u cilju smanjenja izloženosti u dinarskim obveznicama, tako da je njihovo učešće smanjeno sa 17,9% na kraju 2021. na 14,1% u novembru 2022, što predstavlja istorijski minimum. Iako su prometi bili na istorijskom minimumu, Raiffeisen banka se pokazala kao pouzdan partner domaćim i stranim investitorima.

Suočeno sa rastućim stopama i nepovoljnim okolnostima, Ministarstvo finansija odlučilo se za prodaju obveznica kroz dva privatna plasmana, odnosno direktnom pogodbom sa investitorima. Na ovaj način obezbeđeno je 690 miliona evra. Zajedno sa aukcijama denominovanim u dinarima, Ministarstvo finansija uspešno je da obezbedi potrebna sredstva za refinansiranje obaveza u 2022. godini.

Oba indeksa Beogradske berze zabeležila su skroman rast, Belex15 za 0,47% a Belexline za 1,65%, dok je vrednost ostvarenog prometa manja za 7% nego u 2021. godini.

Kastodi usluge

Poslovnu godinu najviše je obeležio rad na usklađivanju sa novim Zakonom o tržištu kapitala svih institucija na tržištu. Saglasno usvojenoj strategiji i akcionom planu Ministarstva finansija Republike Srbije, krajem 2021. godine donet je zakon sa ciljem stvaranja povoljnog ambijenta za kreiranje i razvoj finansijskih instrumenata koji se nude na tržištu kapitala, te uvođenja veće transparentnosti i odgovornosti u poslovanju, kako za domaće, tako i za strane investitore.

Na nivou grupe aktivirana je „Global Investo Gate“ usluga koja omogućava pristup informacijama preko 25.000 investicionih fondova. Na tržištu centralne i istočne Evrope, naša grupa posvećuje posebnu pažnju obezbeđenju kvaliteta usluga.

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 covid-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 „Ekonomska 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

Raiffeisen Leasing d.o.o. Beograd merged with CA Leasing Srbija d.o.o. Beograd on September 30, 2022, as part of the integration process of Crédit Agricole Srbija, which has been operating under the name RBA banka a.d. Novi Sad as of September 2, 2022, with Raiffeisen banka a.d. Beograd.

The merger of the two companies was finalized successfully in all business segments, which increased portfolio granulation and improved diversification and dispersion of risk.

The total portfolio was increased by the above-mentioned acquisition and reached € 218.999 million.

In 2022, the leasing industry marked a significant growth in sales, especially in the segment of passenger and light delivery vehicles.

Raiffeisen Leasing followed the development of the leasing industry, where it was primarily focused on vehicle financing. In 2022, the company realized new sales in the total value amounting to € 94.98 million.

In 2022, Raiffeisen Leasing has shown a clear commitment to nurture and develop long-term relationships with its clients, which is reflected in the continuous improvement of products and services. In order 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.

Also, special attention was focused on the constant improvement of processes with the aim of increasing efficiency and cost reduction.

Socially responsible behavior is a principle built into the business strategy, since the company wishes to approach all segments of society, the business community and the environment where it does business ethically and responsibly. Support is always directed to institutions and individuals where it is most needed.

The company is investing efforts aiming to preserve a healthy environment where it does business, so that saving energy, recycling paper and electronic waste is a high priority. The issue of business ethics is also very important and that is why the basic principles of our business are transparency and ethical business activities, high-quality service and continuous customer care, while respecting the current regulations and competition integrity.

Raiffeisen Leasing is intensively working on improving all internal processes in different areas, especially in the segment of developing software tools that are client-oriented, all with the aim of optimizing and digitalizing processes.

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 2023.

Raiffeisen Leasing

Raiffeisen Leasing d.o.o. Beograd je 30.09.2022. godine pripojio CA Leasing Srbija d.o.o. Beograd, što je deo procesa integracije Crédit Agricole Srbija, koja počev od 02.09.2022. godine posluje pod imenom RBA banka a.d. Novi Sad, sa Raiffeisen bankom a.d. Beograd.

Spajanje dve kompanije sprovedeno je uspešno u svim segmentima poslovanja, čime je povećana granulacija portfolija i unapređena diversifikacija i disperzija rizika.

Pomenutom akvizicijom, ukupan portfolio je povećan i dostigao je nivo od 218.999 miliona evra.

Lizing industrija je 2022. godine zabeležila značajan rast plasmana, posebno u segmentu putničkih i lakih dostavnih vozila.

Raiffeisen Leasing je pratio razvoj lizing industrije, gde je pre svega bio usmeren na finansiranje vozila i tokom 2022. godine postigao ukupnu vrednost novih plasmana u vrednosti od 94.98 miliona evra.

Raiffeisen Leasing je tokom 2022. godine pokazao jasnu opredeljenost ka negovanju i razvijanju dugoročnih odnosa sa svojim klijentima, što 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 dilera, kao i razvijanju strateške saradnje sa najprodavanijim automobilskim brendovima u Srbiji kroz niz zajedničkih akcija.

Takođe, posebna pažnja usmerena je na konstantno unapređenje procesa sa ciljem povećanja efikasnosti i smanjenja troškova.

Društveno odgovorno ponašanje je princip ugrađen u strategiju poslovanja, budući da Društvo želi da etički i odgovorno pristupi svim segmentima društva, poslovne zajednice i okoline u kojoj posluje. Pomoć je uvek usmerena ka institucijama i pojedincima kojima je najpotrebnija.

Društvo ulaže napore u cilju očuvanja zdravog okruženja u kome posluje, tako da se vodi računa o uštedi energije, reciklaži papira i elektronskog otpada. Pitanje poslovne etike je takođe veoma važno i zato su osnovni principi našeg poslovanja transparentnost i etičnost u radu, kvalitetna usluga i konstantna briga o klijentima, uz poštovanje važeće regulative i integriteta konkurencije.

Raiffeisen Leasing intezivno radi na unapređenju svih internih procesa u različitim oblastima, posebno u delu razvoja softverskih alata koji su klijentski orijentisani, a u cilju optimizacije i digitalizacije procesa.

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 2023. 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 7.11 per cent on an annual basis, conclusive with Dec. 31, 2022. The value of the fund's investment unit as at Dec. 31, 2022, amounted to RSD 2,998,33. The net assets of the fund as at Dec. 31, 2022, were RSD 5.8 billion.

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 realized rate of return since inception as at Dec. 31, 2022, was 2.05 per cent in euros on an annual basis. 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 618 million on Dec. 31, 2022.

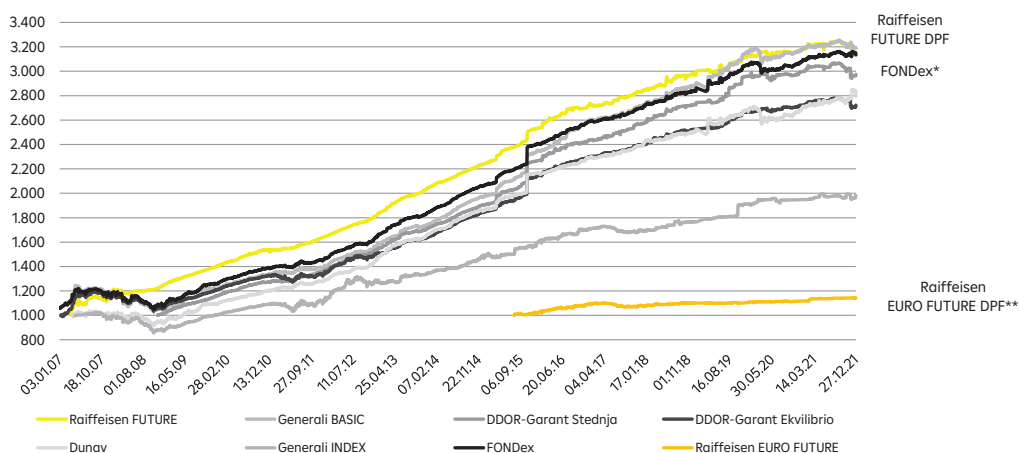
The number of members saving in both funds is 46,447. In 2022, the company realized the highest net inflows (contribution payments minus payments of accumulated funds) in both funds together in this industry. The fact that the Company manages two funds that differ in their currency structure significantly contributed to positive results as concerns payments by the funds' members. The Company's business model also contributed to the stability of members' payments with a focus on sales through the branch network of Raiffeisen banka, as did the growth in the share of individual payments.

Market share measured by total assets under management in both funds is 13,2%.

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 382 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, 2022



Source of the values of VPFs' investment units and FONDex: the National Bank of Serbia, 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

Raiffeisen Future a.d. Beograd, DUDPF 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 7,11% na godišnjem nivou, zaključno sa 31.12.2022. Vrednost investicione jedinice fonda na dan 31.12.2022. godine iznosi 2.998,33 dinara. Neto imovina fonda na dan 31.12.2022. iznosi 5,8 milijardi dinara.

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. Ostvaren prinos od početka poslovanja fonda na dan 31.12.2022. godine iznosi 2,05% 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 31.12.2022. iznosi 618 miliona dinara.

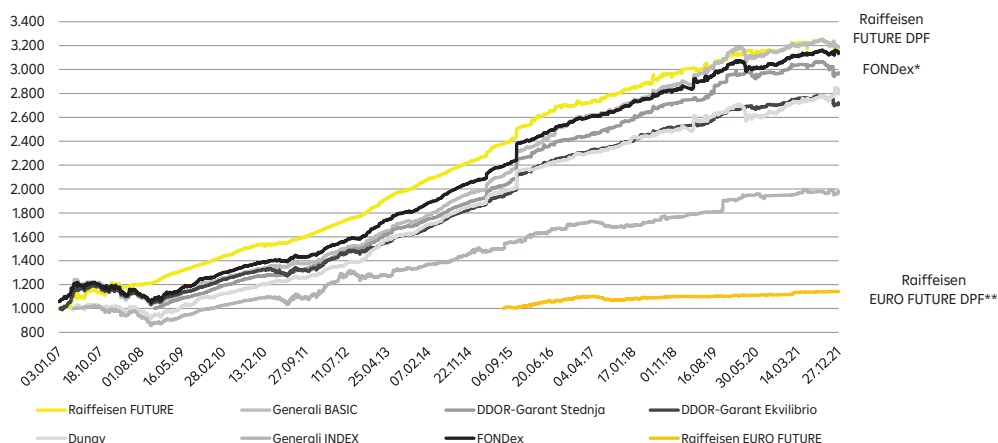
Ukupan broj članova koji štedi u oba fonda iznosi 46.447. U 2022. godini Društvo je ubeležilo najveće neto prilive (uplate umanjene za isplate doprinosa) u oba fonda zajedno, u industriji. Činjenica da Društvo upravlja sa dva fonda koja se razlikuju po svojoj valutnoj strukturi značajno je doprinela pozitivnim rezultatima kada je reč o uplatama članova fondova. Stabilnosti uplata članova doprineo je i poslovni model Društva sa fokusom na razvoj prodaje preko mreže Raiffeisen banke, kao i na rast učešća individualnih uplata.

Tržišno učešće neto imovine oba fonda kojima Društvo upravlja iznosi 13,2%.

Visok kvalitet usluge članovima DPF Raiffeisen Future i Raiffeisen Euro Future pruža tim profesionalaca sa dugogodišnjim iskustvom u industriji. Takođe, članovima su na raspolaganju 382 profesionalca licencirana od strane Narodne banke Srbije u 82 filijale Raiffeisen banke širom Srbije.

Članovi mogu birati između dva fonda sa različitom investicionom politikom u pogledu valutne strukture, ili pak mogu ulagati u oba fonda istovremeno.

Kretanje vrednosti FONDEX-a* i investicionih jedinica fondova u periodu od 03.01.2007. - 31.12.2022.



Izvor podataka za vrednosti FONDEX-a i investicionih jedinica fondova: Narodna banka Srbije 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 confirmed its leading position in the investment fund market in Serbia in 2022 as well, despite great market instability caused by the Russian-Ukrainian conflict, the negative impact of inflationary movements and the expected recession of global economies, i.e. despite factors that caused a significant withdrawal of investors' funds and had an impact on the funds' returns. At the end of 2022, the value of assets under management amounted to around € 325 million, with a market share of around 60 per cent compared to the total value of net assets of all funds in Serbia, which was reduced by around 17 per cent due to the aforementioned factors and amounted to approx. 545 million.

The UCITS fund Raiffeisen CASH – a money market fund, by investing funds into cash deposits and short-term debt securities, realized annual returns of 1.50 per cent (in dinars) for its members in 2022, while the fund's net assets amounted to the dinar countervalue of around € 77 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 0.75 per cent (in euros), while the fund's net assets amounted to approx. € 222 million at the end of 2022, 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. In 2022, the returns of this UCITS fund were affected by negative movements in the capital market, so that in 2022, this fund realized negative annual returns of minus 12.1 per cent (in euros) and the fund's net asset value amounted to approx. € 10.6 million at the end of 2022.

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.

In 2022, this fund was under the influence of growing returns on debt securities, i.e. subsequently, their loss of value, so that in 2022, this fund realized negative returns of minus 6.55 per cent (in euros), and the fund's net asset value amounted approx. to € 4.4 million at the end of 2022.

In the course of 2022, Asset Management Company Raiffeisen Invest organized the fund Raiffeisen GREEN, the first ESG fund and the first feeder UCITS fund in Serbia, with the investment goal to enable its members to realize positive returns of the master UCITS fund Raiffeisen Sustainable Solid, a balanced UCITS fund (managed by the Asset Management Company Raiffeisen Kapitalanlage-Gesellschaft m.b.H. Vienna, Austria), with the investment goal to realize regular returns by investing into securities and money market instruments of issuers rated as sustainable on the basis of social, ecological and ethical criteria, i.e. who fulfill ESG criteria. In accordance with the above-mentioned, this fund is especially suitable for investors who want stable, globally diversified investments in the capital market and at the same time wish to support sustainable business processes that fulfill ESG criteria.

Also, in the course of 2022, Asset Management Company Raiffeisen Invest received the license of the Securities Commission of the Republic of Serbia to manage alternative investment funds and in accordance with that, at the end of October, it successfully organized the launching of the first open-ended alternative investment fund subject to public offering Raiffeisen ALTERNATIVE, which, according to its investment policy, is aimed at investors who wish to realize positive returns through a unique concept of alternative investing by exposure to the global stock market (stocks that, apart from financial criteria, also fulfill ESG criteria), as well as through investing into other funds, which invest into commodities and real estate. The net value of assets under management of this fund amounted to approx. € 11.3 million at the end of 2022.

Raiffeisen INVEST plans to continue its investing activities in 2023 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 i u 2022. godini potvrdilo lidersku poziciju na tržištu investicionih fondova u zemlji i pored velike nestabilnosti na tržištima uzrokovane rusko-ukrajinskim sukobom, negativnih uticaja inflatornih kretanja i očekivanog ulaska ekonomija sveta u recesiju, odnosno faktora koji su uzrokovali značajno povlačenje sredstava investitora i uticaj na prinose fondova. Krajem 2022. godine, vrednost imovine pod upravljanjem Društva za upravljanje iznosila je oko 325 miliona evra, uz tržišno učešće od oko 60% u odnosu na ukupnu vrednost neto imovine svih fondova u zemlji, koja je usled navedenih faktora smanjena za oko 17% i iznosila je oko 545 miliona evra.

UCITS fond Raiffeisen CASH – novčani fond, ulaganjem u instrumente tržišta novca i dinarske novčane depozite je u 2022. godini ostvario godišnji prinos od 1,50% (u dinarima), a neto imovina fonda je na kraju godine iznosila oko 77 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, je za svoje članove obezbedio likvidnost na najvišem mogućem nivou i ostvarenje godišnjeg eurskog prinosa od 0,75% (u evrima). Neto imovina fonda je na kraju 2022. godine iznosila oko 222 miliona evra, a ovaj fond zadržao je 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 tzv. „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 2022. godine bio pod uticajem negativnih kretanja na tržištu kapitala, tako da je fond u 2022. godini ostvario negativan godišnji prinos od -12,1% (u evrima), a vrednost neto imovine fonda je na kraju 2022. godine iznosila približno 10,6 miliona evra.

UCITS fond Raiffeisen BOND, organizovan u septembru 2021. godine kao prihodni, odnosno obveznički UCITS fond, sa ciljem da svojim članovima omogući da ulaganjem u ovaj fond u periodu dužem od godinu dana, kao 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 ovog fonda uložena.

Fond je u 2022. godini pod uticajem rasta prinosa na dužničke hartije od vrednosti, odnosno posledično pada njihove vrednosti, u 2022. godini ostvario negativan prinos od -6,55% (u evrima), a vrednost neto imovine fonda je na kraju 2022. godine iznosila približno 4,4 miliona evra.

Tokom 2022. godine, Društvo za upravljanje organizovalo je fond Raiffeisen GREEN, prvi ESG fond i prvi prateći UCITS fond u Srbiji, čiji je investicioni cilj da svojim članovima omogući učešće u ostvarivanju pozitivnog prinosa glavnog UCITS fonda Raiffeisen Sustainable Solid, balansiranog UCITS fonda (kojim upravlja Društvo za upravljanje Raiffeisen Kapitalanlage-Gesellschaft m.b.H. Beč, Austrija), a čiji je investicioni cilj ostvarivanje redovnih prihoda ulaganjima u hartije od vrednosti i instrumente tržišta novca izdavalaca koji su ocenjeni kao održivi na osnovu socijalnih, ekoloških i etičkih kriterijuma, tj. ispunjavaju ESG kriterijume. U skladu sa navedenim, ovaj fond je posebno pogodan za investitore koji žele stabilna, globalno diversifikovana ulaganja na tržištu kapitala i istovremeno žele da podrže održive poslovne procese koji ispunjavaju ESG kriterijume.

Takođe, tokom 2022. godine, Društvo za upravljanje je od Komisije za hartije od vrednosti Republike Srbije dobilo odobrenje za upravljanje i alternativnim investicionim fondovima i, u skladu s tim, krajem oktobra uspešno završilo organizovanje prvog otvorenog alternativnog investicionog fonda sa javnom ponudom Raiffeisen ALTERNATIVE, koji je, u skladu sa investicionom politikom, namenjen investitorima koji žele da ostvare pozitivan prinos kroz jedinstveni koncept alternativnog investiranja, kroz izlaganje globalnom tržištu akcija (koje, uz finansijske kriterijume, ispunjavaju i ESG kriterijume), kao i kroz investiranje u druge fondove koji ulažu u robe i nekretnine. Vrednost neto imovine ovog fonda je na kraju 2022. godine iznosila približno 11,3 miliona evra.

Raiffeisen INVEST planira da i u 2023. 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.

Branch Network

Head Office

Raiffeisen banka a.d.

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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

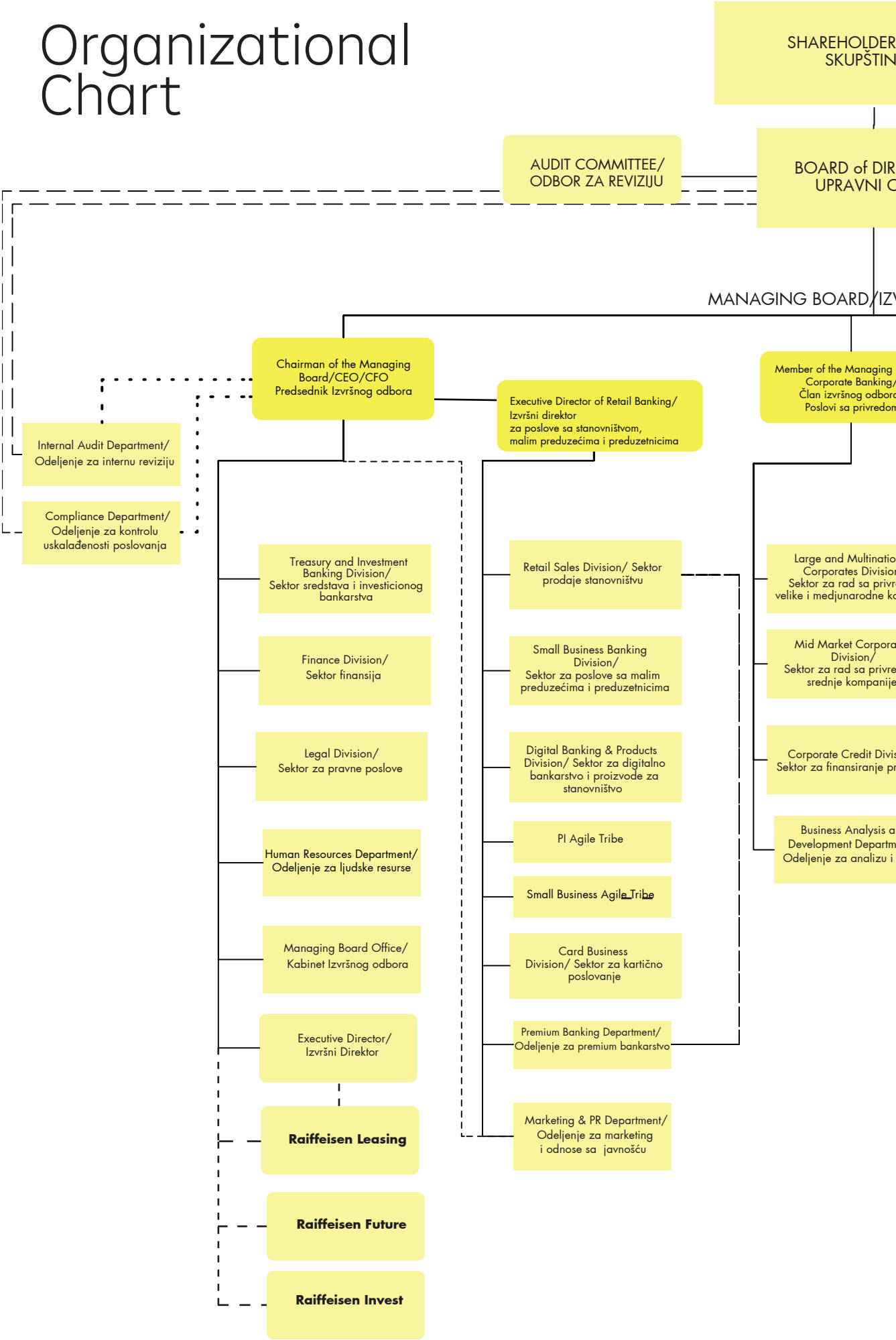
Jagodina

Kneginje Milice 16a

Kruševac

Majke Jugovića 8

Organizational Chart

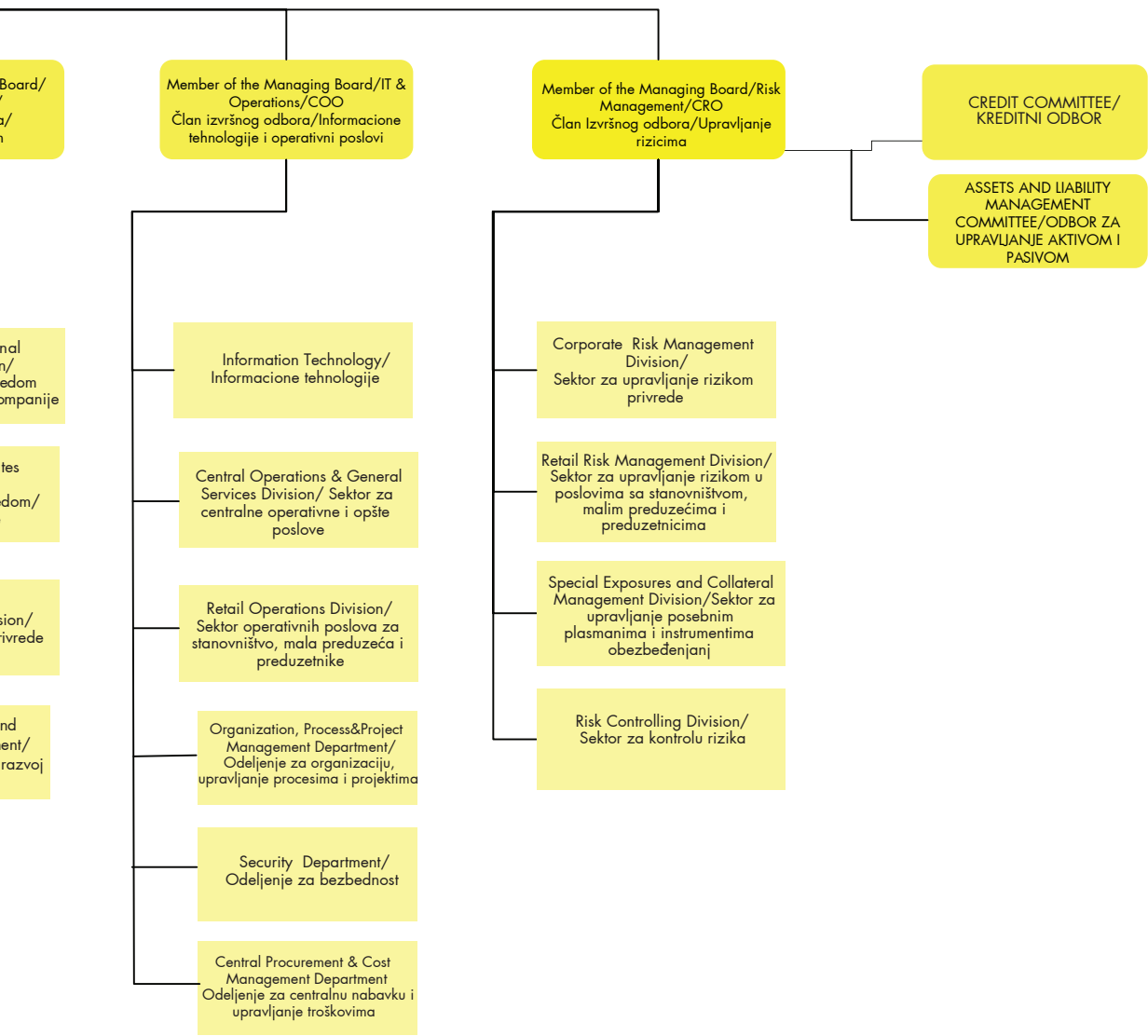


Organizaciona struktura

ASSEMBLY/
A

ECTORS/
ODBOR

VRŠNI ODBOR



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

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Financial Statements

RAIFFEISEN BANKA A.D. BEOGRAD

Separate financial statements
for the year ended 31 December 2022
prepared in accordance with
International Financial Reporting Standards

20 March 2023

Finansijski izveštaj

Independent Auditors' Report	64
Separate Financial Statements:	
Separate Statement of Profit or Loss	66
Separate Statement of Comprehensive Income	67
Separate Statement of Financial Position	68
Separate Statement of Changes in Equity	69
Separate Statement of Cash Flows	70
Notes to the Separate Financial Statements	72-223



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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, 2022, 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, 2022 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.

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, March 20, 2023

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



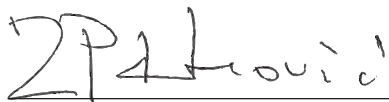
SEPARATE STATEMENT OF PROFIT OR LOSS

Year Ended December 31, 2022

	Note	2022	2021
Interest income	6, 3(c)	13,419,501	10,063,150
Interest expenses	6, 3(c)	(1,043,894)	(258,667)
Net interest income		12,375,607	9,804,483
Fee and commission income	7, 3(d), (2i)	14,161,166	9,745,702
Fee and commission expense	7, 3(d), 2(i)	(4,529,583)	(2,697,816)
Net fee and commission income		9,631,583	7,047,886
Net gains on changes in the fair value of financial instruments	5, 3(e)	2,318,560	55,188
Net losses on derecognition of financial assets measured at fair value	3(k)	(379,967)	(22,852)
Net (losses)/gains on risk hedging	3(f)	(1,847,238)	957,913
Net foreign exchange gains/(losses) and positive/(negative) currency clause effects	8, 3(b), 2(i)	61,139	(800,406)
Net losses on impairment of financial assets not measured at fair value through profit or loss	9, 3(k)	(734,444)	(572,464)
Net gains on derecognition of financial instruments measured at amortized cost	10	130,561	415,704
Other operating income	10	160,299	95,826
Total operating income, net		21,716,100	16,981,278
Salaries, salary compensations and other personnel expenses	11, 20, 21, 3(w)	(3,998,574)	(3,420,287)
Depreciation and amortization charge	3(q), (r)	(1,364,172)	(1,251,669)
Other income	12.1	512,258	235,675
Other expenses	12.2	(5,631,994)	(4,724,706)
Profit before taxes		11,233,618	7,820,291
Income tax expense	13, 3(j)	(1,540,006)	(963,211)
Profit after taxes		9,693,612	6,857,080

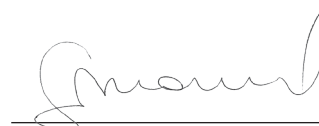
Notes on the following pages form an integral part of these separate financial statements

Belgrade, March 20, 2023



Zoran Petrović

Chairperson of the Managing Board



Nenad Sibinović

Member of the Managing Board

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2022

	2022	2021
Profit for the year	9,693,612	6,857,080
Other comprehensive income		
Components of other comprehensive income that will not subsequently be reclassified to profit or loss		
Actuarial gains	39,341	-
Positive effects of changes in the fair value of equity instruments measured at fair value through other comprehensive income (FVtOCI)	830,132	58,811
Components of other comprehensive income that may subsequently be reclassified to profit or loss		
Negative effects of changes in the fair value of debt instruments measured at fair value through other comprehensive income (FVtOCI)	(1,654,514)	(489,525)
Gains on cash flow hedging instruments	194,915	60,467
Tax benefits arising on the other comprehensive income components	213,039	64,359
Total negative other comprehensive income for the year, net of tax	(377,087)	(305,888)
Total positive comprehensive income for the year	9,316,525	6,551,192

Notes on the following pages form an integral part of these separate financial statements

SEPARATE STATEMENT OF FINANCIAL POSITION

As of December 31, 2022

	Note	December 31, 2022	December 31, 2021
Assets			
Cash and balances held with the central bank	14, 3(l)	112,486,004	90,618,192
Receivables under derivatives	15, 3(k)	52,048	13,669
Securities	16, 3(k), 3(p)	93,367,152	88,625,239
Loans and receivables due from banks and other financial institutions	17, 3(k), 3(o)	61,337,473	26,603,238
Loans and receivables due from customers	18, 3(k), 3(o)	237,489,395	216,672,440
Receivables under derivatives designated as hedging risk instruments	3(k), 3(n), 4(c)	160,189	586,824
Investments in subsidiaries	19	20,266,005	1,293,433
Intangible assets	21, 3(q)	1,084,261	951,433
Property, plant and equipment	20, 3(i), 3(r)	6,014,958	5,940,649
Deferred tax assets	22, 3(j)	704,047	453,601
Other assets	23	1,133,745	897,355
Total assets		534,095,277	432,656,073
Liabilities and equity			
Liabilities			
Liabilities under derivatives	3(k)	94,536	9,220
Deposits and other liabilities due to banks, other financial institutions and the central bank	24, 3(t)	17,482,064	2,340,980
Deposits and other liabilities due to customers	25, 3(t)	431,692,058	366,617,048
Liabilities under derivatives designated as risk hedging instruments	3(k), 3(n)	1,273,098	58,837
Subordinated liabilities	26	9,044,765	-
Provisions	27, 3(u)	2,529,806	2,351,202
Current tax liabilities	13, 3(j)	621,452	272,697
Other liabilities	28	3,569,427	2,534,543
Total liabilities		466,307,206	374,184,527
Equity			
Share capital	29, 3(x)	27,466,158	27,466,158
Retained earnings	29, 3(x)	9,693,612	6,956,409
Reserves	29, 3(x)	30,628,301	24,048,979
Total equity	29, 3(x)	67,788,071	58,471,546
Total liabilities and equity		534,095,277	432,656,073

Notes on the following pages form an integral part of these separate financial statements

SEPARATE STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2022

	Share and other capi- tal	Reserves from profit and other reserves	Revalu- ation reserves	Retained earnings	Total
Opening balance at January 1, 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
Total negative other comprehensive income for the year	-	-	(305,889)	-	(305,889)
Total positive comprehensive income for the year	-	-	(305,889)	6,857,080	6,551,191
Total transactions with the owners	-	-	-	(11,643,231)	(11,643,231)
Dividend payment	-	-	-	(11,643,231)	(11,643,231)
Closing balance at December 31, 2021	27,466,158	23,353,465	695,514	6,956,409	58,471,546
Opening balance at January 1, 2022	27,466,158	23,353,465	695,514	6,956,409	58,471,546
Profit for the year	-	-	-	9,693,612	9,693,612
Total negative other comprehensive income for the year	-	-	(377,087)	-	(377,087)
Total positive comprehensive income for the year	-	-	(377,087)	9,693,612	9,316,525
Prior year's profit distribution		6,956,409		(6,956,409)	-
Closing balance at December 31, 2022	27,466,158	30,309,874	318,427	9,693,612	67,788,071

Notes on the following pages form an integral part of these separate financial statements

SEPARATE STATEMENT OF CASH FLOWS

Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Cash inflows from operating activities	28,944,817	21,483,179
Interest receipts	13,200,262	10,115,319
Fee and commission receipts	14,162,371	9,753,062
Receipts of other operating income	1,582,184	1,614,798
Cash outflows from operating activities	(14,307,424)	(11,876,767)
Interest payments	(1,042,945)	(258,552)
Fee and commission payments	(4,525,278)	(2,757,919)
Payments to, and on behalf of employees	(3,843,268)	(3,390,867)
Taxes, contributions and other duties paid	(696,712)	(1,213,898)
Payments for other operating expenses	(4,199,221)	(4,255,531)
Net cash inflows from operating activities prior to increases/decreases in financial assets and financial liabilities	14,637,393	9,606,412
Decrease in financial assets and increase in financial liabilities	100,578,693	58,699,223
Decrease in receivables from securities and other financial assets not held for investments	18,142,406	-
Decrease in receivables under derivatives designated as hedging instruments and changes in the fair value of hedged items	426,375	-
Increase in deposits and other liabilities due to banks, other financial institutions, the central bank and customers	80,710,373	58,692,017
Increase in other financial liabilities	85,316	7,206
Increase in liabilities under derivatives designated as hedging instruments and changes in the fair value of hedged items	1,214,223	-
Increase in financial assets and decrease in financial liabilities	(66,559,328)	(27,902,460)
Increase in loans and receivables due from banks, other financial institutions, the central bank and customers	(66,559,328)	(18,726,057)
Increase in receivables from securities and other financial assets not held for investments	-	(8,163,119)
Increase in receivables under derivatives designated as hedging instruments and changes in the fair value of hedged items	-	(573,613)
Decrease in other financial liabilities	-	-
Decrease in liabilities under derivatives designated as hedging instruments and changes in the fair value of hedged items	-	(439,671)
Net cash generated by operating activities before income tax	48,656,758	40,403,175
Income tax paid	(1,228,658)	(693,629)
Dividend paid	-	(11,061,069)
Net cash generated by operating activities	47,428,100	28,648,477

SEPARATE STATEMENT OF CASH FLOWS (Continued)

Year Ended December 31, 2022

	2022	2021
INVESTING ACTIVITIES		
Cash inflows from investing activities	14,227,118	7,538,989
Proceeds from investing in investment securities	14,220,371	7,527,162
Proceeds from sales of intangible assets, property, plant and equipment	6,747	11,827
Cash outflows from investing activities	(57,531,945)	(17,090,029)
Outflows from investing in investment securities	(36,981,317)	(15,867,463)
Cash used for purchases of investments in subsidiaries, associates and joint ventures	(18,972,572)	-
Cash used for the purchases of intangible assets, property, plant and equipment	(1,578,056)	(1,222,566)
Net cash used in investing activities	(43,304,827)	(9,551,040)
FINANCING ACTIVITIES		
Cash inflows from financing activities	8,832,023	-
Inflows from subordinated liabilities	8,832,023	-
Cash outflows from financing activities	(831,383)	(1,027,391)
Cash used in the repayment of borrowings	(831,383)	(1,027,391)
Net cash used in financing activities	(8,000,640)	(1,027,391)
TOTAL CASH INFLOWS	152,582,651	87,721,391
TOTAL CASH OUTFLOWS	(140,458,738)	(69,651,345)
NET CASH INCREASE	12,123,913	18,070,046
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (Note 14.2)	62,574,039	44,167,345
FOREIGN EXCHANGE GAINS, NET	505,214	336,648
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 14.2)	75,203,166	62,574,039

Notes on the following pages form an integral part of these separate financial statements

1. THE BANK'S CORPORATE INFORMATION

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

In accordance with the Law on Banks, Articles of 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; and
- 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.

Under Decision of the National Bank of Yugoslavia no. 86/2001 dated April 11, 2001, the Bank was issued a license to conduct payment transactions and credit operations with foreign countries (the "grand authorization").

The Bank's governing bodies are: the Shareholder Assembly, Board of Directors and Managing Board. Members of the Board of Directors are appointed by the Shareholder Assembly. At least one-third of the members of the Board of Directors are persons independent of and unrelated to the Bank, i.e., persons who have no direct or indirect ownership interests held either in the Bank's capital or any member of the Banking Group that the Bank belongs to. The Bank is represented by the Managing Board Chairperson. The Bank has the following committees: the Audit Committee, the Credit Committee and the Assets and Liabilities Committee ("ALCO").

The Bank performs its operations in its headquarters in Belgrade, at the address of No.16, Đorđa Stanojevića St., and in its regional centers – Regional Center Belgrade 1 (with 3 local branches, 13 branches and 4 outlets), Regional Center Belgrade 2 (1 regional branch, 1 local branch, 11 branches and 9 outlets), Regional Center Belgrade 3 (1 regional branch, 2 local branches, 7 branches and 8 outlets), and Regional Center Belgrade 4 (1 regional branch, 3 local branches, 11 branches and 6 outlets).

As of December 31, 2022, the Bank had 1,547 employees (December 31, 2021: 1,510 employees).

The Bank's tax identification number (fiscal code) is 100000299.

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

a) Statement of Compliance

The Bank's financial statements for 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements comply with the National Bank of Serbia's regulations governing the financial reporting of banks.

The accompanying financial statements are separate (unconsolidated) financial statements. The Bank prepares and presents consolidated financial statements separately in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements are published on the Bank's internet page and submitted to the Serbian Business Registers Agency and are publicly available.

The accompanying financial statements are presented in the form prescribed by the NBS Decision on Forms and Content of Items in the Financial Statement Forms to Be Completed by Banks (Official Gazette of RS nos. 101/2017, 38/2018, 103/2018 and 93/2020).

(b) Basis of Measurement

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

- financial assets at fair value through profit or loss (FVtPL),
- financial assets at fair value through other comprehensive income (FVtOCI), and
- financial liabilities at fair value through profit or loss (FVtPL).

(c) Functional and Presentation Currency

The Bank's financial statements are stated in thousands of Serbian dinars ("RSD"), dinar being the Bank's functional and reporting currency. RSD is the official presentation currency in the Republic of Serbia. Therefore, all the financial information herein is presented in thousands of RSD unless otherwise specified.

(d) Use of Estimates

Preparation of the financial statements in accordance with IFRS requires the Bank's management to make the best possible estimates and reasonable assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the financial statements' preparation date, as well as income and expenses arising during the accounting period. These estimates and the underlying assumptions are based on the historical experience and various other information and factors available as of the financial statements' preparation date that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the 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 recognized 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 effects on the amounts recognized in the Bank's financial statements are described in Note.3.1.

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

(e) Adoption of New and Revised Standards and Changes in the Accounting Policies

The adopted accounting policies are the same as those applicable in the previous year, except for the following amended and revised IFRS adopted by the Bank as of January 1, 2022:

- **Amendments to IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and Annual Improvements to IFRS Standards 2018-2020 Cycle.** The amendments are effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. IASB issued narrow-scope amendments to the IFRS Standards as follows:
 - **Amendments to IFRS 3 "Business Combinations"** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16 "Property, Plant and Equipment"** prohibit deducting from the cost of property, plant and equipment amounts received for selling items produced during the preparation of the assets for their intended use. Instead, entities shall recognize such sales proceeds and the related costs in profit or loss.
 - **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** specify which costs an entity shall include in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
 - **Annual Improvements 2018-2020** make minor amendments to IFRS 1 "First-Time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the Illustrative Examples accompanying IFRS 16 "Leases".

Adoption of this amendment did not have material effects on the Bank's financial statements.

- **Amendment to IFRS 16 "Leases" – COVID-19-Related Rent Concessions beyond June 30, 2021.** The amendment is effective for annual periods beginning on or after April 1, 2021, with early adoption permitted, including financial statements not authorized for issue at the issue date of this amendment. In March 2021, the Board amended the practical relief from IFRS 16 requirements, i.e., the practical expedient that permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. Following the amendments, the practical expedient shall apply to reduction in lease payments due to COVID-19-related rent concession originally due on or before June 30, 2022, providing that other conditions for this practical expedient application are met. The requirements of this amendment to IFRS 16 had no effects on the Bank's 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 and revised IAS/IFRS standards, their amendments and/or interpretations were issued but not yet effective:

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

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

(f) **New and Revised IFRS Standards in Issue but not yet Effective (Continued)**

- **Amendments to IAS 1 “Presentation of the Financial Statements” – Classification of Liabilities as Current or Non-Current**

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with early adoption permitted. However, in response to the Covid-19 pandemic, the Board deferred the effective date by one year, i.e., January 1, 2023, to provide more time for implementation of any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change the existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. Moreover, the amendments clarify the classification requirements for debt which may be settled by entities issuing their own equity instruments.

In November 2021, IASB issued the Exposure Draft on the Amendments to clarify the treatment of liabilities subject to complying with covenants after the reporting date. Specifically, IASB proposes narrow-scope amendments to IAS 1, effectively cancelling the 2020 amendments, which required an entity to classify as current the liabilities subject to covenants to be complied with within twelve months following the reporting period in the event that at the reporting period-end the covenants are not fulfilled. Instead, this proposal requires an entity to present all the non-current liabilities subject to covenants to be complied with within twelve months following the reporting period separately from other non-current liabilities. Further, if an entity fails to comply with the covenants at the reporting date, additional disclosures are required. The proposed amendments will be effective for annual periods beginning on or after January 1, 2024, with early adoption permitted. IASB also proposed to defer the effective date of the 2020 amendments so that entities will not be expected to change their previous practices before the proposed amendments become effective. These amendments, including the Exposure Draft, have not yet been endorsed by the EU. These amendments are not expected to have a material impact on the Bank's financial statements.

- **Amendments to IAS 1 “Presentation of the Financial Statements” and IFRS Practice Statement 2: Disclosure of Accounting Policies**

The amendments shall be effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The amendments provide guidance on the application of the materiality concept to disclosure of accounting policies. Specifically, the amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. The Board has also developed guidance and examples to explain and demonstrate the application of the materiality process in making assessments on accounting policy disclosures described in IFRS Practice Statement 2. These amendments, not yet endorsed by the EU, are not expected to have a material impact on the Bank's financial statements.

- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates**

The amendments shall be effective for annual periods beginning on or after January 1, 2023, to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with early application permitted. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments clarify what the changes in accounting estimates are and how they differ from the changes in accounting policies and error adjustments. These amendments, not yet endorsed by the EU, are not expected to have a material impact on the Bank's financial statements.

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

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

- **Amendments to IAS 12 "Income Taxes" – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction**

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. They were issued in May 2021 introduce a further exception from the initial recognition exemption under IAS 12 and define how entities should calculate deferred taxes on transactions such as lease transactions or retirement of assets. Under these amendments, the initial recognition exception shall not be applied to transactions that, upon initial recognition, give rise to equal taxable and deductible temporary differences. The exception may only be applied if recognition of right-of-use assets and the corresponding lease liabilities (or decommissioning/restoration liabilities and the assets retired from use) gives rise to unequal taxable and deductible temporary differences. These amendments, not yet endorsed by the EU, are not expected to have a material impact on the Bank's financial statements.

- **Amendment to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. The amendments are intended to improve the requirements a seller-lessee applies in measurement of the lease liabilities arising from the sale and leaseback transactions under IFRS 16, while the accounting for leases other than sale and leaseback transactions remains unchanged. Specifically, a seller-lessee shall subsequently measure lease liabilities or revised lease payments arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent the seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The seller-lessee shall apply the amendments retrospectively in line with IAS 8 to all sale and leaseback transactions entered into after the initial application date, i.e., the beginning of the annual period in which the entity applied IFRS 16 for the first time. These amendments, not yet endorsed by the EU, are not expected to have a material impact on the Bank's financial statements.

(g) Going Concern

These financial statements have been prepared on a going concern basis, assuming that the Bank will continue to operate in the foreseeable future.

(h) Reconciliation of Balances Receivable and Payable

In accordance with effective legislation, the Bank reconciled its balances of receivables and liabilities with its creditors and debtors as of October 31, 2022. The unreconciled receivables totaled RSD 2,112 thousand, whereas unreconciled liabilities amounted to RSD 359 thousand. The unreconciled balances of receivables and liabilities do not affect the amounts reported in the financial statements.

(i) Comparative Information

Comparative information in the accompanying financial statements comprises the data from the Bank's separate financial statements for FY 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied by the Bank to all the accounting periods presented in these financial statements. The most significant accounting policies applied upon preparation of the financial statements for FY 2022 are described below.

(a) The Bank's Separate Financial Statements and Consolidation

The accompanying financial statements represent the separate (unconsolidated) financial statements of the Bank, without consolidation of the financial statements of the following Bank's subsidiaries:

Subsidiary	Shareholding (%)
Voluntary Pension Fund Management Company Raiffeisen Future a.d. Beograd	100.00%
Open-End Investment Fund with Public Offering Management Company Raiffeisen Invest a.d. Beograd	100.00%
Raiffeisen Leasing d.o.o. Beograd	75.30%
RBA banka a.d. Novi Sad	100.00%

In the Bank's separate financial statements, the above listed equity investments are measured at fair value through other comprehensive income (FVtOCI). The fair value assessment is disclosed in greater detail in Note 19.

The Bank's separate and consolidated financial statements were prepared at the same issuing date in accordance with IFRS. The Bank's consolidated financial statements represent the sub-consolidated financial statements since the Bank's parent prepares the ultimate Group's consolidated financial statements (Note 2.a).

Pursuant to Article 41 of the Law on Accounting, the Bank has elected to prepare the separate and the consolidated annual business reports as a single annual business report. Accordingly, the single (consolidated) annual business report will contain the information relevant to the Group as an economic entity within the consolidated financial statements.

The consolidated annual business report is submitted to the Serbian Business Register Agency, published on the Agency's website and is publicly available.

Status Change

On August 5, 2021, the Bank and Crédit Agricole S.A. executed a shareholding purchase and sale agreement, whereby the Bank became the sole (100%) owner of the common stock shares of Credit Agricole banka Srbija a.d. Novi Sad¹, a shareholding company organized under the laws of the Republic of Serbia and registered with the Serbian Business Registers Agency with the corporate ID no. 08277931 and headquarters address at No. 4-6, Braće Ribnikar St., Novi Sad (hereinafter: "RBA Bank"), and at the same time acquired indirect control over CA Leasing Srbija d.o.o. Beograd, a limited liability company organized under the laws of the Republic of Serbia and registered with the Serbian Business Registers Agency with the corporate ID no. 20310456 and headquarters address at No. 5A, Milentija Popovića St., Belgrade (hereinafter: "CA Leasing").

Upon obtaining the required approvals from the National Bank of Serbia and other competent regulators, on April 1, 2022, the Bank successfully acquired the overall shareholdings (100%) of RBA Bank and CA Leasing.

¹ On September 2, 2022, Credit Agricole banka Srbija a.d. Novi Sad changed its legal name to RBA banka a.d. Novi Sad.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) The Bank's Separate Financial Statements and Consolidation (Continued)

Status Change (Continued)

As planned, on July 20, 2022, the Draft Merger Agreement was published stipulating that a status change of merger and acquisition be performed where the Acquiree CA Leasing shall be merged with the Acquirer Raiffeisen Leasing d.o.o. Beograd (hereinafter: "Raiffeisen Leasing"). Upon obtaining the required approval from the National Bank of Serbia, on September 30, 2022, the aforesaid status change of merge of CA Leasing with Raiffeisen Leasing was conducted, whereafter CA Leasing ceased to exist without a liquidation procedure and transferred upon merger all its assets, rights and liabilities to the Acquirer Raiffeisen Leasing as its universal legal successor that shall continue to operate under the same legal name, at the same registered address and with the same core business activity yet carrying out capital increase and registering a change to its ownership structure due to equity interest replacement and takeover of the employees of CA Leasing. To be specific, before the afore-described status change, the Bank was the sole (100%) owner of Raiffeisen Leasing's equity, while RBA Bank was the sole (100%) owner of CA Leasing. Following the status change, the equity interests held in Raiffeisen Leasing and CA Leasing were replaced based on the respective carrying values of equity as of May 31, 2022. Accordingly, after the conducted status change, based on the calculated commensurate equity interest replacement, the Bank's direct ownership over Raiffeisen Leasing equity equaled 75.30%, and that of RBA Bank was 24.70%.

On November 30, 2022, the Draft Merger Agreement executed by and between the Bank and RBA Bank was published, stipulating that a status change of merger and acquisition be performed where the Acquiree RBA Bank shall be merged with the Acquirer Raiffeisen Bank, whereafter RBA Bank will cease to exist without a liquidation procedure and transfer upon merger all its assets, rights and liabilities to the Bank as its universal legal successor that shall continue to operate under the same legal name, at the same registered address and with the same core business activity. The planned effective date for the merger is April 28, 2023, after all the required approvals are obtained. Following the status change, the Bank will again be the sole (100%) owner of the entire equity interest in Raiffeisen Leasing.

(b) Foreign Currency Translation

Transactions in foreign currencies are translated into dinars at the middle exchange rates determined in the interbank foreign exchange market in the manner defined by the regulations of the National Bank of Serbia. Monetary assets and liabilities denominated in foreign currencies are translated into dinars at the middle exchange rates determined in the interbank foreign exchange market effective as of the reporting date. Non-monetary items are translated at the middle exchange rates effective at each transaction date.

Positive and negative foreign exchange effects arising upon performance of transactions in foreign currencies and upon translation of the assets and liabilities denominated in foreign currencies as of the reporting date are recognized as foreign exchange gains/losses and positive/negative currency clause effects in the Bank's statement of profit or loss.

The Bank's contingent liabilities denominated in foreign currencies are translated into dinars at the official middle exchange rates effective as at the reporting date.

Currency clause-indexed receivables and liabilities are translated into dinars at the official middle exchange rates effective as at the reporting date. Positive and negative foreign exchange effects arising thereupon are recognized as foreign exchange gains/losses and positive/negative currency clause effects in the Bank's statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign Currency Translation (Continued)

The official middle exchange rates for certain major currencies used for translation of the statement of financial position components denominated in foreign currencies into RSD were as follows:

Currency	31.12.2022	31.12.2021
CHF	119.2543	113.6388
USD	110.1515	103.9262
EUR	117.3224	117.5821

(c) Interest Income and Expenses

(i) Effective Interest Rate

Interest income and expenses are recognized within the profit or loss (income) statement 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 amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets (POCI), the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit losses (ECL). For POCI 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 origination 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 the financial instrument approval process;
- Any commitment fees received by the Bank to originate a loan when the undrawn 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 Bank extending the loan, the fee is recognized as revenue on expiry;
- Any origination fees paid on issuing financial liabilities measured at amortized 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 profit or loss (income) statement using the effective interest method, except for financial instruments with no predefined annuity plan, such as loan facilities, credit cards and account overdrafts, where the straight-line method is used for fee recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Interest Income and Expenses (Continued)

(i) Effective Interest Rate (Continued)

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 Cost and Gross Carrying Value

The amortized 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 amortization 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 (or impairment incurred up to January 1, 2018).

The gross carrying value of a financial asset is the amortized 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 amortized cost of the liability. The effective interest rate is revised for fair value hedge adjustments at the date amortization 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 amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis, i.e., interest income is calculated by applying the effective interest rate to the gross carrying value of the financial asset.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized 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).

(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 amortized cost;
- Interest on debt instruments measured at FVtOCI;
- 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Interest Income and Expenses (Continued)

(iv) Presentation (Continued)

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

- Financial liabilities measured at amortized 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 expenses on all trading assets and liabilities are considered to be incidental to the Bank's non-recurring trading operations and are presented together with all other changes in the fair value of trading assets and liabilities within net gains on changes in the fair value of financial instruments.

Interest income and expenses on other financial assets and liabilities measured at fair value through profit or loss are presented within the net gains on changes in the fair value of other financial instruments at FVtPL.

(d) Fee and Commission Income and Expenses

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 interest income and expenses using the effective interest method.

Other fees and commission income are recognized as the related services are performed. Fee and commission income include transfer payments in foreign currency, domestic payments transactions, guarantee and letter of credit issuance and other services.

Other fees and commission expenses relate mainly to domestic and foreign payment 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 net of losses related to trading assets and liabilities and include all realized and unrealized fair value changes.

(f) Net Gains/(Losses) on Risk Hedging

Net gains/(losses) on risk hedging comprise gains net of losses arising from changes in the 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 FVtPL and include all realized and unrealized fair value changes.

(h) Dividend Income

Dividend income is recognized when the Bank's entitlement to receive income is established. Dividends are presented within 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. A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration.

(i) The Bank as a Lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases with low-value underlying assets. The Bank recognizes lease liabilities and right-of-use assets for all leases in the scope of IFRS 16.

Right-of-Use (ROU) Assets

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

For subsequent measurement of ROU assets, 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 Bank's right-of-use assets are presented within Note 20 as part of the line item of 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 lease commencement date, the Bank recognizes 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 early termination of a 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 recognized 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 the effective interest method.

The Bank's lease liabilities are presented within the line item of other liabilities in the statement of financial position (Note 27).

Payments for short-term leases and leases with low-value underlying assets are recognized as expenses in the period in which the event or condition that triggers the payment occurs and included in the line item of other expenses in the profit or loss statement. Rental costs for short term and leases with low-value underlying assets are presented in the Note 12.2.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leases (Continued)

(ii) The Bank as a Lessor

Leases whereby 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 from operating lease arrangements is accounted for on a straight-line basis over the lease terms and is included in the statement of profit or loss under other operating income.

(j) Taxes and Contributions Payable

(i) Current Income Tax Expense

Income tax expense is an amount calculated and paid in accordance with the Republic of Serbia Corporate Income Tax Law. Under the effective CIT Law, a taxpayer is required to perform own income tax calculation for the tax period covered by the relevant tax statement and the income tax return. In calculation of the income tax for 2022, the Bank applied the statutory income tax rate of 15%. (2021: 15%).

Taxable income reported in the tax statement is the profit shown in the statutory income (profit or loss) statement, adjusted in accordance with the Republic of Serbia statutory requirements. In order to arrive at the taxable income amount, the Bank made adjustments to the income and expenses reported in the statutory profit or loss statement in accordance with the provisions of the effective Corporate Income Tax Law.

(ii) Deferred Income Taxes

Deferred income tax is accounted for using the liability method, and it is payable or recoverable on temporary differences between the carrying value of assets and liabilities in the financial statements and their corresponding tax-purpose amounts.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused portions tax credit and tax loss carryforwards to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the unused tax credits and tax losses carried forward can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced for the extent that it is no longer probable that sufficient taxable profit will be available to allow all or portion of the deferred tax assets to be utilized.

Deferred tax assets previously not recognized are subsequently reviewed at each reporting date and are recognized to the extent that it has become certain that expected future taxable profit will be sufficient for deferred tax assets to be utilized.

Deferred tax assets and liabilities are calculated applying the tax rate expected to be effective in the year when deferred tax assets are realized, i.e., deferred tax liabilities are settled. As of December 31, 2022, the Bank's deferred tax assets and liabilities were calculated using the statutory tax rate of 15% (December 31, 2021: 15%). Current and deferred income taxes are recognized in profit or loss unless they relate to items recognized in other comprehensive income or directly in equity, in which case, the relating current and deferred taxes are also recognized in other comprehensive income or directly in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Taxes and Contributions Payable (Continued)

(iii) Indirect Taxes and Contributions

Indirect taxes and contributions include property tax, payroll taxes and contributions charged to the employer, and various other taxes, contributions and charges payable under the national and municipal tax and general regulations and bylaws. Indirect taxes and contributions payable are reported within other expenses.

(k) Financial Instruments

(i) Recognition

All regular way purchases or sales of financial assets and liabilities are recognized and derecognized on a settlement date basis.

Financial assets and financial liabilities are initially measured at fair value increased by transaction costs for all financial assets and financial liabilities except for financial assets and financial liabilities at fair value through profit or loss (FVtPL). Financial instruments at FVtPL are initially recognized at fair value in profit or loss, and the transaction costs in respect thereof are recognized immediately as operating expenses in profit or loss.

(ii) Classification

IFRS 9 defines a new classification and measurement approach for financial assets that reflects the business model used for management of financial assets and characteristics of the contractual cash flows of the assets.

The Bank classifies its financial assets into the following three categories:

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

The Bank recognizes loans (Notes 17 and 18) and securities (Note 16) as financial assets measured at amortized cost. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, which the Bank has no intention of selling in the near term. Securities measured at amortized cost comprise government bonds.

The Bank also recognizes securities as financial assets measured at fair value through other comprehensive income (FVtOCI) and financial assets measured at fair value through profit or loss (FVtPL) (Note 16).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(ii) Classification (Continued)

Classification of the Bank's financial assets and liabilities is presented below:

Assets	Financial as-sets at amor-tized cost	Financial as-sets at FVtPL	Financial as-sets at FVtOCI	Financial li-abilities at amortized cost	Financial liabil-ities at FVtPL	Non-financial assets and liabilities	Equity	Total as of December 31, 2022
Cash and balances held with the central bank	112,486,004							112,486,004
Receivables under derivatives		52,048						52,048
Securities	50,633,057	4,461,834	38,272,261					93,367,152
Loans and receivables due from banks and other financial institutions	61,337,473							61,337,473
Loans and receivables due from customers	237,489,395							237,489,395
Receivables under derivatives designated as hedging risk instruments		160,189						160,189
Investments in subsidiaries			20,266,005					20,266,005
Intangible assets						1,084,261		1,084,261
Property, plant and equipment						6,014,958		6,014,958
Deferred tax assets						704,047		704,047
Other assets	415,312					718,433		1,133,745
Total assets	462,361,241	4,674,071	58,538,266	-	-	8,521,699	-	534,095,277

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(ii) Classification (Continued)

Liabilities and equity	Financial as- sets at amor- tized cost	Financial as- sets at FVtPL	Financial as- sets at FVtOCI	Financial li- abilities at amortized cost	Financial liabil- ities at FVtPL	Non-financial assets and liabilities	Equity	Total as of December 31, 2022
Liabilities								
Liabilities under derivatives					94,536			94,536
Deposits and other liabilities due to banks, other financial institutions and the central bank				17,482,064				17,482,064
Deposits and other liabilities due to customers				431,692,058				431,692,058
Liabilities under derivatives designated as risk hedging instruments					1,273,098			1,273,098
Subordinated liabilities				9,044,765				9,044,765
Provisions						2,529,806		2,529,806
Current tax liabilities						621,452		621,452
Other liabilities				871,859		2,697,568		3,569,427
Total liabilities	-	-	-	459,090,746	1,367,634	5,848,826	-	466,307,206
Equity								
Share capital							27,466,158	27,466,158
Retained earnings							9,693,612	9,693,612
Reserves							30,628,301	30,628,301
Total equity	-	-	-	-	-	-	67,788,071	67,788,071
Total liabilities and equity	-	-	-	459,090,746	1,367,634	5,848,826	67,788,071	534,095,277

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(ii) Classification (Continued)

Assets	Financial as- sets at amor- tized cost	Financial as- sets at FVtPL	Financial as- sets at FVtOCI	Financial li- abilities at amortized cost	Financial liabil- ities at FVtPL	Non-financial assets and liabilities	Equity	Total as of December 31, 2021
Cash and balances held with the central bank	90,618,192							90,618,192
Receivables under derivatives		13,669						13,669
Securities	28,184,454	3,480,028	56,960,756					88,625,239
Loans and receivables due from banks and other finan- cial institutions	26,603,238							26,603,238
Loans and receivables due from customers	216,672,440							216,672,440
Receivables under derivatives designated as hedging risk instruments		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
Total assets	362,439,295	4,080,521	58,254,189	-	-	7,882,068	-	432,656,073

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(ii) Classification (Continued)

Liabilities and equity	Financial assets at amortized cost	Financial assets at FVtPL	Financial assets at FVtOCI	Financial liabili- ties at amor- tized cost	Financial liabili- ties at FVtPL	Non-financial assets and li- abilities	Equity	Total as of December 31, 2021
Liabilities								
Liabilities under derivatives					9,220			9,220
Deposits and other liabilities due to banks, other financial institutions and the central bank				2,340,980				2,340,980
Deposits and other liabilities due to customers				366,617,048				366,617,048
Liabilities under derivatives designated as risk hedging instruments					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
Total liabilities	-	-	-	369,416,049	68,057	4,700,421	-	374,184,527
Equity								
Share capital							27,466,158	27,466,158
Retained earnings							6,956,409	6,956,409
Reserves							24,048,979	24,048,979
Total equity	-	-	-	-	-	-	58,471,546	58,471,546
Total liabilities and equity	-	-	-	369,416,049	68,057	4,700,421	58,471,546	432,656,073

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

(k) Financial Instruments (Continued)

(ii) Classification (Continued)

The Bank's gains and losses, both realized and unrealized, on the financial instruments are presented in the table below:

	Net gains/ (losses) 2022	Net gains/ (losses) 2021
Financial assets measured at amortized cost	12,520,433	11,881,047
Financial assets measured at FVtPL	128,068	65,655
Financial assets measured at FVtOCI	821,997	1,074,656
Financial liabilities measured at amortized cost	(860,979)	(258,667)
Financial liabilities measured at FVtPL	(6,633)	-

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(ii) Classification (Continued)

A financial asset is measured at amortized cost if both of the following conditions are met, and the asset 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; and
- 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 the 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, sales of more than 10% of the portfolio (carrying value) during a three-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 of up to 3 months can be seen as close to maturity.

A financial asset is classified as subsequently measured at FVtOCI 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.

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 amortized cost or FVtOCI – are classified as subsequently measured at fair value, with changes in fair value recognized 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 recognizing 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 makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects how the financial assets are managed and how the key management is informed thereof.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(ii) Classification (Continued)

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 the Bank's 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.

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 both collect contractual cash flows and sell financial assets), it must assess whether the contractual terms of the financial asset give rise on specific future 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 asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for 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;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g., non-recourse loans);
- Terms that modify the time value of money (e.g., periodic interest rate reset); and
- Terms that link the instrument's value to a certain variable ("contractually linked instruments").

Non-recourse loans - In some cases, loans extended by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral. 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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(ii) Classification (Continued)

Analysis of Contractual Cash Flow Characteristics (Continued)

- Whether the borrower is an individual or a substantive operating entity or a special-purpose entity;
- The Bank's exposure to the risk of loss on the asset compared 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.

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.

In 2018, 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 the outstanding amounts of principal and interest. However, to qualify for amortized cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract". If not, 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 (IFRS 9.B4.1.9A). 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 the Bank's business model used for management of financial assets.

(iv) Modification of Contractual Terms Governing Financial Assets

Financial assets

If the terms of a financial asset are modified, the Bank assesses 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 assets not to meet the SPPI criterion,
- change in the type of instrument (e.g., 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 in absolute terms is equal to or exceeds 10%; or equal to or exceeds EUR 100 thousand, or both (equal to or exceeds 10% and equal to or exceeds EUR 100 thousand);
- the change in the NPV from the new cash-flows discounted by the original EIR compared to the NPV of the original cash-flows in absolute terms is equal to or exceeds EUR 100 thousand; 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 in absolute terms is equal to or exceeds 10%.

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 derecognized (Note 3 (k) (iii)) and a new financial asset is recognized 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 maximize recovery of the original contractual cash flows 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 a relief of a portion of cash flows owed, 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.

If the modification of a financial asset measured at amortized cost or FVtOCI 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 recognizes the resulting adjustment as a modification gain or loss in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(iv) Modification of Contractual Terms Governing Financial Assets (Continued)

Financial assets (Continued)

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 amortized 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 derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different from the original cash flows (more than 10%). In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized 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 amortized 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 recognized 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 or fees incurred and fees received are recognized as an adjustment to the carrying amount of the liability and are amortized over the remaining term of the modified financial liability by recalculating the effective interest rate on the instrument.

(v) Offsetting

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

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

(vi) Amortized Cost Measurement

The amortized 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 the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, adjusted for any impairment loss allowance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(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 based on the observable market inputs 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 required. 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 inputs.

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 recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(viii) Impairment

The Bank recognizes impairment loss allowances for financial assets and provisions for contingent liabilities (loan commitments and financial guarantees) in the amount of expected credit losses (ECL) for the following financial instruments that are not measured at FVtPL:

- financial assets that are debt instruments;
- financial guarantees issued; and
- commitments for undrawn loan facilities.

No impairment loss allowance is recognized for equity investments.

In line with IFRS 9, the Bank applies 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 its initial recognition is identified, the financial instrument is transferred to Stage 2 but is not yet deemed to be credit-impaired. If the financial instrument is credit-impaired, it is then transferred to Stage 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(viii) Impairment (Continued)

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 recognized 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 recognized 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. 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 (Stage 3).

The Bank measures impairment 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 whose credit risk has not increased significantly since their initial recognition.

As a practical expedient the Bank assumes 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 recognized external rating agencies as a rating between AAA-BBB (Standard's & Poor's, Fitch) and Aaa-Baa (Moody's). If information from recognized 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,

ECL Measurement

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 amortized 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 behavior. Significant judgements are required in applying the accounting requirements for measuring expected credit losses these are:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(viii) Impairment (Continued)

ECL Measurement (Continued)

For the Bank credit risk comes from the risk of sustaining a financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from interbank, commercial and consumer loans and receivables, and loan commitments arising from such lending activities, but can also result from off-balance sheet liabilities 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 portfolios of trading 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 probability of default, of the relevant 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.

ECL represent 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 the Bank is entitled to under the contract terms and the cash flows that the Bank expects to receive;
- If the credit risk of a financial instrument has not increased significantly since its initial recognition, the Bank will measure the credit loss allowance for the instrument in the amount equal to 12-month ECL. Such assets are classified to Stage 1. When the credit risk of a financial instrument has increased significantly since its initial recognition, the Bank will measure the credit loss allowance for the instrument in the amount equal to lifetime ECL. Such assets are classified to 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 the Bank is entitled to under the contract terms 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 derecognized and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, the expected cash flows arising from the modified financial asset are included in calculation of the existing asset cash shortfalls;
- 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 calculation of the existing asset cash shortfalls that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(viii) Impairment (Continued)

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial instruments carried at FVtOCI 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 Bank, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the Bank would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for a financial asset because of financial difficulties;
- Purchase or origination of financial assets with deep discount that reflects the incurred credit losses.

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 the remeasurement date with the forward lifetime PD curve at the initial recognition date. For the estimation of the lifetime PD curve at the initial recognition date 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.

Given the different nature of products between non-retail and retail segment customers, the methods for assessing potential significant increases differ slightly. In order to make the two curves comparable, the PDs are scaled down to annualized PDs. In general, a significant increase in credit risk is considered to have occurred with a relative increase in the PD of 250% although this amount can be lower due to several limiting factors such as the remaining maturity and the product portfolio type.

For retail exposures on the other hand, the remaining cumulative PDs are compared as the difference between lifetime PD at reporting date and lifetime PD at origination/initial recognition date. A significant increase in credit risk is considered to have occurred once this 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. It commonly pertains to PD increases between 150% and 300%, depending on the portfolio type.

The aforesaid thresholds trigger a financial instrument transfer to Stage 2.

Qualitative criteria

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(viii) Impairment (Continued)

Significant Increase in Credit Risk (Continued)

Qualitative criteria (Continued)

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 contract level for all non-retail portfolios held by the Bank.

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

- Forbearance;
- Default of other exposure of the same customer;
- 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 contract level for all retail portfolios held by the Bank.

Definition of Default and Credit-Impaired Assets

The Bank defines 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. This assumption that all financial assets that are more than 90 days past due are to be classified to Stage 3 is never challenged.

Qualitative criteria

The borrower is not likely to settle the liabilities to the Bank in a timely manner and/or in full, 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 Bank 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(viii) Impairment (Continued)

Definition of Default and Credit-Impaired Assets (Continued)

Qualitative criteria (Continued)

The above listed criteria are 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 is applied consistently to model the probability of default (PD), exposure at default (EAD) and loss given default (LGD) throughout the expected credit 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 minimum period of consecutive 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 a 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).

Probability of Default (PD)

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 financial instrument. 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 data observed 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:

- For 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;
- For corporate customers, project financing 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 are used for the calculation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(viii) Impairment (Continued)

Explanation of Inputs, Assumptions and Estimation Techniques (Continued)

Loss Given Default (LGD)

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. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or a lifetime basis, where 12-month LGD is the percentage of loss expected to be incurred if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan.

Different models are used to estimate LGD and these can be grouped into the following categories:

- Sovereign: LGD is found by using market sources. Market sources are external data on losses related to sovereign defaults (debt write-offs during restructuring processes and the like);
- Corporate customers, project financing, financial institutions, local and regional governance, insurance companies: LGD 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 credit products: LGD is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory LGD model. 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 are used for the calculation.

Exposure at Default (EAD)

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 instrument's remaining lifetime. The 12-month and lifetime EADs are determined based on the expected liability settlement profile, which varies by product type. For amortizing repayment 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, EAD is arrived at by taking the current balance drawn down and adding a credit conversion factor which reflects 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., LGD and CCF used for RWA calculation, are calculated including margins of conservatism. For IFRS 9 purposes, the same parameters are used yet 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 POCL, 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 risk parameters multiplied by 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 up. The calculated values of expected credit losses are then weighted by forward-looking scenarios.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(viii) Impairment (Continued)

Calculation (Continued)

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

- For sovereign, corporate customers, project financing, financial institutions, local and regional governments, insurance companies and collective investment undertakings, Stage 3 provisions are calculated by the Workout officers who discount expected cash flows using the appropriate effective interest rate;
- For retail customers, Stage 3 provisions are generated by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs.

The assumption that all financial assets that are more than 90 days past due are to be classified to Stage 3 is never challenged.

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 that affect the credit risk and expected credit losses for each portfolio.

Those economic variables and their respective impacts on the probability of default, loss given default and exposure at default vary by category. Expert judgment is applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by Raiffeisen Research (in-house department) on a quarterly basis and provide the best estimate view of the economy over the next three years. For periods after three years, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used, which means that economic variables tend to move to either a long-term average rate or a long-term average growth rate until maturity. The impact of these economic variables on the probability of default, loss given default and exposure at default is determined by performing statistical regression to understand the impact the changes in these variables have had historically on default rates and on the LGD and EAD components.

In addition to the base economic scenario, Raiffeisen Research also provides the best case and worst case scenarios along with probability-weighted outcomes to ensure non-linearities are captured. The Bank has concluded that three scenarios appropriately capture non-linearity.

The probability-weighted outcomes are determined through a combination of statistical analyses and expert credit judgement, taking account of the range of possible outcomes that each chosen scenario reflects. 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 base as well as for the pessimistic and optimistic scenarios, the methodology has been adjusted due to the COVID 19 pandemic.

As with any economic forecast, here the projections and occurrence likelihood are subject to a high degree of inherent uncertainty and therefore the actual outcomes may vary significantly from 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's different portfolios.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(viii) Impairment (Continued)

Post-Model Adjustments

Post-model adjustments ("overlays") for expected credit loss estimates are adjustments used in circumstances where the existing inputs, assumptions and model techniques do not cover all the relevant risk factors. The emergence of new macroeconomic, microeconomic or policy developments, together with expected changes in inputs, models or data that are not incorporated into the current parameters, internal migration of risk assessments or forward-looking information are examples of such circumstances. RBI Group banks use the post-model adjustments for the ECL model 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 the existing exposure groups, where it takes more time to update the parameters to cover all effects; and
- Situations in which exposures react to factors or events differently than initially expected.

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

- Temporary character: adjustments are temporary in nature and generally not valid for more than 1-2 years;
- Management: competent risk management committees approve of the post-model adjustments taking into account the severity of impact;
- Documentation: reasons for adjustments, in relation to macroeconomic forecasts, credit risk drivers, detailed budget and expected duration must be documented;
- Remediation: a realistic plan is developed for how new information is incorporated into models and applied in the near future;
- Consistency: adjustments need to be aligned with the information on future trends;
- Review: holistic provisioning decisions are reviewed quarterly and qualitative "back-testing" is performed; and
- Control: there must be documented controls and processes in place to ensure compliance.

The Bank made adjustments to the portfolio of large corporate customers and SMEs ("non-retail") and the portfolio of individuals and micro entities ("retail").

Post-model adjustment in the corporate portfolio ("non-retail")

Due to the crisis caused by the COVID-19 pandemic, similarly to the governments of other European countries, the Republic of Serbia's government launched unprecedented economic relief packages through financial incentives such as partial compensation of employee salaries, loan repayment moratoria, guarantee schemes and the like. These measures were in force for most of 2020 and 2021, and certain relief programs and incentives were applicable in 2022 as well. As a result, the measured default rates and loss rates were not sufficiently indicative of the credit quality deterioration during and after the pandemic, as well as during the current energy crisis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(viii) Impairment (Continued)

Post-Model Adjustments (Continued)

Post-model adjustment in the corporate portfolio ("non-retail") (Continued)

The measures implemented during and after the COVID-19 pandemic could have distorted the sets of data relevant to IRB/IFRS 9:

- directly, by changing the credit processes – by excluding the restructuring measures from the set of default status triggers;
- indirectly, by distorting the inputs relevant to IRB/IFRS 9 models – e.g., when government funding increase debtor liquidity and temporarily improve debtor creditworthiness.

Given that the portfolios of Serbian financial institutions, including the Bank, were exposed to potential distortion of data through both channels listed in the Definitions section of the EBA guidance on principles for ensuring representativeness of the IRB-relevant data, it is only reasonable to assume that data distortion was and still is present in the current corporate portfolios.

Analyses of the historical default rates support the following hypothesis: the incurred volume-based default rates were significantly below the levels incurred in prior crises. For the Bank's corporate customer segment, these rates were even lower than the pre-crisis rates.

Full-scale IRB/IFRS 9 model analyses in terms of data representativeness and appropriate statistical adjustments that would entirely eliminate data distortions driven by the government anti-crisis measures are being developed. In order to recognize the ECL amounts in a timely manner, the Bank performs post-model adjustments, where the adjustment amounts are estimated by analyzing the following:

- possible "delayed" defaults ("Stage 3") in its portfolios;
(Analysis of the delayed defaults is based on the comparison of the current default rates with the expected (or incurred in the previous period) default rates in the crisis environment.)
- changes in ECL amounts due to macroeconomic deterioration and spillover effects not yet recognized using the standard IFRS 9 inputs in current use.

Within this approach, the Bank uses the existing IRB model inputs to quantify the appropriate adjustment, assuming that a disadvantageous macroeconomic environment, and consequently a financial deterioration, would have caused a rating decrease if the government support/relief measures had not distorted the data. The change in the expected loss is calculated as the difference between the existing expected loss amount and the one calculated using the probability of default attributable to the rating after it has deteriorated by 1 or 2 classes (e.g., from 3A to 4A/5A).

Deterioration is assumed for customers from industries identified by the Bank as severely impacted by the spillover effects of the current energy crisis caused by the Russia-Ukraine conflict. The Bank also analyzed individual debtors directly or indirectly connected with Russia, Ukraine and/or Belarus, and deterioration was assumed for those assessed as high-risk customers.

As no material difference between the estimated required adjustment amounts resulting from the application of the above described two approaches were identified, the Bank elected to use the results of the former.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(viii) Impairment (Continued)

Post-Model Adjustments (Continued)

Post-model adjustment in the corporate portfolio ("non-retail") (Continued)

The Bank allocated the adjustment amount to non-default debtors with pre-workout or workout statuses in the aforesaid severely affected industries in the corporate portfolio, non-default debtors with workout status in the small business ("SMB") portfolio, and debtors connected with the Russia-Ukraine crisis that were assessed as high-risk debtors.

The impairment adjustment amount is allocated proportionally, using the so-called EAD_EL key, separately for the corporate and SMB portfolios. EAD_EL is calculated as the sum of the on-balance sheet and off-balance sheet exposures after credit conversion factors (CCFs) are applied, reduced by the weighted collateral value, as appropriate.

Allocation of the ECL adjustment amount drives assignment to Stage 2 (even in the event that such a debtor was previously classified into Stage 1).

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

The Bank implemented the following post-model adjustments in the retail portfolio (individuals):

- Clients employed in companies operating in certain industries most severely affected by the crisis are treated as high-risk customers (due to increased risk of reduced earnings and/or job loss) and exposures to them were classified in Stage 2, which led to an increase in the credit loss provisions (exposures in industries such as tourism, automobile and air transport, oil and gas, real estate and some consumer industries);
- Clients employed in companies where, due to system limitations and/or data quality, it is not possible to identify what industry those companies belong to, are treated as clients with increased risk and exposures to them were classified in Stage 2, which led to an increase in credit loss provisions.

The Bank implemented the following post-model adjustments in the sub-portfolio of micro-entities and sole entrepreneurs

- Clients who direct less than 30% of the turnover through the accounts held in Raiffeisen Bank are treated as clients with increased risk and exposures to them were classified in Stage 2, which led to an increase in credit loss provisions.

Sensitivity Analysis

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

- Corporate customer portfolio:
 - 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

ECL provisions are presented in the statement of financial position as follows:

Financial assets measured at amortized cost are presented net of ECL in the statement of financial position;

For off-balance sheet exposures (loan commitments and financial guarantee contracts) ECL are presented as a provision within liabilities;

For partial drawn down loan facilities, where the Bank cannot identify ECL separately for the undrawn and drawn down components, ECL are presented in a combined amount, which is a deductible from the gross carrying amount of the drawn down facility component and any excess of the combined ECL over the gross carrying value of the asset is recorded as a provision;

For debt instruments measured at FVtOCI no ECL are recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the impairment loss allowance is disclosed and is recognized 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 write-off. This assessment is carried out on an instrument-by-instrument basis.

(l) Cash and Cash Equivalents

For the purpose of the cash flow statement preparation, cash and cash equivalents comprise cash in hand, unrestricted balances on accounts held with banks, demand deposits and short-term deposits with original maturities of up to three months and other cash funds.

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

The obligatory reserve funds are not regarded as cash and cash equivalents for the purposes of the statement of cash flows (Note 14) as they cannot be drawn on demand, i.e., the Bank may not withdraw any amount of the obligatory reserve at any time.

(m) Financial Assets and Liabilities at Fair Value through Profit or Loss (FVtPL) 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.

Financial assets and liabilities at FVtPL held for trading are initially recognized and subsequently measured at fair value in the statement of financial position, with transaction costs charged directly to profit or loss. Financial assets held for trading are not reclassified after initial recognition except for non-derivative assets held for trading other than those designated at FVtPL.

Derivatives are also classified as financial assets held for trading unless they are designated as risk hedging instruments.

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 financial assets and financial liabilities at FVTPL held for trading. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

IFRS 9 allows the 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 around 2022. The Bank has elected to continue to apply IAS 39 rules for hedge accounting.

The Bank designates certain derivatives as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of a hedge, the Bank formally documents the relationship between the hedging instrument and hedged item, 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 assesses, both at inception of the hedge relationship and on an ongoing basis, whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%. For a cash flow hedge of a forecast transaction, the Bank assesses 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 set out below:

(i) Cash flow hedges

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

When a derivative is designated as a hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (OCI) and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. The amount recognized 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 a hedging derivative expires or is sold, terminated or exercised, or a 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 (modified) as a consequence of amendments to the effective laws or regulations without changes in its terms except for those that are necessary due to regulatory amendments, 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 the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that are attributable to a particular risk and could affect profit or loss. The Bank entered in a portfolio hedge i.e., macro fair value hedge.

The Bank measures changes in the fair value of the hedged item that are attributable to the hedged risk. The effect thereof is recognized in profit or loss. In the statement of financial position this amount is reported as either an asset or a liability. The Bank measures changes in the fair value of the hedging instrument and recognizes the effect in profit or loss. The fair value of the hedging instrument is recognized as an asset or liability in the statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Loans and Receivables

The line item of loans and receivables in the statement of financial position includes:

- Loans and receivables measured at amortized cost that are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortized cost using the effective interest method; and
- Loans and receivables mandatorily measured at FVtPL or designated as at FVtPL that are measured at fair value with changes in the fair value recognized 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 loan), the arrangement is accounted for as a loan or receivable, and the underlying asset is not recognized in the Bank's statement of financial position.

Loans that are disbursed in RSD and index-linked to RSD/EUR, RSD/CHF or RSD/USD exchange rates are translated at the official middle exchange rates effective as of the reporting date. The effects of exchange rate movements are included in the net foreign exchange gains or losses and currency clause effects.

(p) Investment Securities

Investment securities comprise:

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

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

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

When a debt security measured at FVtOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

The Bank elects to present in OCI changes in the fair value of certain 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. Dividend income on these instruments is recognized in profit or loss (Note 3 (h)) unless it clearly represents a recovery of part of the cost of the investment, in which case dividends are recognized in OCI. Cumulative gains and losses recognized in OCI are transferred to retained earnings upon disposal and derecognition of an investment.

The Bank recognizes its equity investments in Raiffeisen Leasing, Raiffeisen Invest, Raiffeisen Future and RBA Bank as financial instruments measured at FVtOCI. Fair values of these equity instruments are shown in Note 19.

In 2022, no dividends on permanent equity investments were announced or received by the Bank. There were no transfers of cumulative gains or losses within equity or derecognition of the Bank's equity investments in 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Investment Securities (Continued)

The Bank is required to perform valuation of its equity investments on an annual basis, with valuation effects (positive or negative fair value changes) recognized in OCI as components that will subsequently not be reclassified to profit or loss.

(q) Intangible Assets

Intangible assets are initially recognized at cost or cost price. Following the initial recognition, intangible assets are stated at cost net of accumulated amortization and aggregate impairment losses. The Bank's intangible assets include software licenses and other intangible assets.

Intangible assets are non-monetary assets (without physical substance) such as goodwill, patents, licenses, concessions, trademarks, brands, accounting software, franchises, investments made in development of new products, processes or devices, copyrights and the like. These assets must be likely to generate future economic benefits (returns) in excess of the asset costs over the period longer than one year.

Calculation of amortization charge on these assets commences as from the month following the month when the asset becomes available for its intended use. The basis for this calculation is the cost of assets net of the residual value.

Intangible assets are amortized on straight-line bases over the estimated useful lives of assets. The recommended useful life for standard software is 4 to 6 years, and any departure from the recommended useful life must be adequately documented. The estimated useful life of all other intangible assets is 5 years and the annual amortization rate applied equals 20%.

For the purposes of financial statement preparation, the policy-prescribed amortization methods, useful lives and residual values used and their adequacy are reviewed at least once annually, at year-end, and adjusted as appropriate.

(r) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and aggregate impairment losses. The Bank's property, plant and equipment include land, buildings, equipment, leasehold improvements and investments (equipment) in progress.

Property, plant and equipment items are initially recognized at cost or cost price. Cost comprises all 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Property, Plant and Equipment (Continued)

(ii) Subsequent Expenditures

The cost of replacing part of an item of property or equipment is recognized as an increase 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 costs of the day-to-day servicing and repairs of property and equipment are recognized as expenses in profit or loss as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line basis using the minimum annual depreciation rates set so as to write down the cost of assets in equal annual amounts over their estimated useful lives.

The estimated useful lives depreciation rates in use for the current and comparative periods are presented below:

	Useful life (years)	Rate (% p.a.)
Buildings	25 - 50	2 - 4
IT equipment	3 - 5	20 - 33
Telephone switchboards	5 - 15	6.67 - 20
Traffic equipment and motor vehicles	6.4 - 7	14.3 - 15.6
Furniture and other equipment	5 - 10	10 - 20
Leasehold improvements	5 - 10	10 - 20

For the purposes of financial statement preparation, the policy-prescribed depreciation methods, useful lives and residual values used and their adequacy are reviewed at least once annually, at year-end, and adjusted as appropriate.

Costs of repair and maintenance of property, plant and equipment are recognized as expenses when they occur.

Gains on arising disposal of property and equipment items (as the difference between the net sale proceeds and the carrying amount of an asset) are presented within other operating income. When the item of property, plant or equipment is disposed of (sold or retired from use and written off), the net book value is derecognized by debiting other expenses.

(s) Impairment of Non-Financial Assets

At each reporting period-end, the Bank reviews the carrying amounts of its non-financial assets in order 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 higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated expected 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.

If the carrying amount of an asset exceeds its recoverable amount, an impairment loss (in the amount of the difference between these two values) is recognized in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Impairment of Non-Financial Assets (Continued)

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

(t) Deposits and Subordinated Liabilities

Deposits, debt securities issued and subordinated debts are the Bank's significant 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 recognized in the Bank's statement of financial position.

The Bank classifies equity instruments as financial liabilities or equity instruments in accordance with IAS 32 principles for distinguishing between liabilities (debt) 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 the relevant features need to be considered when classifying a financial instrument.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus incremental directly attributable transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Bank designates liabilities at FVtPL.

According to the policy effective as from January 1, 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 the fair value of the relevant instrument.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

Foreign currency deposits are translated to and stated in RSD using the middle foreign exchange rate effective at the reporting date.

(u) Provisions

A provision is recognized 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 original or modified 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 loans 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 recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15. Other loan commitments are measured as the sum of (i) the provision determined in accordance with IFRS 9 and (ii) the amount of any fees received less, if it is rather unlikely that the commitment will result in a specific credit arrangement, and cumulative amount of recognized income.

The Bank has no loan commitments that are measured at FVtPL.

For other loan commitments the Bank recognizes a provision in line with IAS 37 and IFRS 9 (Note 3 (k) (viii)).

Financial guarantees and loan commitments are included in off-balance sheet items. Liabilities arising from financial guarantees and loan commitments are included in provisions.

(w) Equity

The Bank's equity includes initial shareholder investments, subsequently issued shares, reserves, retained earnings and current year's profit.

The Bank's share capital comprises the shareholder investments in cash. The shareholder cannot withdraw the funds invested in the Bank's share capital.

(x) Employee Benefits

Employee benefits comprise all types of considerations the Bank provides 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 (annual leave allowances), paid sick and parental leaves and bonuses (provided they are payable within 12 months from the end of the accounting period) and non-monetary benefits (e.g., use of automobiles) for the current employees;
- Other long-term employee benefits, such as jubilee awards and other considerations based on the years of service that are not fully payable within 12 months from the end of the accounting period.

(i) Short-term employee benefits

The Bank's short-term employee benefits comprise payroll taxes and mandatory social insurance contributions, benefits payable for unused employee annual leaves and bonuses.

Short-term employee benefits are recognized as expenses in the accounting period they relate to in the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Employee Benefits (Continued)

(i) Short-term employee benefits (Continued)

Pursuant to the regulations effective in the Republic of Serbia, the Bank has an obligation to pay contributions to various public social security funds. This obligation involves payment of the payroll contributions by the employer in amounts calculated by applying the specific, legally prescribed rates. The Bank is also legally obligated to withhold the tax amount and contributions from gross salaries to employees, and to transfer the withheld portions on their behalf directly to the appropriate government funds. These contributions payable on behalf of the employee and employer are recognized as expenses in the period in which they arise.

Accumulating compensated absences (annual vacation leave allowances) 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 in the amount the Bank expects to pay as a result of the unused entitlement that has accumulated at the reporting date. In the case of non-accumulating compensated absences, the relating liability or expense is recognized only 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. A present obligation exists when the Bank has no other alternative but to settle, i.e., make the payments.

(ii) Long-term employee benefits

The Bank's other long-term (post-employment) employee benefits comprise provisions for legally prescribed retirement benefits.

Pursuant to the effective Labor 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 data published by the Republic of Serbia Statistics Office, whichever is more favorable 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:
salary growth rate of 6% in the Republic of Serbia;
salary growth rate of 2% within the Bank; and
discount rate of 6.8%, determined as the value of securities issued by the Republic of Serbia Ministry of Finance with maturities of 120 months.

3.1. Key Accounting Estimates and Judgements

The Bank's management is required to use judgements that have a significant impact on the amounts recognized and to make estimates and assumptions that affect the carrying values of assets and liabilities in the following financial year. The accounting estimates and underlying assumptions are subject to an ongoing review. They are based on historical experience and other factors that are considered to be relevant, including anticipated future events that are believed to be reasonable under the current circumstances. Changes in the assumptions used are recognized prospectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Key Accounting Estimates and Judgements (Continued)

Management makes assumptions about future events. By default, the resulting accounting estimates will seldom be identical as the results achieved. The key estimates and assumptions that bear the risk of giving rise to a material restatement of the carrying values of assets and liabilities in the following financial year are discussed below

Establishing the Criteria for ECL Calculation (Note 3 (k) (viii))

ECL measurement 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 amortized cost and fair value through other comprehensive income (FVtOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior. The following significant judgements are required in applying the accounting requirements for measuring expected credit losses:

- Determining criteria for significant increase in credit risk;
- Selecting appropriate models and assumptions for the ECL measurement, where an integral part of the models is forward looking information;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the related ECL; and
- Establishing groups of similar financial assets for the purposes of ECL measurement.

Fair Values (Notes 3 (k) (vii) and 5)

Determining the 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 or no price transparency, fair value is less objective, and requires varying degrees of judgment depending on the instrument liquidity, risk concentration, uncertainty of market factors, pricing assumptions and other factors affecting the specific instrument.

To determine the fair value of treasury bills issued by Ministry of Finance of the Republic of Serbia, which are included in the Bank's trading book, the Bank applies an alternative approach for valuation. The alternative approach implies determining the net present value of discounted future cash flows for related items and exposures, where as a discount interest rate is used the interest rate last available/realized on public auction for treasury bills with the same or similar remaining maturity.

Contingent Liabilities (Note 3 (v))

For the purpose of recognition and measurement of contingent liabilities, the Bank's management defines key assumptions about the likelihood and magnitude of potentially required outflows of resources.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction

In its business operations, the Bank is or may be exposed to the following types of risks:

Credit risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital due to a counterparty default on its liabilities toward the Bank, including the following:

- Settlement/delivery risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital arising from unsettled transactions or due to counterparty default on free delivery transactions at the agreed settlement/delivery date;
- Counterparty risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital arising from the counterparty's default in a transaction before final settlement of cash flows of the transaction;
- Residual risk, which represents a possible 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 reduce sufficiently the risks the Bank is exposed to;
- Dilution risk, which represents a possible 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 a possible occurrence of adverse effects on the Bank's financial result and capital due to deterioration of the debtor's financial capacity caused by changes in foreign exchange rates;
- Interest rate induced credit risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital due to the deterioration of the debtor's financial capacity caused by changes in interest rates; and
- Concentration risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital due to the concentration of the Bank's exposures towards the same or similar source of risk origination (exposures to single debtors and groups of related entities, industries, geographic regions, product types etc.);

Market risks, which represent possible occurrences of adverse effects on the Bank's financial result and capital due to the changes in value of the Bank's on-balance and off-balance sheet items resulting from the volatility of market prices. These risks include:

- Foreign exchange risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital due to the changes in foreign exchange rates;
- Price risk per debt and equity securities, which represents a risk of changes in the value of these securities due to interest rate movements and includes specific and general price risks:
- Specific price risk is a risk of change in a security price due to the factors related to its issuer;
- General price risk is a risk of change in a security price due to general-level changes of interest rates/prices of those securities;

Interest rates risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital as a result of changes in interest rate levels;

Liquidity risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital as a result of the Bank's inability to discharge its liabilities when these fall due because of 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); and
- Aggravated conversion of assets into liquid funds due to market disruptions (market liquidity risk);

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Introduction (Continued)

Operational risk, which represents a possible 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 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 debtor's country of origin, including:

- Political and economic risk, which implies a possible occurrence of losses due to the inability of the Bank to collect receivables as a result of constraints defined by the regulations enacted by the government and other authorities of the debtor's country of origin, as well as general and systemic environment in that country; and
- Transfer risk, which implies the possibility of occurrence of losses due to the inability of the Bank to collect receivables denominated in the currency other than the official currency of the debtor's country, of origin, arising from the constraints in payments of liabilities toward creditors from other countries in certain currency defined by the regulations enacted by the government and other authorities of the debtor's country of domicile;

Compliance risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital due to non-compliance of the Bank's operations with laws and other regulations, professional standards, procedures governing prevention of money laundering and terrorism financing, as well as other enactments governing operations; compliance risk especially includes a risk of sanctions imposed by a regulatory body, risk of a financial loss, as well as the reputation risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital due to creation of a negative public image that affects the Bank's market positioning;

The risk of money laundering and terrorist financing is the risk of 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 a possible occurrence of adverse effects on the Bank's financial result and capital due to the lack of appropriate strategies and policies and/or their inadequate implementation, as well as due to changes in the environment in which the Bank operates or the lack of the Bank's appropriate response to such changes;

Investment risks, which include risks of the Bank's investment into other legal entities and fixed assets.

The Bank's 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 and Internal Control System Committee, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas.

The Bank's risk management policies are established to identify and analyze the risks 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.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Introduction (Continued)

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 risks faced by the Bank. The Bank's Audit Committee is assisted by the Internal Audit. The Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Risk management in the crisis caused by the COVID 19 pandemic

On March 12, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, Serbian authorities implemented a number of measures in an attempt to curb the spread and impact of COVID-19, such as travel bans and movement restrictions, quarantines, restrictions on business activities, including lockdown. The aforesaid measures were gradually relaxed during 2020 and 2021. In order to mitigate the effects of COVID-19, the Government of the Republic of Serbia and the National Bank of Serbia adopted a comprehensive relief package intended primarily for business and the population.

The Republic of Serbia's Government adopted a package of measures which, among other things, included postponing the obligations of companies to pay payroll taxes and contributions, salaries were paid from the Republic of Serbia Budget to the employees in companies most severely affected by the pandemic, assistance and incentives were provided to the industries most threatened by the pandemic effects and grants and value added tax relief were awarded to the institutions involved in the struggle against COVID-19. In addition, companies were allowed to obtain working capital loans in the total amount of EUR 200 million through the Development Fund, and loans secured by the government guarantee in the total amount of EUR 2 billion through commercial banks.

The National Bank of Serbia adopted decisions requiring the banks to allow a delay in loan repayment to both private individuals and entities for a period of 5 to 6 months (moratoria 1 and 2). In addition, banks were required to provide refinancing or rescheduling of liabilities using a grace period of at least 6 months to individuals and entities whose financial position deteriorated significantly due to COVID-19.

Based on the decisions on the moratoria, the Bank received the total of 7,229 requests, of which 3,054 requests were realized (2,894 of private individuals and 160 of legal entities). The total number of extended loan facilities was 4,129. At the end of 2022, the Bank had EUR 71 million of loans extended under the Government Guarantee Scheme.

The unstable situation caused by the COVID-19 pandemic, as well as the uncertainty of the estimated current situation development, 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 developments in calculation of financial assets' impairment. For more details on adjusting the impairment model, please see Note 3 k viii – Post-model adjustment.

The consequence of the moratorium implementation is reflected in the delayed/interrupted repayment of loans approved by the Bank in response to the COVID-19 pandemic. The said delay in loan repayment is treated as a contract modification, since there have been changes in cash flows within the repayment schedules of the respective loans. These changes caused modification effects, and their impact on the gross carrying amounts (modification loss) is presented in the profit or loss statement and in Note 9 with a more detailed explanation given in Note 9; 3(k) iv.

In 2022, in order to respond timely and preventatively to the challenges faced by farmers, the National Bank of Serbia adopted a decision requiring the banks operating in the Republic of Serbia to approve rescheduling of agricultural loans. Rescheduling of loans entails delayed principal repayment for periods of 6 to 12 months, while the borrowers remain obligated to pay regular interest during this period. Moreover, in early 2023, the scope of the borrowers eligible for the aforesaid rescheduling was extended to include those engaged in buy-out and storage of fresh fruits given that they are facing difficulties in business due to reduced demand for and decreased prices of raspberries in the international markets.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk

In measuring credit risk at the individual borrower level, the Bank assesses the risk of possible losses due to deterioration in the borrower creditworthiness. Credit risk represents a possible 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 a possible occurrence of adverse effects on the Bank's financial result and capital arising from unsettled transactions or due to counterparty default on free delivery transactions at the agreed settlement/delivery date;
- Counterparty risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital arising from the counterparty's default in a transaction before final settlement of cash flows of the transaction;
- Residual risk, which represents a possible 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 reduce sufficiently the risks the Bank is exposed to;
- Dilution risk, which represents a possible 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 a possible occurrence of adverse effects on the Bank's financial result and capital due to deterioration of the debtor's financial capacity caused by changes in foreign exchange rates;
- Interest rate induced credit risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital due to the deterioration of the debtor's financial capacity caused by changes in interest rates; and
- Concentration risk, which represents a possible occurrence of adverse effects on the Bank's financial result and capital due to the concentration of the Bank's exposures towards the same or similar source of risk origination (exposures to single debtors and groups of related entities, industries, geographic regions, product types etc.);

The Bank applies the Corporate Rating System aligned with the RBI Group system. The corporate rating system considers quantitative and qualitative parameters for the customer rating purposes.

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/sub-standard;
- 9A, 9B, 9C - very weak credit standing; and
- 10 - default.

Grade 10 is applied only for clients that are not able to settle their obligations (default).

Beside the corporate rating system, separate rating systems are used for small entities, local and regional governing bodies, financial institutions, insurance companies, project financing, as well as scoring models for micro and retail clients.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

The table below shows the link between the Bank's rating models and credit quality levels 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	0.00548 - 0.06282	0.08520 - 0.53746	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	0.00550 - 0.06286	0.08309 - 0.47395	1
Project Finance	6.1 - 6.2	6.3	6.4	6.5
Project Finance (PD range)	0.00694 - 0.01788	0.06537	0.24121	1
Insurances	0.5 - 2.5	3.0 - 3.5	4.0 - 4.5	5.0
Insurances (PD range)	0.00034 - 0.00104	0.00259 - 0.00421	0.01137 - 0.07772	1
Sovereign	1C - 4C	5A - 7C	8A - 9C	10
Sovereign (PD range)	0.00020 - 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 - 0.027	0.027 - 0.1000	0.1000 - <1	1
Private individuals (housing loans, cash loans, Visa and Visa revolving cards)	0.5A - 2.5	3.0A - 3.5B	4.0 - 4.5B	5.0
Private individuals (PD range)	0 - 0.027	0.027 - 0.1000	0.1000 - <1	1

The Bank manages limits and controls concentrations of credit risk wherever they are identified - in particular, to single borrowers and groups of related entities, and to industries and countries. The Bank structures the levels of credit risk it assumes by placing limits on the exposures to a single borrower, or groups of borrowers (related entities), and to geographic areas and industry segments. Such risks are monitored on an ongoing basis and are subject to an annual or more frequent review, as appropriate. The exposure to any borrower, including banks and brokers, is further restricted by sub-limits covering on-balance and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as foreign exchange forward 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 their interest and principal repayment obligations and by changing these lending limits as appropriate. Limits defined by the Bank cover all exposure types. Entering into transactions where no limits are established is not allowed and any limit breach has to be reported immediately to the competent committees.

Off-balance sheet items – loan commitments

Guarantees and standby letters of credit carry the same credit risk as loans. Secured documentary and commercial letters of credit, which are the Bank's written undertakings on behalf of a customer authorizing a third party draw certain amounts from the Bank's accounts to collect receivables due from the Bank's customer up to a stipulated amount under specific predefined terms, are collateralized by the underlying commodities to which the transactions relate s and therefore carry less risk than standard loans.

Loan commitments represent undrawn portions of framework loan facilities in the form of loans, guarantees or letters of credit. With respect to credit risk on loan commitments, 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 meeting specific criteria or standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have higher credit risk than shorter-term commitments.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Information on the Bank's overall credit exposure as of December 31, 2022 is provided in the table below:

Statement of financial position line item	Assets exposing the Bank to credit risk			Assets not exposing the Bank to credit risk	Amount reported in statement of financial position
	Gross exposure	Accumulated impairment allowances/provisions	Net exposure		
	1	2	3 (1-2)	4	5 (3+4)
Cash and balances held with the central bank	45,401,639	4,199	45,397,440	67,088,564	112,486,004
Receivables under derivatives	-	-	-	52,048	52,048
Securities	88,939,195	33,877	88,905,318	4,461,834	93,367,152
Loans and receivables due from banks and other financial institutions	49,002,683	25,911	48,976,772	12,360,701	61,337,473
Loans and receivables due from customers	244,763,192	6,990,723	237,772,469	283,074	237,489,395
Other assets	460,763	91,125	369,638	764,107	1,133,745
On-balance sheet exposure	428,567,472	7,145,835	421,421,637	84,444,180	505,865,817
Guarantees and sureties issued	73,264,144	535,561	72,728,583	1,234,576	73,963,159
Commitments and contingent liabilities	114,785,965	40,296	114,245,669	13,618,559	127,864,228
Off-balance sheet exposure	188,050,109	1,075,857	186,974,252	14,853,135	201,827,387
Total exposure	616,617,581	8,221,692	608,395,889	99,297,315	707,693,204

In terms of exposure per geographic region, the Bank's loans, receivables and off-balance sheet items are extended almost exclusively on the territory of the Republic of Serbia. The Bank did not lend to the debtors from high-risk areas, so that it is not exposed to concentration risk arising from investments in high-risk countries.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Information on the Bank's overall credit exposure as of December 31, 2021 is provided in the table below:

Statement of financial position line item	Assets exposing the Bank to credit risk			Assets not ex- posing the Bank to credit risk	Amount reported in statement of financial position
	Gross exposure	Accumulated impairment allowances/pro- visions	Net exposure		
	1	2	3 (1-2)	4	5 (3+4)
Cash and balances held with the central bank	32,656,439	6	32,656,433	57,961,759	90,618,192
Receivables under derivatives	-	-	-	13,669	13,669
Securities	85,157,594	12,385	85,145,209	3,480,030	88,625,239
Loans and receivables due from banks and other financial institutions	26,605,448	2,015	26,603,433	(195)	26,603,238
Loans and receivables due from customers	223,655,722	6,752,352	216,903,370	(230,930)	216,672,440
Other assets	411,675	93,322	318,353	579,002	897,355
On-balance sheet exposure	368,486,878	6,860,080	361,626,798	61,803,335	423,430,133
Guarantees and sureties issued	60,826,444	465,892	60,360,552	-	60,360,552
Commitments and contingent liabilities	115,746,612	342,977	115,403,635	3,667,826	119,071,461
Off-balance sheet exposure	176,573,056	808,869	175,764,187	3,667,826	179,432,013
Total exposure	545,059,934	7,668,949	537,390,985	65,471,161	602,862,146

In terms of exposure per geographic region, the Bank's loans, receivables and off-balance sheet items are extended almost exclusively on the territory of the Republic of Serbia. The Bank did not lend to the debtors from high-risk areas, so that it is not exposed to concentration risk arising from investments in high-risk countries.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Movements of the gross carrying value of loans and receivables due from customers per Stage during 2022 were as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
December 31, 2022	311,994,734	50,549,603	5,732,602	209,939	368,486,878
New loans extended	191,482,774	11,162,431	446,447	-	203,091,652
Decrease/repayment	(126,694,434)	(14,156,189)	(2,131,180)	(29,255)	(143,011,058)
Transfer from Stage 1	(17,283,871)	16,713,041	570,830	-	-
Transfer from Stage 2	18,861,450	(19,950,584)	1,089,134	-	-
Transfer from Stage 3	225,680	202,593	(428,273)	-	-
December 31, 2022	378,586,333	44,520,895	5,279,560	180,684	428,567,472

Movements of the impairment allowances for loans and receivables due from customers per Stage during 2022 were as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
December 31, 2022	534,984	2,485,964	3,793,737	45,395	6,860,080
New loans extended	508,837	2,674,844	1,074,331	22,683	4,280,695
Decrease/repayment	(242,158)	(1,931,524)	(1,815,838)	(5,420)	(3,994,940)
Transfer from Stage 1	(88,756)	77,179	11,577	-	-
Transfer from Stage 2	91,677	(201,056)	109,379	-	-
Transfer from Stage 3	1,775	25,753	(27,528)	-	-
December 31, 2022	806,359	3,131,160	3,145,658	62,658	7,145,835

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

The information on the industry and geographic concentration of the Bank's on-balance and off-balance sheet exposures is presented below:

On-balance sheet receivables	December 31, 2022										Total gross receivables						
	Region Belgrade 1			Region Belgrade 2			North Serbia Region		South Serbia Region								
	Unimpaired, without significant deterioration of credit risk (Stage 1)	Unimpaired, without significant deterioration of credit risk (Stage 2)	Unimpaired, without significant deterioration of credit risk (Stage 3)	Unimpaired, without significant deterioration of credit risk (Stage 1)	Unimpaired, without significant deterioration of credit risk (Stage 2)	Unimpaired, without significant deterioration of credit risk (Stage 3)	Unimpaired, without significant deterioration of credit risk (Stage 1)	Unimpaired, without significant deterioration of credit risk (Stage 2)	Unimpaired, without significant deterioration of credit risk (Stage 3)	Total unimpaired receivables (Stages 1 & 2)		Total impaired receivables (Stage 3)					
Retail receivables	21,519,039	5,279,348	1,149,716	17,725,900	3,995,079	970,673	10,496,234	2,405,755	575,635	10,887,993	2,825,282	715,799	180,684	75,134,230	3,411,823	-	78,726,737
Housing loans	11,442,845	1,858,028	190,662	9,832,005	1,409,592	158,871	5,053,178	762,952	105,870	3,606,816	589,720	61,596	-	34,555,736	516,999	-	35,072,735
Consumer and cash loans	7,879,797	2,419,299	824,049	6,162,320	2,114,468	699,691	4,277,120	1,290,709	386,644	5,610,335	1,803,573	523,552	-	31,557,621	2,433,936	-	33,991,557
Transaction accounts and credit cards	1,824,170	772,152	111,285	1,472,448	377,762	102,550	985,794	236,904	70,095	1,469,737	288,445	113,063	-	7,427,412	396,993	-	7,824,405
Other receivables	372,227	229,269	23,720	259,127	93,257	9,561	180,142	115,190	13,026	200,705	143,544	17,588	180,684	1,593,461	63,895	-	1,838,040
Corporate receivables	37,571,521	4,606,071	281,678	140,651,544	6,915,544	449,342	31,394,936	9,400,304	566,341	14,744,124	8,113,360	570,376	-	253,583,404	1,867,737	-	255,451,141
Agriculture, forestry and fishing	1,694,776	2,410	5,875	1,495,596	26,867	1,208	1,831,843	338,160	12,988	1,934,944	197,054	26	-	7,527,650	20,097	-	7,541,747
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	7,955,449	861,949	37,928	17,236,521	4,314,612	92,436	5,795,833	7,360,543	229,054	3,154,052	4,817,342	414,693	-	51,496,301	774,111	-	52,270,412
Electricity, gas, steam and air conditioning supply	304	4	16	160,894	-	21	1,818	-	10,038	1	44	-	-	163,065	10,075	-	173,140
Construction industry	1,451,530	394,470	1,477	1,127,275	238,818	70,078	799,058	147,835	4,091	371,997	180,348	10,998	-	4,711,331	86,644	-	4,797,975
Wholesale and retail trade, repair of motor vehicles and motorcycles	11,614,933	2,186,392	79,216	14,743,928	941,131	92,473	7,361,634	1,089,746	133,447	7,459,933	2,421,301	64,957	-	47,818,398	370,093	-	48,188,491
Transport and storage, Accommodation and food service activities, Information and communication	759,460	821,934	60,992	4,619,906	634,041	63,167	348,175	181,567	31,681	501,800	134,709	17,261	-	8,001,592	173,101	-	8,174,693
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	2,225,664	2,697,705	44,768	7,510,681	163,526	30,714	5,405,570	148,573	100,999	198,453	20,850	689	-	15,943,022	177,170	-	16,120,192
Other	12,055,405	69,207	51,406	93,756,743	596,549	99,245	9,851,005	134,480	44,043	11,222,944	341,712	61,752	-	117,928,045	256,446	-	118,184,491
Receivables from other clients	59,127,707	38,828	-	34,281,700	941,329	-	22	-	-	8	-	-	-	94,389,594	-	-	94,389,594
Total exposure	118,404,267	9,924,247	1,431,394	192,659,144	11,851,952	1,420,015	41,891,192	11,804,059	1,141,976	25,631,725	10,938,642	1,286,175	180,684	423,107,228	5,279,560	-	428,567,072

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Off-balance sheet receivables	December 31, 2022												Total gross receivables				
	Region Belgrade 1			Region Belgrade 2			North Serbia Region			South Serbia Region							
	Unimpaired, without significant deterioration of credit risk (Stage 1)	Unimpaired, without significant deterioration of credit risk (Stage 2)	Impaired receivables (Stage 3)	Unimpaired, without significant deterioration of credit risk (Stage 1)	Unimpaired, without significant deterioration of credit risk (Stage 2)	Impaired receivables (Stage 3)	Unimpaired, without significant deterioration of credit risk (Stage 1)	Unimpaired, without significant deterioration of credit risk (Stage 2)	Impaired receivables (Stage 3)	Unimpaired, without significant deterioration of credit risk (Stage 1)	Unimpaired, without significant deterioration of credit risk (Stage 2)	Impaired receivables (Stage 3)		POCI assets	Total unimpaired receivables (Stages 1 & 2)	Total impaired receivables (Stage 3)	Receivables measured at FVPL
	2,820,916	1,383,589	30,739	2,244,879	595,857	27,309	1,565,688	370,219	19,621	2,278,102	344,088	32,369	-	11,603,338	110,038	-	11,713,376
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	2,819,743	1,381,876	30,739	2,211,859	595,857	27,309	1,565,688	370,219	19,621	2,278,102	344,088	32,369	-	11,567,452	110,038	-	11,677,470
Other receivables	1,173	1,713	-	33,020	-	-	-	-	-	-	-	-	-	35,906	-	-	35,906
Corporate receivables	39,555,436	5,067,562	156,862	71,048,847	8,219,075	591,467	22,353,164	2,010,225	572,826	22,296,449	1,141,193	77,833	-	171,692,721	1,398,988	-	173,091,709
Agriculture, forestry and fishing	688,118	-	-	232,133	85,821	-	1,358,985	35,669	-	185,410	39,894	-	-	2,626,030	-	-	2,626,030
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	5,033,498	2,522,251	127,309	16,102,574	3,684,446	-	7,441,678	816,914	539,875	12,310,829	228,712	15,544	-	48,140,902	682,728	-	48,823,630
Electricity, gas, steam and air conditioning supply	2	-	-	1,660,617	35,197	-	1,058	-	-	-	361	-	-	1,697,235	-	-	1,697,235
Construction industry	4,986,387	62,362	196	12,009,331	330,869	-	15,76,269	55,336	-	6,505,412	106,796	62,273	-	25,632,762	62,469	-	25,695,231
Wholesale and retail trade, repair of motor vehicles and motorcycles	22,713,645	2,183,528	-	14,818,717	2,264,490	558,422	11,055,098	965,839	26,000	2,722,512	709,938	6	-	57,435,767	584,428	-	58,020,195
Transport and storage, Accommodation and food service activities, information and communication	1,321,076	170,737	29,020	6,056,140	181,791	-	353,816	66,941	172	224,067	15,099	-	-	8,389,667	29,192	-	8,418,859
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	4,501,282	123,877	49	7,449,780	157,351	3,000	389,870	59,487	6,701	140,475	12,129	-	-	12,834,251	9,750	-	12,844,001
Other	311,428	4,807	288	12,719,555	1,477,110	30,045	176,390	10,039	78	207,744	29,034	10	-	14,936,107	30,421	-	14,966,528
Receivables from other clients	2,047,960	13,147	-	638,301	42,616	-	-	503,000	-	-	-	-	-	3,245,024	-	-	3,245,024
Total exposure	44,424,312	6,464,298	187,601	73,932,027	8,857,548	618,776	23,918,852	2,883,444	592,447	24,574,551	1,486,051	110,202	-	186,541,083	1,509,026	-	188,050,109

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Industry concentration, including the information on the structure of NPLs is shown below. The Bank considers as NPLs the receivables due from debtors that meet some of the "default" indicators, stated below in the table "Default Indicators" (according to the internal directives of RBI Group). Data on non-performing on-balance sheet assets and off-balance sheet items are shown below:

On-balance sheet assets	December 31, 2022						
	Total gross exposures	Accumulated impairment allowance	Gross carrying value of impaired (Stage 3) exposures			Share (%) of impaired (Stage 3) exposures	Collateral value for impaired (stage 3) exposures *
			3	4	Of which forborne		
	1	2				6 (1/3)	7
Retail receivables	78,726,735	3,613,665	3,411,822	219,102		4.3	436,381
Housing loans	35,072,736	642,153	516,999	136,115		1.5	406,292
Consumer and cash loans	33,991,555	2,244,931	2,433,935	82,070		7.2	3,346
Transaction accounts and credit cards	7,824,405	458,905	396,993	-		5.1	871
Other receivables	1,838,039	267,676	63,895	917		3.5	25,872
Corporate receivables	255,451,143	3,479,324	1,867,738	972,036		0.7	338,997
Agriculture, forestry and fishing	7,541,745	46,492	20,096	7,385		0.3	8,689
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	52,270,412	1,877,951	774,111	584,576		1.5	86,791
Electricity, gas, steam and air conditioning supply	173,142	8,287	10,076	7,946		5.8	-
Construction industry	4,797,974	105,929	86,644	7,204		1.8	27,886
Wholesale and retail trade, repair of motor vehicles and motorcycles	48,188,492	695,006	370,093	140,951		0.8	151,823
Transporting and storage, Accommodation and food service activities, Information and communication	8,174,691	184,877	173,101	98,843		2.1	29,948
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	16,120,193	208,981	177,171	102,668		1.1	6,530
Other	118,184,494	351,801	256,446	22,463		0.2	27,330
Receivables from other clients	94,389,594	52,846	-	-		0.0	-
Total	428,567,472	7,145,835	5,279,560	1,191,138		1.2	775,378

* Estimated collateral market or fair value up to the gross exposure amount securitized

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Off-balance sheet items	December 31, 2022						
	Total gross exposures	Accumulated impairment allowance	Gross carrying value of impaired (Stage 3) exposures		Accumulated impairment allowance of Stage 3 exposures	Share (%) of impaired (Stage 3) exposures	Collateral value for impaired (stage 3) exposures *
				Of which forborne			
	1	2	3	4	5	6 (1/3)	7
Retail receivables	11,713,375	138,258	110,038	-	63,635	0.9	827
Housing loans	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-
Transaction accounts and credit cards	11,677,469	128,275	110,038	-	63,635	0.9	827
Other receivables	35,906	9,983	-	-	-	0.0	-
Corporate receivables	173,091,709	936,678	1,398,988	353,388	533,653	0.8	803,681
Agriculture, forestry and fishing	2,626,030	6,972	-	-	-	0.0	-
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	48,823,629	298,198	682,727	353,388	136,538	1.4	550,385
Electricity, gas, steam and air conditioning supply	1,697,234	1,256	-	-	-	0.0	-
Construction industry	25,695,229	86,345	62,468	-	51,090	0.2	-
Wholesale and retail trade, repair of motor vehicles and motorcycles	58,020,195	455,704	584,428	-	332,676	1.0	222,807
Transporting and storage, Accommodation and food service activities, Information and communication	8,418,859	27,494	29,192	-	7,070	0.3	489
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	12,844,003	40,004	9,750	-	5,034	0.1	-
Other	14,966,530	20,705	30,423	-	1,245	0.2	30,000
Receivables from other clients	3,245,025	921	-	-	-	0.0	-
Total	188,050,109	1,075,857	1,509,026	353,388	597,288	0.8	804,508

* Estimated collateral market or fair value up to the gross exposure amount securitized

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

On-balance sheet assets	December 31, 2021						
	Total gross exposures	Accumulated impairment allowance	Gross carrying value of impaired (stage 3) exposures		Accumulated impairment allowance of Stage 3 exposures	Share (%) of impaired (stage 3) exposures	Collateral value for impaired (stage 3) exposures *
				Of which forborne			
	1	2	3	4	5	6 (1/3)	7
Retail receivables	72,971,420	3,314,643	3,508,947	212,648	2,108,345	4.8	480,625
Housing loans	29,996,461	697,813	673,371	133,163	333,837	2.2	444,882
Consumer and cash loans	33,242,117	1,797,792	2,128,191	75,989	1,234,928	6.4	5,262
Transaction accounts and credit cards	7,602,566	661,152	642,278	-	498,649	8.4	1,049
Other receivables	2,130,276	157,886	65,107	3,496	40,931	3.1	29,432
Corporate receivables	213,239,370	3,496,703	2,185,614	1,086,283	1,650,975	1.0	760,363
Agriculture, forestry and fishing	7,081,565	61,879	45,768	20,896	37,282	0.6	21,367
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	41,380,244	1,470,964	1,178,564	922,636	937,368	2.8	447,271
Electricity, gas, steam and air conditioning supply	12,406	33	34	-	24	0.3	-
Construction industry	8,219,675	748,332	26,885	8,086	19,396	0.3	4,743
Wholesale and retail trade, repair of motor vehicles and motorcycles	52,658,533	384,363	256,486	61,036	188,956	0.5	29,461
Transporting and storage, Accommodation and food service activities, Information and communication	7,244,430	329,900	187,316	64,024	141,091	2.6	60,171
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	8,073,891	179,403	241,976	3,381	132,869	3.0	159,387
Other	88,568,626	321,829	248,585	6,224	193,989	0.3	37,963
Receivables from other clients	82,276,088	48,734	38,041	-	34,417	-	-
Total	368,486,878	6,860,080	5,732,602	1,298,931	3,793,737	1.6	1,240,988

* Estimated collateral market or fair value up to the gross exposure amount securitized

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Off-balance sheet items	December 31, 2021						
	Total gross exposures	Accumulated impairment allowance	Gross carrying value of impaired (Stage 3) exposures		Accumulated impairment allowance of Stage 3 exposures	Share (%) of impaired (Stage 3) exposures	Collateral value for impaired (stage 3) exposures *
				Of which forborne			
	1	2	3	4	5	6 (1/3)	7
Retail receivables	11,128,053	151,190	125,822	-	77,404	1.1	370
Housing loans	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-
Transaction accounts and credit cards	11,091,530	142,667	125,822	-	77,404	1.1	370
Other receivables	36,523	8,523	-	-	-	-	-
Corporate receivables	159,834,643	655,768	1,056,589	142,880	402,601	0.7	315,126
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 industry	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	-	-
Receivables from other clients	5,610,360	1,911	-	-	-	-	-
Total	176,573,056	808,869	1,182,411	142,880	480,005	0.7	315,496

* Estimated collateral market or fair value up to the gross exposure amount securitized

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Post-model adjustments (PMA)

Post-model adjustments (based on IFRS 9.B5.5.16 and EBA/GL/2017/06) to expected credit loss allowance estimates are adjustments used in circumstances where the existing inputs, assumptions and model techniques do not capture all the relevant risk factors. In Note 3 (k) Post-model adjustments, the bank provides a detailed description of the methodology used for selection of the PMA portfolio clients.

Quantification of the ECL measurement post-model adjustment is presented below:

	2022	2021
Retail receivables	(441,849)	186,096
Corporate receivables	(244,789)	(615,041)
Total	(686,638)	(428,945)

Sensitivity Analysis

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

- Corporate customer portfolio:
 - 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 so-called "credit clock" approach, which is used to identify the current position and trend in a credit cycle. 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 the variations that are not explained by macroeconomic model (to avoid double macroeconomic counting within the model) and only if these adjustments improve macro model performance.

Data on the Bank's gross and net on-balance sheet assets and off-balance sheet exposures to credit risk per segment and exposure category, according to the method of impairment determination and the value of collateral are presented in the following tables:

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

December 31, 2022											
On-balance sheet assets	Unimpaired (Stages 1&2)		Impaired (Stage 3)	POCI	Measured at FVTPL	Total gross exposures	Accumulated impairment allowances		Total net exposures	Collateral Value *	
	Without significant deterioration of credit risk	With significant deterioration of credit risk					Individually assessed	Collectively assessed		Securing unimpaired exposures	Securing impaired exposures
Per segment											
Retail receivables	60,628,768	14,505,461	3,411,822	180,684	-	78,726,735	1,864,927	1,748,737	75,113,071	27,976,946	482,834
Housing loans	29,934,845	4,620,892	516,999	-	-	35,072,736	273,117	369,036	34,430,583	26,541,399	406,292
Consumer and cash loans	23,929,573	7,628,048	2,433,935	-	-	33,991,556	1,231,009	1,013,922	31,746,625	26,168	3,346
Transaction accounts and credit cards	5,752,149	1,675,263	396,993	-	-	7,824,405	276,109	182,796	7,365,500	39,305	871
Other receivables	1,012,201	581,258	63,895	180,684	-	1,838,038	84,692	182,983	1,570,363	1,370,074	72,325
Corporate receivables	224,548,128	29,035,277	1,867,738	-	-	255,451,143	1,320,422	2,158,903	251,971,818	106,495,760	338,996
Large enterprises	117,020,523	23,609,580	927,508	-	-	141,557,611	642,795	1,700,345	139,214,471	55,630,073	187,842
SMEs (SMB)	11,685,865	3,802,328	479,584	-	-	15,967,777	325,766	235,300	15,406,711	4,303,092	112,487
Micro entities and sole entrepreneurs	6,234,094	1,622,636	460,646	-	-	8,317,376	351,861	212,415	7,753,100	1,158,850	38,667
Financial institutions	89,607,646	733	-	-	-	89,608,379	-	10,843	89,597,536	45,403,745	-
Other	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	93,409,437	980,157	-	-	-	94,389,594	-	52,846	94,336,748	-	-
Total exposure	378,586,333	44,520,895	5,279,560	180,684	-	428,567,472	3,185,349	3,960,486	421,421,637	134,472,706	821,830
Per category of receivables											
Performing exposures	378,586,333	44,520,895	-	115,805	-	423,223,033	-	3,960,486	419,262,547	134,472,706	-
Out of which: forbore	158,868	1,063,889	-	39,808	-	1,262,565	-	62,973	1,199,592	915,940	-
Non-performing exposures	-	-	5,279,560	64,879	-	5,344,439	3,185,349	-	2,159,090	-	821,830
Out of which: forbore	-	-	1,191,138	32,628	-	1,223,766	882,953	-	340,813	-	346,159
Total exposure	378,586,333	44,520,895	5,279,560	180,684	-	428,567,472	3,185,349	3,960,486	421,421,637	134,472,706	821,830

* Estimated collateral market or fair value up to the gross exposure amount securitized

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

December 31, 2022											
Off-balance sheet items	Unimpaired (Stages 1&2)		Impaired (Stage 3)	POCI	Measured at FVTPL	Total gross exposures	Accumulated impairment allowances		Total net exposures	Collateral Value *	
	Without significant deterioration of credit risk	With significant deterioration of credit risk					Individually assessed	Collectively assessed		Securing unimpaired exposures	Securing impaired exposures
Per segment											
Retail receivables	8,909,585	2,693,752	110,038	-	-	11,713,375	63,635	74,623	11,575,117	151,747	827
Housing loans	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	8,875,392	2,692,039	110,038	-	-	11,677,469	63,635	64,640	11,549,194	120,028	827
Other receivables	34,193	1,713	-	-	-	35,906	-	9,983	25,923	31,719	-
Corporate receivables	155,253,896	16,438,825	1,398,988	-	-	173,091,709	533,652	403,026	172,155,031	46,076,669	803,681
Large enterprises	139,948,638	13,700,111	1,373,623	-	-	155,022,372	524,496	323,366	154,174,510	35,364,321	789,643
SMEs (SMB)	5,056,753	1,140,285	15,393	-	-	6,212,431	3,456	41,064	6,167,911	731,414	13,549
Micro entities and sole entrepreneurs	1,756,043	193,009	9,972	-	-	1,959,024	5,700	38,093	1,915,231	154,034	489
Financial institutions	8,492,462	1,405,420	-	-	-	9,897,882	-	503	9,897,379	9,826,900	-
Other	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	2,686,261	558,764	-	-	-	3,245,025	-	921	3,244,104	-	-
Total exposure	166,849,742	19,691,341	1,509,026	-	-	188,050,109	597,287	478,570	186,974,252	46,228,416	804,508
Per category of receivables											
Performing exposures	166,849,742	19,691,341	-	-	-	186,541,083	-	478,570	186,062,513	46,228,416	-
Out of which: forbore	-	13,328	-	-	-	13,328	-	2,369	10,959	-	-
Non-performing exposures	-	-	1,509,026	-	-	1,509,026	597,287	-	911,739	-	804,508
Out of which: forbore	-	-	353,388	-	-	353,388	57,829	-	295,559	-	351,674
Total exposure	166,849,742	19,691,341	1,509,026	-	-	188,050,109	597,287	478,570	186,974,252	46,228,416	804,508

* Estimated collateral market or fair value up to the gross exposure amount securitized

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

December 31, 2021												
On-balance sheet assets	Unimpaired (Stages 1&2)		Impaired (Stage 3)	POCI	Measured at FVTPL	Total gross exposures	Accumulated impairment allowances		Total net exposures	Collateral Value *		
	Without significant deterioration of credit risk	With significant deterioration of credit risk					Individually assessed	Collectively assessed		Securing unimpaired exposures	Securing impaired exposures	
Per segment												
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	
Transaction 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	157,418	82,444	
Corporate 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	1,122,964	-	-	126,650,393	848,736	1,523,242	124,278,415	38,180,383	516,188	
SMEs (SMB)	12,384,758	2,943,204	655,210	-	-	15,983,172	495,558	81,424	15,406,190	4,609,835	216,463	
Micro entities and sole 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 exposure	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	
Per 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 exposure	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	

* Estimated collateral market or fair value up to the gross exposure amount securitized

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

December 31, 2021											
Off-balance sheet items	Unimpaired (Stages 1&2)		Impaired (Stage 3)	POCI	Measured at FVTPL	Total gross exposures	Accumulated impairment allowances		Total net exposures	Collateral Value *	
	Without significant deterioration of credit risk	With significant deterioration of credit risk					Individually assessed	Collectively assessed		Securing unimpaired exposures	Securing impaired exposures
Per segment											
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	-	-	-	-	-	-	-	-	-	-	-
Transaction 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	-
Corporate 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
SMEs (SMB)	5,606,901	661,636	18,351	-	-	6,286,888	8,444	9,881	6,268,564	839,660	11,758
Micro entities and sole 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 exposure	160,996,541	14,394,104	1,182,411	-	-	176,573,056	480,004	328,865	175,764,187	47,123,668	315,496
Per 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: forbore	-	9	-	-	-	9	-	-	9	-	-
Non-performing exposures	-	-	1,182,411	-	-	1,182,411	480,004	-	702,407	-	315,496
Out of which: forbore	-	-	142,880	-	-	142,880	-	-	142,880	-	-
Total exposure	160,996,541	14,394,104	1,182,411	-	-	176,573,056	480,004	328,865	175,764,187	47,123,668	315,496

* Estimated collateral market or fair value up to the gross exposure amount securitized

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Information on the Bank's credit risk exposure per customer segment and category of receivables according to the impairment status and past-due status as of December 31, 2022 is presented in the following tables:

December 31, 2022													
On-balance sheet assets	Unimpaired exposures (Stages 1 & 2) – past due status					Impaired exposures (Stage 3) – past due status					POCI assets	Meas-ured at FVTPL	Total unimpaired exposures (Stages 1&2)
	Not past due	Up to 30 dpd	31 – 60 dpd	61 – 90 dpd	Over 90 dpd	Not past due	Up to 90 dpd	91 – 180 dpd	181 – 360 dpd	Over 360 dpd			
Per segment													
Retail receivables	37,553,881	36,662,678	776,783	122,557	18,328	179,620	1,487,190	475,529	348,348	921,134	180,684	-	75,134,227
Housing loans	13,263,716	21,109,174	140,730	28,833	13,283	52,190	335,475	95,787	5,319	28,228	-	-	34,555,736
Consumer and cash loans	18,686,846	12,281,528	515,400	69,269	4,576	74,153	982,483	318,596	280,584	778,119	-	-	31,557,619
Transaction accounts and credit cards	5,512,101	1,799,403	92,915	22,682	311	34,766	146,712	52,622	61,591	101,302	-	-	7,427,412
Other receivables	91,218	1,472,573	27,738	1,773	158	18,511	22,520	8,524	854	13,485	180,684	-	1,593,460
Corporate receivables	248,435,938	5,089,297	32,907	24,915	348	985,204	254,418	94,331	126,633	407,153	-	-	253,583,405
Large enterprises	140,261,843	368,182	78	-	-	782,007	103,466	6,842	21,573	13,622	-	-	140,630,103
SMEs (SMB)	15,186,216	298,525	2,935	518	-	188,188	120,120	34,522	18,285	118,468	-	-	15,488,194
Micro entities and sole entrepreneurs	3,385,824	4,417,560	28,601	24,397	348	15,009	30,832	52,967	86,775	275,063	-	-	7,856,730
Financial institutions	89,602,055	5,030	1,293	-	-	-	-	-	-	-	-	-	89,608,378
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	94,389,596	-	-	-	-	-	-	-	-	-	-	-	94,389,596
Total exposure	380,379,415	41,751,975	809,690	147,472	18,676	1,164,824	1,741,608	569,860	474,981	1,328,287	180,684	-	423,107,228
Per category of receivables													
Performing exposures	380,379,415	41,751,975	809,690	147,472	18,676	-	-	-	-	-	115,805	-	423,107,228
Out of which: forborne	945,066	229,728	26,510	1,454	-	-	-	-	-	-	39,808	-	1,222,758
Non-performing exposures	-	-	-	-	-	1,164,824	1,741,608	569,860	474,981	1,328,287	64,879	-	5,279,560
Out of which: forborne	-	-	-	-	-	836,119	181,234	64,395	35,577	73,814	32,628	-	1,191,139
Total exposure	380,379,415	41,751,975	809,690	147,472	18,676	1,164,824	1,741,608	569,860	474,981	1,328,287	180,684	-	423,107,228
													5,279,560
													428,567,472

* Days past due are calculated according to the Bank's methodology

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

December 31, 2022											
Off-balance sheet items	Unimpaired exposures (Stages 1 & 2) – past due status					Impaired exposures (Stage 3) – past due status					Total gross exposures
	Not past due	Up to 30 dpd	31 – 60 dpd	61 – 90 dpd	Over 90 dpd	Not past due	Up to 90 dpd	91 – 180 dpd	181 – 360 dpd	Over 360 dpd	
Per segment											
Retail receivables	10,706,211	834,353	48,729	14,043	-	42,493	55,353	12,193	-	-	11,713,375
Housing loans	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	10,670,305	834,353	48,729	14,043	-	42,493	55,353	12,193	-	-	11,677,469
Other receivables	35,906	-	-	-	-	-	-	-	-	35,906	-
Corporate receivables	153,125,831	17,159,897	1,406,991	-	-	1,179,048	152,074	67,865	-	-	173,091,706
Large enterprises	138,206,039	15,384,047	58,661	-	-	1,159,843	151,506	62,273	-	-	155,022,369
SMEs (SMB)	6,035,087	161,896	55	-	-	14,452	49	892	-	-	6,212,431
Micro entities and sole entrepreneurs	1,530,570	417,891	591	-	-	4,753	519	4,700	-	-	1,959,024
Financial institutions	7,354,135	1,196,063	1,347,684	-	-	-	-	-	-	-	9,897,882
Other	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	3,245,028	-	-	-	-	-	-	-	-	-	3,245,028
Total exposure	167,077,070	17,994,250	1,455,720	14,043	-	1,221,541	207,427	80,058	-	-	186,541,083
Per category of receivables											
Performing exposures	167,077,070	17,994,250	1,455,720	14,043	-	-	-	-	-	-	186,541,083
Out of which: forbore	13,328	-	-	-	-	-	-	-	-	-	13,328
Non-performing exposures	-	-	-	-	-	1,221,541	207,427	80,058	-	-	1,509,026
Out of which: forbore	-	-	-	-	-	346,559	6,829	-	-	-	353,388
Total exposure	167,077,070	17,994,250	1,455,720	14,043	-	1,221,541	207,427	80,058	-	-	186,541,083

* Days past due are calculated according to the Bank's methodology

All investment securities held by the Bank are included in assets not past due and unimpaired and no impairment provisions were made for these investments.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Information on the Bank's credit risk exposure per customer segment and category of receivables according to the impairment status and past-due status as of December 31, 2021 is presented in the following tables:

December 31, 2021												
On-balance sheet assets	Unimpaired exposures (Stages 1 & 2) – past due status				Impaired exposures (Stage 3) – past due status				POCI assets	Measured at FVTPL	Total unimpaired exposures (Stages 1&2)	Total impaired exposures (Stage 3)
	Not past due	Up to 30 dpd	31 – 60 dpd	61 – 90 dpd	Over 90 dpd	Not past due	Up to 90 dpd	91 – 180 dpd	181 – 360 dpd	Over 360 dpd		
Per segment												
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	69,252,535	3,508,948
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
Consumer and cash loans	19,214,836	11,235,220	550,146	111,613	2,111	172,461	905,452	272,705	547,994	-	31,113,926	2,128,192
Transaction 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
Other receivables	1,055,004	766,259	27,299	3,754	2,913	33,411	22,440	9,237	12	9	1,855,229	65,109
Corporate 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
Large enterprises	125,459,441	57,234	10,754	-	-	1025,737	81,150	-	15,964	112	125,527,429	1,122,963
SMEs (SMB)	14,942,216	342,221	43,525	-	-	209,218	253,517	57,232	43,592	91,652	15,327,962	655,211
Micro entities and sole 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
Financial institutions	62,510,709	7,396	320	-	-	-	-	-	-	-	62,518,425	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	82,238,044	-	-	-	-	38,041	-	-	-	-	82,238,044	38,041
Total exposure	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	362,544,337	5,732,602
Per category of receivables												
Performing exposures	337,918,597	23,470,030	946,887	199,796	9,027	-	-	-	-	-	362,544,337	-
Out of which: forborne	275,532	143,092	27,312	319	-	-	-	-	-	-	446,255	-
Non-performing exposures	-	-	-	-	-	1,699,918	1,923,854	520,347	405,430	1,183,053	-	5,732,602
Out of which: forborne	-	-	-	-	-	935,502	246,722	30,927	11,804	73,976	-	1,298,931
Total exposure	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	362,544,337	5,732,602

* Days past due are calculated according to the Bank's methodology

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans

The Bank has no restructured loans and receivables due from banks and other financial institutions, or investment securities with renegotiated terms.

Restructuring process for a legal entity is initiated/implemented if the Bank estimates that the financial difficulties of the debtor are temporary i.e., if the Bank estimates that restructuring will provide a long-term sustainability of the borrowers' business. In the process of restructuring, the Bank is guided by the following principles:

- The activities are tailored in such a manner as to ensure survival of the borrower company and not compromise its liquidity (i.e., exposure reduction should be carefully planned and applied only if it does not compromise the business plan);
- Upon designing a financial restructuring plan, the focus is to be on both stabilizing the immediate cash flows and balance sheet improvements (such as non-core asset disposal, capital increase, liability restructuring including intra-group loans and off-balance sheet items), with a medium to long term purpose of achieving improved and sustainable EBITDA, i.e., improved debt repayment capacity, as well as increased company value;
- External consultants are involved in complex cases, covering various aspects of restructuring efforts such as legal, tax and operating advice and/or supervision, design and implementation of reorganization or restructuring scheme);
- Cooperation with other financiers is ensured in order to keep the customer alive and able to overcome the temporary difficulties: the cooperation needs should be considered on a case by case basis (setup of re-financing through syndicate, pooling collaterals, identifying supporting vs. hostile banks, assigning a leader in the process or setting up a steering committee, reducing the number of creditors involved etc.);
- If a borrower demonstrates willingness, a new investor is to be searched for (in agreement/in cooperation/ jointly with the borrower); and
- The Bank is to request and support the reorganization of the borrower, operational and strategic business improvements (changing the management and strategic concepts, modifying processes and organizational structures, (re)focusing on the core business, reducing operational costs, prioritizing investments and/or reducing investment related costs etc.).

In the process of entity restructuring, the Bank implements various measures, always insisting on the principle of the creditor's responsibility. Here are some of the restructuring measures implemented by the Bank (the list is not exhaustive since the cases of restructuring are specific and always require an individual approach):

- Modify the product: (i) refinance the exposure into a different product, either more appropriate for the borrower's business profile or more acceptable risk profile for the Bank (e.g., factoring, leasing), (ii) request up-front payments, (iii) modify the instalment size and frequency/due dates, (iv) modify interest rates, (v) impose sanctions (e.g., rescheduling fees);
- Strengthen the contract terms: adjust clauses and covenants in order to (i) ring-fence the Bank's position (ii) establish the system of financial discipline, (iii) support the execution of the restructuring plan, obtaining additional owners' commitment etc.;
- Contact other creditors and set up a Creditor Committee if needed (this step should be carefully considered in accordance with the direct contractual framework executed with the borrower, as well as with the purpose that should be achieved through such actions);
- Channel the borrower's cash flows through the Bank, including checking the existing pledges on receivables and updating them if relevant; and
- Explore the possibility of involving new stakeholders (investors, suppliers, and customers).

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans (Continued)

Management of non-performing exposures requires high pro-activity and strict monitoring of the defined strategy implementation in order to prevent losses for the Bank and enable maximum recovery of the existing exposure. With regard thereto, internal (among multiple departments and divisions within the Bank) and external (between the Bank and the debtor or between the Bank and other creditors, etc.) flows of information must be set and ensured so that the Bank could have the relevant and updated information on its disposal underlying the decision making about the restructuring strategy implementation and relationship with the debtor. There is a clearly defined line of authority within the competent Workout Division, where for each debtor there is an employee in charge of daily monitoring and communication, as well as the employee's superior body within the Bank, which is responsible for approval or correction of the proposed restructuring steps/measures,

Every aspect of the Bank-debtor relationship is defined by signing the necessary legal documentation (which is prior to signing checked by the Bank's Legal Department). This ensures the transparency of the agreed restructuring strategy/steps and defines obligations of both contracting parties. Even in the post-restructuring phase, the Legal Department will be in charge of all legal issues and actions that may arise from the relationship between the Bank and the debtor.

Control and monitoring of the contracted and implemented restructuring measures are carried out by defining the strategy implementation milestones and setting up control mechanisms of the fulfillment of the defined terms. Parameters of permanent and solid control are defined on a case by case basis and with respect to specific characteristics of each individual case, i.e., subject of restructuring and can involve (but are not limited to) the following:

- Performing credit reviews (minimum on a semi-annual basis) and presentation of review applications to the Bank's decision making bodies. This application involves information on how successful the restructuring strategy implementation is (whether the debtor repays its obligations towards the Bank in a timely and regular manner, whether the debtor complies with the agreed strategy, whether the debtor's business is stable and viable, etc.), and correction strategy measures can be proposed (if necessary).
- Regular monitoring of inflows/outflows to/from the debtor's account held with the Bank (inflows/outflows from the business activity; comparison of the actual with the expected and agreed turnover via the account held with the Bank; monitoring of inflows based on pledged/assigned receivables (if any); prompt response in case of any non-standard or unusual transaction (or lack thereof) etc.
- Monitoring of the debtor's business activity (as well as the activities of the debtor's related parties, if any) based on the information/reports regularly provided by the debtor or another entity authorized by the debtor (or even an external supervisor if hired).
- Personal visit to the debtor (if it is necessary or if the complexity of the debtor's business or defined restructuring strategy requires so).
- Regular monitoring and updating of collateral appraisals.
- Regular monitoring of the public registers as well as publicly available information so that the Bank can respond promptly to any unusual developments.
- Monitoring and prompt response to a possible debtor's account blockade (the Bank is automatically notified thereof by the National Bank of Serbia).
- Monitoring of timely fulfilment of contractual or any other terms and conditions.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans (Continued)

As a part of RBI Group, the Bank is under obligation to comply with the regulations of the National Bank of Serbia as well as the regulations defined by the competent institutions 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 exposure classes.

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
- amendments/modifications of the general contractual terms which are considered as concessions to the debtor.

Forborne status of the exposure will cease i.e., will be cancelled, only when all of the following conditions are met:

- The loan is considered "performing" and this also relates also to the loans whose status was changed from "non-performing" to "performing" after the financial analysis performed on the debtor has shown that the loan can no longer be considered as "non-performing";
- Minimum two years of the probation period have passed from:
 - the date that the "forborne" exposure was again considered as "performing" (for loans reclassified from "non-performing" to the "performing" status);
 - the date that the "forborne" measure was approved (for loans not classified as "non-performing" on the date of "forbearance" implementation or for loans with status not changed to "non-performing" due to the implementation of "forbearance" measures);
- The debtor has repaid a significant portion of the principal or interest amount during at least a half of the probation period;
- Not a single exposure to the debtor was more than 30 days past due at the end of the probation period.

Loan restructuring for private individuals is implemented if the Bank assess that a debtor's financial difficulties are of a temporary nature and that the measures approved will help the debtor to overcome the financial difficulties and return to regular loan repayment. In the process of restructuring, the Bank is guided by the following principles:

- Ensure a better understanding of customer needs and his current financial situation;
- Improve the motivation of the client to discharge the liabilities in a timely and regular manner.

The basic principles that the Bank follows when defining the basic elements of a new restructured loan are:

- Include all balance sheet receivables from the debtor in a single loan facility (contract), with possible exceptions.
- The new repayment schedule should stipulate monthly instalments, where the final maturity is determined based on the exposure of the client and the credit products he uses. The extension of the repayment period, i.e., a new period of repayment of the restructured loan, which comprise all other exposures (except housing mortgage loans and cash loans secured by mortgage) is defined depending on the type of products being restructured (credit cards, loans) and according to the exposure.
- Interest rate – a detailed method of determining the interest rate and the loan processing fee for the restructured loan is subject to approval by the Committee for Setup of Interest Rates, Tariffs and Fees for Services;

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans (Continued)

- Collaterals for the new loan should be at least equivalent to the existing collaterals securing the loans subject to restructuring;
- Total monthly liabilities of the client after the restructuring should be reduced by at least 20% against the client's current monthly liabilities toward the Bank;
- Restructuring models that are being used (in the process of restructuring of clients-private individuals, the Bank uses different models, always insisting on the client responsibility).

Here are the basic models (measures) of the restructuring applied by the Bank:

- An extension of the loan maturity and adjustments to monthly installments according to the client's needs, repayment capabilities, the above set conditions and the Bank's lending policies.
- A grace period of up to 12 months, for the existing housing loan or cash loan with mortgage (while maintaining the original maturity). During the grace period, the customer only pays the agreed amount of interest.
- A temporary reduction of interest over a period of up to 12 months.
- Negative amortization: In these cases, the interest rate for housing loans remains unchanged, but during the grace period of 9 months the client pays only 50% of the interest accrued. After the expiry of the grace period, all the arrears approved are capitalized, increasing the loan principal while the original currency of the loan is retained.

The client receives the 'cured' status upon fulfilment of the following conditions:

- Full repayment of the restructured loan; or
- For a period of two years after completion of the restructuring, the client has not been in default (if within a period of two years, the client enters and then exits the default status, a new two-year cure/probation period will restart from the date of default end);
- For the last two years following the restructuring, the client has not been over 30 days past due in repayment of any credit product (if within the period of two years, the client enters the 30+ days past due status and rolls back below 30 days past due and exits the default status, a new two-year cure/probation period will restart from the date of roll-back).

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans (Continued)

Breakdown of restructured loans and receivables per restructuring measure approved by the Bank:

December 31, 2022								
On-balance sheet assets	Interest rate decrease	Repayment period extension	Moratorium	Past due amount capitalization	Refinancing	Partial write-off	Debt to equity conversion	Other measures*
Per segment								
Retail receivables	-	313,619	48	10,356	179,448	-	-	34,677
Housing loans	-	182,066	-	8,513	21,273	-	-	21,949
Consumer and cash loans	-	122,432	48	1,843	1,115	-	-	3,842
Transaction accounts and credit cards	-	-	-	-	-	-	-	-
Other receivables	-	9,121	-	-	157,060	-	-	8,886
Corporate receivables	-	348,821	-	-	275,461	-	-	1,323,903
Large enterprises	-	195,166	-	-	269,303	-	-	1,111,855
SMEs (SMB)	-	84,877	-	-	6,158	-	-	192,045
Micro entities and sole entrepreneurs	-	68,778	-	-	-	-	-	20,003
Financial institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-
Total exposure	-	662,440	48	10,356	454,909	-	-	1,358,580
								2,486,333

* The Bank may present other restructuring measures in separate columns if those are identified as significant.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans (Continued)

Breakdown of restructured loans and receivables per restructuring measure approved by the Bank:

Off-balance sheet items	December 31, 2022							Total
	Interest rate decrease	Repayment period extension	Moratorium	Past due amount capitalization	Refinancing	Partial write-off	Debt to equity conversion	
Per segment								
Retail receivables	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
Corporate receivables	-	-	-	-	-	-	-	366,716
Large enterprises	-	-	-	-	-	-	-	366,092
SMEs (SMB)	-	-	-	-	-	-	-	624
Micro entities and sole entrepreneurs	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-
Total exposure	-	-	-	-	-	-	-	366,716

* The Bank may present other restructuring measures in separate columns if those are identified as significant.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans (Continued)

Breakdown of restructured loans and receivables per restructuring measure approved by the Bank:

On-balance sheet assets	December 31, 2021							Total
	Interest rate decrease	Repayment period extension	Moratorium	Past due amount capitalization	Refinancing	Partial write-off	Debt to equity conversion	
Per segment								
Retail receivables	-	288,058	340	8,944	210,638	-	-	550,639
Housing loans	-	170,515	-	8,944	15,850	-	-	217,524
Consumer and cash loans	-	107,485	340	-	402	-	-	120,918
Transaction accounts and credit cards	-	-	-	-	-	-	-	-
Other receivables	-	10,058	-	-	194,386	-	-	212,197
Corporate receivables	-	542,885	-	-	330,201	-	-	1,283,943
Large enterprises	-	394,796	-	-	324,043	-	-	893,428
SMEs (SMB)	-	82,050	-	-	6,158	-	-	293,350
Micro entities and sole entrepreneurs	-	66,039	-	-	-	-	-	97,165
Financial institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-
Total exposure	-	830,943	340	8,944	540,839	-	-	1,834,582

* The Bank may present other restructuring measures in separate columns if those are identified as significant.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans (Continued)

Breakdown of restructured loans and receivables per restructuring measure approved by the Bank:

Off-balance sheet items	December 31, 2021							Total
	Interest rate decrease	Repayment period extension	Moratorium	Past due amount capitalization	Refinancing	Partial write-off	Debt to equity conversion	
Per segment								
Retail receivables	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
Corporate receivables	-	2,286	-	-	-	-	-	142,889
Large enterprises	-	-	-	-	-	-	-	140,594
SMEs (SMB)	-	2,286	-	-	-	-	-	2,295
Micro entities and sole entrepreneurs	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-
Total exposure	-	2,286	-	-	-	-	-	142,889

* The Bank may present other restructuring measures in separate columns if those are identified as significant.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans (Continued)

Movements of the Bank's restructured (forborne) on-balance sheet and off-balance sheet receivables during 2022 were as follows:

On-balance sheet assets	Gross exposure as of January 1, 2022		Forborne during the year		Cured from forbearance during the year		Foreign exchange effects		Other movements*		Gross exposure as of December 31, 2021		Net exposure as of December 31, 2022	
	1	2	3	4	5	6 (1+2-3+4+5)	7							
Retail receivables	550,639	112,217	74,613	-331	-49,764	538,148	336,895							
Housing loans	217,524	56,594	21,896	21	-18,442	233,801	137,822							
Consumer and cash loans	120,918	54,009	33,773	-	-11,874	129,280	60,281							
Transaction accounts and credit cards	-	-	-	-	-	-	-							
Other receivables	212,197	1,614	18,944	-352	-19,448	175,067	138,792							
Corporate receivables	1,283,944	1,194,053	272,152	-2,129	-255,531	1,948,185	1,203,514							
Large enterprises	893,428	1,028,465	141,100	-1,694	-202,775	1,576,324	1,015,432							
SMEs (SMB)	293,350	144,619	117,984	-429	-36,476	283,080	139,560							
Micro entities and sole entrepreneurs	97,166	20,969	13,068	-6	-16,280	88,781	48,522							
Financial institutions	-	-	-	-	-	-	-							
Other	-	-	-	-	-	-	-							
Receivables from other clients	-	-	-	-	-	-	-							
Total exposure	1,834,583	1,306,270	346,765	-2,460	-305,295	2,486,333	1,540,409							

* The Bank may present other movements/changes in separate columns if those are identified as significant.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans (Continued)

Off-balance sheet items	Gross exposure as of January 1, 2022	Forborne during the year	Cured from forbearance during the year	Foreign exchange effects	Other movements*	Gross exposure as of December 31, 2021	Net exposure as of December 31, 2022
	1	2	3	4	5	6 (1+2-3+4+5)	7
Retail receivables	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-
Transaction accounts and credit cards	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Corporate receivables	142,889	13,925	2,286	-	212,188	366,716	306,518
Large enterprises	140,594	13,304	-	-	212,194	366,092	306,059
SMEs (SMB)	2,295	621	2,286	-	-6	624	459
Micro entities and sole entrepreneurs	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-
Total exposure	142,889	13,925	2,286	-	212,188	366,716	306,518

* The Bank may present other movements/changes in separate columns if those are identified as significant.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans (Continued)

Movements of the Bank's restructured (forborne) on-balance sheet and off-balance sheet receivables during 2021 were as follows:

On-balance sheet assets	Gross exposure as of January 1, 2021	Forborne during the year	Cured from forbearance during the year	Foreign exchange effects	Other movements*	Gross exposure as of December 31, 2021	Net exposure as of December 31, 2021
	1	2	3	4	5	6 (1+2-3+4+5)	7
Retail receivables	611,275	66,390	84,526	567	-43,067	550,639	370,042
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
Transaction accounts and credit cards	-	-	-	-	-	-	-
Other receivables	250,351	-	19,958	2	-18,198	212,197	184,857
Corporate receivables	1,611,064	380,149	551,324	72	-156,017	1,283,944	413,085
Large enterprises	1,234,914	252,222	463,832	70	-129,946	893,428	217,433
SMEs (SMB)	283,822	90,676	62,124	2	-19,026	293,350	125,726
Micro entities and sole entrepreneurs	92,328	37,251	25,368	-	-7,045	97,166	69,926
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-
Total exposure	2,222,339	446,539	635,850	639	-199,084	1,834,583	783,127

* The Bank may present other movements/changes in separate columns if those are identified as significant.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans (Continued)

Off-balance sheet items	Gross exposure as of January 1, 2021	Forborne during the year	Cured from forbearance during the year	Foreign exchange effects	Other movements*	Gross exposure as of December 31, 2021	Net exposure as of December 31, 2021
	1	2	3	4	5	6 (1+2-3+4+5)	7
Retail receivables	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-
Transaction accounts and credit cards	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Corporate receivables	262,555	134,070	54,877	-	-198,859	142,889	142,889
Large enterprises	230,005	131,784	22,918	-	-198,277	140,594	140,594
SMEs (SMB)	32,550	2,286	31,959	-	-582	2,295	2,295
Micro entities and sole entrepreneurs	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-
Total exposure	262,555	134,070	54,877	-	-198,859	142,889	142,889

* The Bank may present other movements/changes in separate columns if those are identified as significant.

Collateral as an instrument of credit risk mitigation

The Bank holds collateral for loans and receivables due from customers in the form of mortgages instituted on real estate and other tangible and intangible credit protection forms. Collateral market value estimates are based on the collateral value of collateral assessed by appraisers at the time of loan approval and are generally updated annually. The minimum haircuts are applied to the existing collateral values. Where appropriate, additional haircuts laid down in the RBI Group policy for individual types of credit protection instruments are applied. This policy takes into account the specifics for each type 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)

Information on the collateral type, value and guarantee issuer per customer segment and category of receivables as of December 31, 2022 is provided below:

Stage 1

December 31, 2022									
On-balance sheet assets		Collateral type *							
	Deposits	Securities	Residential property	Other prop-erty	Pledge on goods and livestock	Other col-laterals	Guarantees** issued by		
							Government	Bank	Borrower's related party
Per segment									
Retail receivables	68,189	-	23,806,295	31,282	-	1,702	-	-	-
Housing loans	25,375	-	22,956,365	27,628	-	-	-	-	-
Consumer and cash loans	3,877	-	-	-	-	1,702	-	-	-
Transaction accounts and credit cards	38,798	-	-	-	-	-	-	-	-
Other receivables	139	-	849,930	3,654	-	-	-	-	-
Corporate receivables	269,929	-	1,420,288	21,666,221	-	848,118	8,064,834	45,403,538	-
Large enterprises	172,398	-	588,265	20,480,301	-	813,549	6,878,598	226	-
SMEs (SMB)	83,810	-	511,933	1,118,241	-	33,051	695,900	-	-
Micro entities and sole entrepreneurs	13,721	-	320,090	67,679	-	1,518	490,336	-	-
Agricultural estates	-	-	-	-	-	-	-	45,403,312	-
Public companies	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Per category of receivable									
Performing exposures	338,118	-	25,226,583	21,697,503	-	849,820	8,064,834	45,403,538	-
Out of which: forbore	-	-	79,007	1,531	-	-	2,517	-	-
Non-performing exposures	-	-	-	-	-	-	-	-	-
Out of which: forbore	-	-	-	-	-	-	-	-	-
Total	338,118	-	25,226,583	21,697,503	-	849,820	8,064,834	45,403,538	-
									17,961,487

* 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

December 31, 2022										
Off-balance sheet items	Deposits	Securities	Residential property	Other prop-erty	Pledge on goods and livestock	Collateral type *				
						Other col-laterals	Government	Bank	Borrower's related party	Third party
Per segment										
Retail receivables	151,630	-	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	119,911	-	-	-	-	-	-	-	-	-
Other receivables	31,719	-	-	-	-	-	-	-	-	-
Corporate receivables	834,437	-	248,027	3,742,384	-	294,575	-	8,532,536	-	25,442,586
Large enterprises	546,268	-	116,729	3,518,414	-	290,841	-	109,749	-	25,372,322
SMEs (SMB)	143,900	-	125,227	223,970	-	3,734	-	-	-	67,770
Micro entities and sole entrepreneurs	144,269	-	6,071	-	-	-	-	-	-	2,494
Agricultural estates	-	-	-	-	-	-	-	8,422,787	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-
Per category of receivable										
Performing exposures	986,068	-	248,027	3,742,384	-	294,575	-	8,532,536	-	25,442,586
Out of which: forbore	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forbore	-	-	-	-	-	-	-	-	-	-
Total	986,068	-	248,027	3,742,384	-	294,575	-	8,532,536	-	25,442,586

* 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

December 31, 2022									
On-balance sheet assets	Collateral type *								
	Deposits	Securities	Residential property	Other prop-erty	Pledge on goods and livestock	Other col-laterals	Guarantees** issued by		
Per segment							Government	Bank	Borrower's related party
Retail receivables	33,983	-	4,034,721	774	-	-	-	-	-
Housing loans	12,886	-	3,519,144	-	-	-	-	-	-
Consumer and cash loans	20,590	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	507	-	-	-	-	-	-	-	-
Other receivables	-	-	515,577	774	-	-	-	-	-
Corporate receivables	174,944	-	250,450	3,865,540	-	911,376	563,007	1,353	5,094,674
Large enterprises	155,312	-	25,055	3,401,817	-	908,914	151,986	921	4,829,010
SMEs (SMB)	18,454	-	207,932	448,267	-	2,462	264,445	-	244,741
Micro entities and sole entrepreneurs	1,178	-	17,463	15,456	-	-	146,576	-	20,923
Agricultural estates	-	-	-	-	-	-	-	432	-
Public companies	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Per category of receivable									
Performing exposures	208,927	-	4,285,171	3,866,314	-	911,376	563,007	1,353	5,094,674
Out of which: forbore	-	-	95,863	731,697	-	-	2,524	-	2,729
Non-performing exposures	-	-	-	-	-	-	-	-	-
Out of which: forbore	-	-	-	-	-	-	-	-	-
Total	208,927	-	4,285,171	3,866,314	-	911,376	563,007	1,353	5,094,674

* 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

December 31, 2022		Collateral type *									
Off-balance sheet items		Deposits	Securities	Residential property	Other prop-erty	Pledge on goods and livestock	Other col-laterals	Guarantees** issued by			
								Government	Bank	Borrower's related party	Third party
Per segment											
Retail receivables	117	-	-	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	117	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-	-
Corporate receivables	142,509	-	80,168	612,834	-	-	31,782	-	1,805,847	-	4,308,983
Large enterprises	122,182	-	9,867	562,265	-	-	27,880	-	401,733	-	4,286,069
SMEs (SMB)	19,127	-	70,301	50,569	-	-	3,902	-	-	-	22,914
Micro entities and sole entrepreneurs	1,200	-	-	-	-	-	-	-	-	-	-
Agricultural estates	-	-	-	-	-	-	-	-	1,404,114	-	-
Public companies	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-	-
Per category of receivable											
Performing exposures	142,626	-	80,168	612834	-	-	31,782	-	1805,847	-	4,308,983
Out of which: forbome	-	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	-	-	-	-	-	-	-	-	-	-	-
Out of which: forbome	-	-	-	-	-	-	-	-	-	-	-
Total	142,626	-	80,168	612,834	-	-	31,782	-	1,805,847	-	4,308,983

* 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

December 31, 2022		Collateral type *						
On-balance sheet assets								
	Deposits	Securities	Residential property	Other prop-erty	Pledge on goods and livestock	Other col-laterals	Guarantees** issued by	
							Government	Bank Borrower's related party Third party
Per segment								
Retail receivables	3,690	-	478,778	-	-	366	-	-
Housing loans	2,594	-	403,698	-	-	-	-	-
Consumer and cash loans	225	-	2,755	-	-	366	-	-
Transaction accounts and credit cards	871	-	-	-	-	-	-	-
Other receivables	-	-	72,325	-	-	-	-	-
Corporate receivables	372	-	15,165	229,024	-	-	38,975	55,461
Large enterprises	-	-	-	152,743	-	-	13,402	21,697
SMEs (SMB)	-	-	-	69,436	-	-	13,379	29,672
Micro entities and sole entrepreneurs	372	-	15,165	6,845	-	-	12,194	4,092
Agricultural estates	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-
Per category of receivable								
Performing exposures	-	-	-	-	-	-	-	-
Out of which: forbome	-	-	-	-	-	-	-	-
Non-performing exposures	4,062	-	493,943	229,024	-	366	38,975	55,461
Out of which: forbome	-	-	135,145	185,407	-	-	-	25,606
Total	4,062	-	493,943	229,024	-	366	38,975	55,461

* 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

December 31, 2022									
Off-balance sheet items	Deposits	Securities	Residential property	Other prop-erty	Pledge on goods and livestock	Collateral type *			
						Other col-laterals	Government	Bank	Borrower's related party
Per segment									
Retail receivables	827	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	827	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Corporate receivables	4,348	-	-	750,087	-	19,246	-	30,000	-
Large enterprises	3,859	-	-	736,538	-	19,246	-	30,000	-
SMEs (SMB)	-	-	-	13,549	-	-	-	-	-
Micro entities and sole entrepreneurs	489	-	-	-	-	-	-	-	-
Agricultural estates	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Per category of receivable									
Performing exposures	-	-	-	-	-	-	-	-	-
Out of which: forbore	-	-	-	-	-	-	-	-	-
Non-performing exposures	5,175	-	-	750,087	-	19,246	-	30,000	-
Out of which: forbore	-	-	-	351,674	-	-	-	-	-
Total	5,175	-	-	750,087	-	19,246	-	30,000	-

* 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)

Information on the collateral type, value and guarantee issuer per customer segment and category of receivables as of December 31, 2021 is provided below:

Stage 1

December 31, 2021									
On-balance sheet assets	Deposits	Securities	Residential property	Other prop-erty	Collateral type *				
					Pledge on goods and livestock	Other col-laterals	Government	Bank	Guarantees** issued by Borrower's related party
Per segment									
Retail receivables	41,921	-	13,132,725	1,724	-	-	-	-	-
Housing loans	5,570	-	12,822,315	936	-	-	-	-	-
Consumer and cash loans	24,419	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	11,930	-	-	-	-	-	-	-	-
Other receivables	2	-	310,410	788	-	-	-	-	-
Corporate receivables	260,024	-	963,674	15,277,244	-	1,692,260	2,673,247	30,691,557	16,481,463
Large enterprises	129,482	-	401,582	14,049,748	-	1,677,667	974,301	105	15,750,321
SMEs (SMB)	102,229	-	432,379	1,210,901	-	14,325	1,165,858	-	682,849
Micro entities and sole entrepreneurs	28,313	-	129,713	16,595	-	268	533,088	-	48,293
Agricultural estates	-	-	-	-	-	-	-	30,691,452	-
Public companies	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Per category of receivable									
Performing exposures	301,945	-	14,096,399	15,278,968	-	1,692,260	2,673,247	30,691,557	16,481,463
Out of which: forbore	-	-	27,948	-	-	-	206	-	-
Non-performing exposures	-	-	-	-	-	-	-	-	-
Out of which: forbore	-	-	-	-	-	-	-	-	-
Total	301,945	-	14,096,399	15,278,968	-	1,692,260	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

December 31, 2021										
Off-balance sheet items										
			Collateral type *							
Deposits			Securities	Residential property	Other prop-erty	Pledge on goods and livestock	Other col-laterals	Guarantees** issued by		
								Government	Bank	Borrower's related party
Per segment										
Retail receivables			40,603	-	-	-	-	-	-	-
Housing loans			-	-	-	-	-	-	-	-
Consumer and cash loans			-	-	-	-	-	-	-	-
Transaction accounts and credit cards			35,951	-	-	-	-	-	-	-
Other receivables			4,652	-	-	-	-	-	-	-
Corporate receivables			651,728	269,764	4,032,957	-	294,565	2,351,642	7,387,833	28,308,693
Large enterprises			288,818	127,834	3,840,812	-	286,127	2,351,642	261,463	28,214,693
SMEs (SMB)			235,769	136,012	192,145	-	8,438	-	-	89,000
Micro entities and sole entrepreneurs			127,141	5,918	-	-	-	-	-	5,000
Agricultural estates			-	-	-	-	-	-	7,126,370	-
Public companies			-	-	-	-	-	-	-	-
Receivables from other clients			-	-	-	-	-	-	-	-
Per category of receivable										
Performing exposures			692,331	269,764	4,032,957	-	294,565	2,351,642	7,387,833	28,308,693
Out of which: forbore			-	-	-	-	-	-	-	-
Non-performing exposures			-	-	-	-	-	-	-	-
Out of which: forbore			-	-	-	-	-	-	-	-
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

December 31, 2021									
On-balance sheet assets			Collateral type *						
Deposits	Securities	Residential property	Other prop-erty	Pledge on goods and livestock	Other col-laterals	Guarantees** issued by			
						Government	Bank	Borrower's related party	Third party
Per segment									
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	-	-	-	-
Transaction accounts and credit cards	12,673	-	-	-	-	-	-	-	-
Other receivables	-	1,202,164	4,054	-	-	-	-	-	-
Corporate receivables	328,328	264,730	3,011,472	-	185,899	846,734	8,143	1,911,975	100,572
Large enterprises	257,490	13,573	2,569,116	-	178,336	173,302	8,035	1,748,838	100,572
SMEs (SMB)	55,200	135,578	416,032	-	7,274	258,811	-	128,399	-
Micro entities and sole entrepreneurs	15,638	115,579	26,324	-	289	414,621	-	34,738	-
Agricultural estates	-	-	-	-	-	-	108	-	-
Public companies	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Per category of receivable									
Performing exposures	393,921	9,850,785	3,017,506	-	186,112	846,734	8,143	1,911,975	100,572
Out of which: forbore	4,703	182,899	14,933	-	10,441	4,035	-	629	-
Non-performing exposures	-	-	-	-	-	-	-	-	-
Out of which: forbore	-	-	-	-	-	-	-	-	-
Total	393,921	9,850,785	3,017,506	-	186,112	846,734	8,143	1,911,975	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

December 31, 2021									
Off-balance sheet items	Collateral type *								
	Deposits	Securities	Residential property	Other prop-erty	Pledge on goods and livestock	Other col-laterals	Guarantees** issued by		
							Government	Bank	Borrower's related party
Per segment									
Retail receivables	53,736	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	24,140	-	-	-	-	-	-	-	-
Other receivables	29,596	-	-	-	-	-	-	-	-
Corporate receivables	253,762	-	51,931	702,130	-	33,127	-	466,853	1,965,633
Large enterprises	202,555	-	-	609,822	-	33,127	-	401,752	1,950,278
SMEs (SMB)	32,446	-	41,673	91,308	-	-	-	-	12,869
Micro entities and sole entrepreneurs	18,761	-	10,258	1,000	-	-	-	-	2,486
Agricultural estates	-	-	-	-	-	-	-	65,101	-
Public companies	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Per category of receivable									
Performing exposures	307,498	-	51,931	702,130	-	33,127	-	466,853	1,965,633
Out of which: forbore	-	-	-	-	-	-	-	-	-
Non-performing exposures	-	-	-	-	-	-	-	-	-
Out of which: forbore	-	-	-	-	-	-	-	-	-
Total	307,498	-	51,931	702,130	-	33,127	-	466,853	1,965,633
									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

December 31, 2021									
On-balance sheet assets		Collateral type *							
	Deposits	Securities	Residential property	Other prop-erty	Pledge on goods and livestock	Other col-laterals	Guarantees** issued by		
							Government	Bank	Borrower's related party
Per segment									Third party
Retail receivables	7,831	-	520,537	5,269	-	-	-	-	-
Housing loans	4,670	-	434,943	5,269	-	-	-	-	-
Consumer and cash loans	2,112	-	3,149	-	-	-	-	-	-
Transaction accounts and credit cards	1,049	-	-	-	-	-	-	-	-
Other receivables	-	-	82,445	-	-	-	-	-	-
Corporate receivables	372	-	63,761	612,712	-	3,728	25,722	-	54,069
Large enterprises	-	-	-	511,688	-	3,166	988	-	346
SMEs (SMB)	-	-	51,171	97,290	-	562	17,757	-	49,684
Micro entities and sole entrepreneurs	372	-	12,590	3,734	-	-	6,977	-	4,039
Agricultural estates	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Per category of receivable									
Performing exposures	-	-	-	-	-	-	-	-	-
Out of which: forbome	-	-	-	-	-	-	-	-	-
Non-performing exposures	8,203	-	584,298	617,981	-	3,728	25,722	-	54,069
Out of which: forbome	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

December 31, 2021									
Off-balance sheet items		Collateral type *							
	Deposits	Securities	Residential property	Other prop-erty	Pledge on goods and livestock	Other col-laterals	Guarantees** issued by		
							Government	Bank	Borrower's related party
Per segment									
Retail receivables	370	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	370	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Corporate receivables	20,856	-	-	287,845	-	6,425	-	-	-
Large enterprises	20,856	-	-	276,087	-	6,425	-	-	-
SMEs (SMB)	-	-	-	11,758	-	-	-	-	-
Micro entities and sole entrepreneurs	-	-	-	-	-	-	-	-	-
Agricultural estates	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Per category of receivable									
Performing exposures	-	-	-	-	-	-	-	-	-
Out of which: forbore	-	-	-	-	-	-	-	-	-
Non-performing exposures	21,226	-	-	287,845	-	6,425	-	-	-
Out of which: forbore	-	-	-	-	-	-	-	-	-
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)

In the tables on previous pages, the property values are stated at weighted collateral values used in the calculation of impairments, whereas the guarantees issued are stated at amounts not exceeding the carrying values of the relating collateralized loans and receivables. The weighted collateral value (WCV) is calculated as the nominal collateral value (NCV) net of haircut (discount) and senior liens and is limited to the amount specified in the relevant collateral agreement and the amount secured by the respective collateral. The nominal collateral value (NCV) is the fair market value (FMV), which is based on an expert appraisal or the purchase price of the real estate.

The Bank's policy stipulates timely and appropriate collateral activation. Generally, the Bank does not use non-cash collaterals for its own business purposes.

LTV ratio

LTV ratio represents the gross carrying value of loans and receivables relative to the market value of the property securitizing collection of those loans and receivables.

The Bank's loans and receivables secured with mortgages instituted over property per LTV ratio value are presented below:

LTV ratio	December 31, 2022	December 31, 2021
Below 50%	34,793,299	29,327,827
From 50% to 70%	18,220,239	13,106,636
From 70% to 90%	17,195,427	9,618,614
From 90% to 100%	2,928,412	2,034,835
From 100% to 120%	4,027,357	6,158,586
From 120% to 150%	2,351,709	1,855,803
Above 150%	3,368,110	5,381,412
Total	82,884,553	67,483,713
Average LTV ratio	26%	30%

Investment securities

The Bank manages limits and controls concentrations of credit risk and settlement risk at the counterparty level. Investments in securities and treasury bills issued by the Government and public institutions (the National Bank of Serbia and RS Ministry of Finance) are viewed as a way to gain a better credit quality of the portfolio in terms of risk and profitability.

The risks pertaining to such investments are monitored on an ongoing basis and are subject to regular annual review. The limits are analyzed at the proposal of the Treasury and Investment Banking Division, as recommended by the Risk Management Division (after conducted client analysis and received RBI preliminary approval). The limits are then approved by the Bank's Credit Committee, as the Bank's maximum exposure over the defined period to the instrument, a single client and a group of clients – related entities. The actual exposures within the set limits are monitored on a daily basis.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Investment securities (Continued)

During 2022 and 2021, the Bank had in its portfolio the following debt securities and treasury bills:

- Ministry of Finance of the Republic of Serbia T-bills and bonds,
- US, Germany and Austria Treasury bonds,
- Bonds issued by the European Union,
- Bonds issued by Metro Wholesale & Food Specialist, and
- Bonds of international financial organizations (EBRD, IFC, EIB and KfW).

In 2022 and 2021 the Bank entered in reverse-repo transactions with the National Bank of Serbia (with NBS bills).

Derivative financial instruments

During 2022 and 2021, the Bank performed transactions in the following types of derivatives:

- foreign exchange forwards and similar contracts,
- FX swap contracts, and
- interest rate swaps.

The Bank uses the above listed products for foreign exchange (currency) risk and interest rate risk management purposes.

The foreign exchange forward and swap transactions create the Bank's exposures to credit risk (risk that a counterparty will not settle a liability 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).

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 credit limits approved to customers.

The Bank maintains strict control of limits on open derivative positions.

Raiffeisen Bank's Hedging Strategy

Due to its diverse banking activities, the Bank is exposed to a number of risks, of which interest rate risk is regarded as a major risk. The said risk is manifest through the impact of market interest rate movements on the net interest income or on the Bank's net value.

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 has elected to use derivative financial instruments for active interest rate risk management.

Derivative products, such as interest rate swaps and cross-currency swaps are an option as instruments for the purposes of interest rate risk management. 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 the fair value of derivative transactions with the changes in the fair value of hedged items. This is how a matched timing for recognition of gains and losses on the hedged items with those on the derivatives is achieved, allowing the Bank to avoid its profit or loss volatility by offsetting the effects on the hedged items against those on the hedging instruments. The Bank records these items in a separate portfolio within its Wall Street system.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Derivative financial instruments (Continued)

Raiffeisen Bank's Hedging Strategy (Continued)

The Bank considers as hedged items only the financial assets and liabilities recorded in the banking book, which are measured at amortized cost under the IFRS 9-defined treatment, with following characteristics:

- Fixed or floating interest rate customer loans or deposits,
- Items denominated in currencies in which the hedging instruments (IRS, CCS) are available,
- Loans with lump sum (bullet) or amortizing principal repayment, and
- External counterpart's assets or liabilities (intra-group balances are not allowed to be designated as hedged items).

Currently, the Bank is applying hedge accounting to a single interest rate swap (instrument), executed as a hedge for a loan obtained from EIB.

Details on the hedged item

The hedged item is a loan extended by the European Investment Bank through the National Bank of Serbia as the agent, with the following contract elements:

- The loan was approved on November 20, 2015 in the amount of EUR 34,035,000;
- The applicable interest rate is a floating rate based on 3-month Euribor, equal to 3M Euribor + 0.483%;
- Interest is payable on a quarterly basis (each 20th February, 20th May, 20th August, and 20th November);
- The first interest payment was due on February 20, 2016 and the last one falls due on May 20, 2027;
- The principal shall be repaid in 16 equal quarterly installments, the first of which was due on November 20, 2019, and the last one falls due on May 20, 2027.

Details on the hedging instrument

As a hedge against the interest rate risk arising from the floating interest rate, on May 24, 2016 (trade date), the Bank executed an interest rate swap, which became effective as of May 26, 2016. The interest rate swap was executed in the same notional amount and with the exact same repayment schedule as the hedged item (the above described EIB loan), with the following further details:

- Fixed rate payer – Raiffeisen banka a.d. Beograd;
- Fixed rate equals 0.29%;
- Floating rate payer Raiffeisen Bank International AG;
- Floating rate equals 3M Euribor;
- Interest shall be accrued and paid on a quarterly basis.

Hedge effectiveness methodology

Hedge effectiveness is measured at inception and afterwards once a month, on both a retrospective and prospective basis. Both tests are conducted on the net fair values and considering the cumulated fair value changes from the inception of the hedging relationship. The dollar offset method is used for assessing the hedge effectiveness

The dollar offset method is a quantitative method that entails comparing the changes in the fair value or cash flows of the hedging instrument with the changes 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:

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Derivative financial instruments (Continued)

Raiffeisen Bank's Hedging Strategy (Continued)

Hedge effectiveness methodology (Continued)

- on a cumulative basis (i.e., by comparing the current fair value with the hedge-inception fair value), or
- on a period-by-period basis (i.e., by comparing the fair value at period-end with the fair value as of the previous testing date).

The Bank has opted for testing on a cumulative basis. A hedge is considered as highly effective if the results are within the range of 80%-125%, or the absolute value of the difference between fair value change of the hedging instrument and the fair value change of the hedged item is below 0.3% of the hedging instrument's notional amount.

$$\text{Effectiveness} = \frac{\text{CumulativeChangeHedgeInstrumentFairValue}}{\text{CumulativeChangeHedgedItemFairValue}}$$

Interest 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 so as to reflect the market convention and user preferences.

The fair value yield curve used with the Wall Street system is marked as D1 curve and it represents a union of the following three sub-curves:

- Money market rates up to one year – RV curve,
- 2-year future strips – FS curve, and
- Treasury yields – SW curve.

Retrospective and prospective hedge effectiveness tests

Retrospective effectiveness test

A retrospective effectiveness test is a backward-looking test of whether a hedging relationship was effective as expected over 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 changes in the fair value of the hedged items with the cumulative changes in the fair value of the hedging instrument.

A hedge is considered as highly effective if the results are within the range of 80%-125%, or the absolute value of the difference between fair value change of the hedging instrument and the fair value change of the hedged item is below 0.3% of the hedging instrument's nominal amount.

$$\text{Effectiveness} = \frac{\text{CumulativeChangeHedgeInstrumentFairValue}}{\text{CumulativeChangeHedgedItemFairValue}}$$

All the required data are calculated and/or generated by the Wall Street system.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Derivative financial instruments (Continued)

Raiffeisen Bank's Hedging Strategy (Continued)

Hedge effectiveness methodology (Continued)

Retrospective and prospective hedge effectiveness tests (continued)

Prospective effectiveness test

Prospective effectiveness testing is also performed on a monthly basis, on the last working day in a month. Effectiveness is tested according to 3 different hypothetical scenarios:

- H1 entails zero coupon curve (D1) shifted parallel (upwards) for 100 basis points;
- H2 entails D1 curve with a 5% slope increase in rates for the cash flows maturing up to one year; with a 10% slope increase in rates for the cash flows maturing up to two years year; and with a 15% slope increase in rates for the cash flows maturing up to three and after three years;
- H3 entails zero coupon D1 curve at the rate of 3-month Euribor for all cash flow maturities.

Similarly to retrospective testing, a hedge is considered as effective if the results are within the range of 80%-125%, or the absolute value of the difference between fair value change of the hedging instrument and the fair value change of the hedged item is below 0.3% of the hedging instrument's notional amount.

All the required data are calculated and/or generated by the Wall Street system.

Retrospective and prospective effectiveness test results

Given the identical amortizing (repayment) schedules for the hedging instrument and the hedged item (EIB loan), high effectiveness test results were obtained throughout 2022.

Accounting principles and P/L results in 2022

Interest amount of hedging instrument is posted manually (accruals) on a monthly basis.

Results of the retrospective hedge effectiveness testing are calculated on a monthly basis (on the last working day each month) and posted incrementally.

The monthly change in the fair value of the hedging instrument is compared to the monthly change in the fair value of the hedged item, which is measured by means of a hypothetical interest rate swap. The change in the fair value of the instrument is split to into the effective and ineffective component. The effective part is recorded within other comprehensive income, while the ineffective component is credited or charged to the current period's profit or loss.

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk

Liquidity risk is a risk of possible adverse effects on the Bank’s financial result and capital due to its inability to discharge its liabilities when these fall due. Liquidity risks arises due to mismatching maturities of assets and liabilities and includes a risk of inability to finance assets at adequate rates, as well as a risk of inability to cash other forms of assets at a reasonable price and within an adequate timeframe. In the regular course of business, the Bank has access to diverse sources of financing:

- deposits with various maturities (varying in numbers and types of depositors),
- long-term borrowings,
- subordinated liabilities, and
- share capital.

The Bank ensures steady and long-term funding through diversification of fund sources. The Bank continuously assesses liquidity risk by identifying and monitoring changes in financing required for meeting the business goals and targets set by the Bank’s overall strategy.

The following table provides information on the Bank’s liquidity ratios:

%	2022	2021
Daily liquidity ratio	2.04	2.25
Three-day liquidity ratio	2.07	2.21
Monthly liquidity ratio	2.04	2.08
Daily quick liquidity ratio	1.79	1.85
Three-day quick liquidity ratio	1.75	1.72
Monthly quick liquidity ratio	1.58	1.49
Liquidity coverage ratio (LCR)	146.77	169.54

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk

The following tables provide a breakdown of the Bank's financial assets and liabilities per maturity bucket according to the remaining maturities from the reporting date up to the contractually defined due date.

	Carrying amount	Gross inflow/ outflow	Within 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years
Financial assets							
Cash and balances held with the central bank	112,486,004	112,490,203	112,490,203	-	-	-	-
Receivables under derivatives	52,048	52,048	52,048	-	-	-	-
Securities	93,367,152	93,401,029	6,651,449	4,674,376	29,976,670	50,689,572	1,408,961
Loans and receivables due from banks and other financial institutions	61,337,473	61,363,384	20,466,916	11,533,444	5,531,245	15,032,598	8,799,181
Loans and receivables due from customers	237,489,395	244,480,118	19,128,532	10,566,435	65,877,866	109,013,790	39,893,495
Receivables per derivatives held for risk hedging	160,189	160,189	160,189	-	-	-	-
Investments in subsidiaries	20,266,005	20,266,005	-	-	-	-	20,266,005
Total	525,158,266	532,212,976	158,949,336	26,774,255	101,385,782	174,735,960	70,367,642
Financial liabilities							
Liabilities under derivatives	94,536	94,536	94,536	-	-	-	-
Deposits and other liabilities due to banks, other financial institutions and the central bank	17,482,064	17,482,064	17,482,064	-	-	-	-
Deposits and other liabilities due to customers	431,692,058	431,692,058	424,189,409	875,360	2,198,968	3,856,700	571,621
Liabilities per derivatives held for risk hedging	1,273,098	1,273,098	1,273,098	-	-	-	-
Subordinated liabilities	9,044,765	9,044,765	245,585	-	-	-	8,799,180
Total	459,586,521	459,586,521	443,284,693	875,360	2,198,968	3,856,700	9,370,801
Net liquidity gap as of December 31, 2022	65,571,745	72,626,455	(284,335,356)	25,898,895	99,186,814	170,879,261	60,996,841
Net cumulative liquidity gap as of December 31, 2022	-	-	(284,335,356)	(258,436,461)	(159,249,647)	11,629,613	72,626,455

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk

	Carrying amount	Gross inflow/ outflow	Within 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years
Financial assets							
Cash and balances held with the central bank	90,618,192	90,618,192	90,618,192	-	-	-	-
Receivables under 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 due from 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 due from customers	216,672,440	223,424,794	14,961,376	9,661,887	61,024,224	102,888,864	34,888,443
Receivables per derivatives held for risk hedging	586,824	586,824	586,824	-	-	-	-
Investments in subsidiaries	1,293,433	1,293,433	-	-	-	-	1,293,433
Total	424,413,035	431,179,793	141,510,205	18,979,667	72,950,755	157,370,028	40,369,138
Financial liabilities							
Liabilities under derivatives	9,220	9,220	9,220	-	-	-	-
Deposits and other liabilities due to banks, other financial institutions and the central bank	2,340,980	2,340,980	2,340,980	-	-	-	-
Deposits and other liabilities due to customers	366,617,048	366,617,048	358,437,806	889,757	2,081,990	4,029,260	1,178,235
Liabilities per derivatives held for risk hedging	58,837	58,837	58,837	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	-
Total	369,026,085	369,026,085	360,846,843	889,757	2,081,990	4,029,260	1,178,235
Net liquidity gap as of December 31, 2021	55,386,950	62,153,708	(219,336,638)	18,089,910	70,868,765	153,340,768	39,190,903
Net cumulative liquidity gap as of December 31, 2021	-	-	(219,336,638)	(201,246,728)	(130,377,963)	22,962,805	62,153,708

The negative liquidity gap (liquidity mismatch) in the maturity bucket of up to one month is a result of the fact that this bucket includes all demand deposits that the Bank does not expect to be withdrawn within a month as they have the so-called “stickiness” nature, i.e., based on the internal model, the Bank expects outflows per those deposits within ensuing 5 years. In addition, the Bank is in possession of debt securities of the Republic of Serbia’s Ministry of Finance, which can be used (pledged) for additional short-term liquidity maintenance purposes.

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk

The table below presents the carrying amounts of the Bank's non-derivative financial assets and financial liabilities with maturities within 12 months after the reporting date:

	2022	2021
Financial assets		
Loans and receivables due from customers	88,582,110	78,895,133
Financial liabilities		
Deposits and other liabilities due to customers	427,263,738	361,409,553

The table below presents the components of the Bank's liquidity reserves:

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
Cash and balances held with central bank	87,661,382	87,661,382	68,726,869	68,726,869
Other cash equivalents	24,824,622	24,824,662	21,891,323	21,891,323

The table below presents availability of the Bank's financial assets to support future funding as of December 31, 2022:

	Pledged		Non-pledged	
	Pledged as collateral	Other	Available as collateral	Other
Cash and balances held with central bank	-	-	-	112,486,004
Loans and receivables	-	-	-	298,826,868
Total assets	-	-	-	411,312,872

The table below presents availability of the Bank's financial assets to support future funding as of December 31, 2021:

	Pledged		Non-pledged	
	Pledged as collateral	Other	Available as collateral	Other
Cash and balances held with central bank	-	-	-	90,618,192
Loans and receivables	-	-	-	243,275,678
Total assets	-	-	-	333,893,870

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risks

Market risks entail possible occurrence of adverse effects on the Bank's financial result and capital due to unexpected unfavorable market trends (volatility of interest rates, foreign exchange rates, credit spreads and equity prices). Market risks arise from possible changes in open positions of the Bank in the regular course of business, including changes in the value of portfolios included in the trading book and banking book.

The objective of market risk management is to manage and control the Bank's market risk exposures within acceptable parameters, while optimizing the return on risk exposure.

The table below sets out the allocation of assets and liabilities subject to market risk between the trading and non-trading portfolios:

	Note	Carrying value	Trading portfolio	Non-trading portfolio
December 31, 2022				
Assets exposed to market risks				
Cash and balances held with the central bank	14	112,468,004	-	112,468,004
Receivables under derivatives	15	52,048	52,048	
Securities	16	93,367,152	4,461,834	88,905,318
Loans and receivables due from banks and other financial institutions	17	61,337,473	-	61,337,473
Loans and receivables due from customers	18	237,489,395	-	237,489,395
Receivables per derivatives held for risk hedging		110,189	-	110,189
Liabilities exposed to market risks				
Liabilities under derivatives		94,536	94,536	-
Liabilities per derivatives held for risk hedging		1,273,098	-	1,273,098
Deposits and other liabilities due to banks, other financial institutions and the central bank	24	17,482,064	-	17,482,064
Deposits and other liabilities due to customers	25	431,692,058	-	431,692,058
December 31, 2021				
Assets exposed to market risks				
Cash and balances held with the central bank	14	90,618,192	-	90,618,192
Receivables under derivatives	15	13,669	13,669	
Securities	16	88,625,239	3,480,028	85,145,211
Loans and receivables due from banks and other financial institutions	17	26,603,238	-	26,603,238
Loans and receivables due from customers	18	216,672,440	-	216,672,440
Receivables per derivatives held for risk hedging		586,824	-	586,824
Liabilities exposed to market risks				
Liabilities under derivatives		9,220	9,220	-
Liabilities per derivatives held for risk hedging		58,837	-	58,837
Deposits and other liabilities due to banks, other financial institutions and the central bank	24	2,340,980	-	2,340,980
Deposits and other liabilities due to customers	25	366,617,048	-	366,617,048

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risks

Interest Rate Risk

Interest rate risk is a risk of possible adverse effects on the Bank's financial result and capital due to changes in interest rates. Interest rate changes directly affect generation of interest income due to a mismatch between the total interest-bearing assets and liabilities or mismatching tenors for pricing of interest-bearing instruments. Interest rate risk includes:

- the "outright" interest rate risk: a risk arising from the sensitivity of interest rates to changes in relation to the vertical shift of the yield curve;
- the yield curve risk: a risk arising from the sensitivity of interest rates to changes in the shape and slope of the yield curve (horizontal shift); and
- the basis risk: a risk arising from the sensitivity of interest rates to changes in the spread between different interest rates.

Interest rate risk is identified at the individual transaction level and at the Bank level. The Bank monitors and controls exposures to the interest rate risk of interest-bearing instruments within the trading portfolio (trading book) and the non-trading portfolio (banking book) separately.

(i) Trading portfolios (Trading book)

As of December 31, 2022 and December 31, 2021, the Bank had FX derivatives and RSD bonds issued by the Republic of Serbia classified into 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 analysis includes all the interest-bearing products according to:

- (a) the repricing period/floating interest rate, and
- (b) the ultimate maturity.

The difference between the interest bearing assets and liabilities within the defined maturity "buckets" shows how the two balance sheet sides react differently to interest rate changes:

- in case of a positive GAP, the Bank is exposed to the risk of a loss if interest rates of the certain maturity of the observed currency fall;
- in case of a negative GAP, the Bank is exposed to the risk of a loss if interest rates of the certain maturity of the observed currency rise.

The resulting short and long positions are weighted by factors designed so as to reflect the sensitivity of the positions in the different maturity buckets to an assumed change in interest rates, i.e., an assumed parallel shift of 200 basis points throughout time.

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risks

Interest Rate Risk (Continued)

	December 31, 2022		December 31, 2022	
	Nominal Gap	Effect of interest rate increase - parallel shift 200 bp	Nominal Gap	Effect of interest rate increase - parallel shift 200 bp
RSD	5,266,614	372,026	2,097,404	231,889
EUR	18,264,453	1,109,799	5,802,311	1,602,088
USD	10,337,958	309,945	1,903,800	104,804
CHF	5,453,098	101,493	644,864	293,484
Other currencies	2,083,522	642	432,962	4,408
Total effect		1,888,906		2,236,673

The main categories in creating repricing gaps are:

- Fixed-rate "leg" positions (their repricing gaps are reflected in their principal cash flows allocated to the maturity buckets according to their maturity dates);
- Floating-rate "leg" positions (their repricing gaps are reflected in their principal cash flows allocated to the maturity buckets according to the next interest rate fixation date);
- Administrative products (current accounts, savings accounts, credit cards, where the interest rate risk of most of these products is modelled).

The 200 bps stress effect of 200 bps is achieved by multiplying repricing gaps with standard gap weights (modified durations, defined by EBA and BCBS Directive).

The Bank is mostly exposed to floating interest rate factors with the EUR-benchmark rates – 1-month EURIBOR, 3-month EURIBOR and 6-month EURIBOR.

As for the USD LIBOR benchmark rate, the Bank has a small number of corporate loans extended at USD LIBOR-based interest rates, with the total exposure of EUR 930 thousand as of December 31, 2022, all at the interest rate equal to 1-month USD LIBOR. These loans all mature for repayment in January 2023.

Regarding CHF LIBOR benchmark rate, the Bank has in its portfolio CHF-indexed housing loans totaling EUR 1 million, either at fixed interest rates or floating interest rates based on the 6-month CHF LIBOR rate, which remained fixed at its value as of December 31, 2021, when its publishing ceased. The Bank did not replace the CHF LIBOR benchmark rate with the SARON rate.

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 shifts of interest rates on the reference yield curve, entailing 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 for all currencies, as well as the scenario of shifting the curves by 200-400 basis points depending on the currency that is subject to 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 a positive shock for longer (shorter) maturities and a negative shock for shorter (longer) maturities

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risks

Interest Rate Risk (Continued)

The interest rate sensitivity scenario as of December 31, 2022 is provided below:

	+200bp	-200bp	Flattener	Steepener	Short+	Short-	IRRBB+	IRRBB-
RSD	880,845	(1,133,254)	1,163,591	(1,252,660)	1,692,611	(2,402,544)	1,765,436	(2,337,377)
EUR	1,173,554	(2,705,176)	1,015,399	(1,959,339)	1,313,933	(3,184,526)	1,173,600	(2,705,210)
USD	5,963	(230,849)	(100,181)	(122,254)	(109,873)	(252,374)	5,963	(230,849)
CHF	(175,002)	46,926	(101,456)	20,254	(128,297)	20,813	(87,450)	20,730
Other	(50,350)	(21,778)	(65,448)	(21,835)	(81,079)	(34,677)	(55,996)	(30,058)
Total	1,835,010	(4,044,131)	1,911,905	(3,335,834)	2,687,297	(5,853,309)	2,801,553	(5,282,763)

The interest rate sensitivity scenario as of December 31, 2021 is provided below:

	+200bp	-200bp	Flattener	Steepener	Short+	Short-	IRRBB+	IRRBB-
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)	660,350	(359,020)
USD	(44,381)	(56,429)	(135,474)	(12,279)	(141,416)	(51,133)	(44,381)	(75,470)
CHF	45,782	(162,890)	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)
Total	1,541,055	(3,233,671)	1,682,561	(897,497)	2,378,451	(1,333,053)	2,415,974	(1,594,721)

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risks

Interest Rate Risk (Continued)

The following table presents the breakdown of the Bank's interest rate risk exposure as of December 31, 2022:

	Total carrying value	Within 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest-bearing
Financial assets							
Cash and balances held with the central bank	112,486,004	45,401,631	-	-	-	-	67,084,373
Receivables under derivatives	52,048	-	-	-	-	-	52,048
Securities	93,367,152	6,617,572	4,674,376	29,976,670	50,689,572	1,408,961	-
Loans and receivables due from banks and other financial institutions	61,337,473	24,121,174	16,011,412	14,688,844	6,494,528	-	21,515
Loans and receivables due from customers	237,489,395	84,249,489	76,519,754	50,173,465	15,690,808	10,465,594	390,285
Receivables per derivatives held for risk hedging	160,189	-	-	-	-	-	160,189
Investments in subsidiaries	20,266,005	-	-	-	-	-	20,266,005
Total	525,158,266	160,389,866	97,205,542	94,838,979	72,874,908	11,874,556	87,974,415
Financial liabilities							
Liabilities under derivatives	94,536	-	-	-	-	-	94,536
Deposits and other liabilities due to banks, other financial institutions and the central bank	17,482,064	17,124,396	-	-	-	-	357,668
Deposits and other liabilities due to customers	431,692,058	423,003,780	3,941,942	16,300,003	1,332,678	522,767	1,260,888
Liabilities per derivatives held for risk hedging	1,273,098	-	-	-	-	-	1,273,098
Subordinated liabilities	9,044,765	9,044,765	-	-	-	-	-
Total	459,586,522	449,172,941	3,941,942	1,630,003	1,332,678	522,767	2,986,190
Off-balance sheet items							
Derivatives designated as risk hedging instruments	(1,303,263)	(961,149)	1,594,238	(289,880)	(1,646,472)	-	-
Net interest rate sensitivity gap as of December 31, 2022	64,268,482	(289,744,224)	94,857,838	92,919,096	69,895,758	11,351,788	84,988,225

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risks

Interest Rate Risk (Continued)

The following table presents the breakdown of the Bank's interest rate risk exposure as of December 31, 2021:

	Total carrying value	Within 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest-bearing
Financial assets							
Cash and balances held with the central bank	90,618,192	32,656,435	-	-	-	-	57,961,757
Receivables under 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 due from 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 due from customers	216,672,440	25,827,870	107,870,407	60,155,241	15,548,344	7,103,629	166,949
Receivables per derivatives held for risk hedging	586,824	-	-	-	-	-	586,824
Investments in subsidiaries	1,293,433	-	-	-	-	-	1,293,433
Total	424,413,035	94,041,950	117,143,931	71,881,882	70,029,507	11,290,891	60,024,874
Financial liabilities							
Liabilities under derivatives	9,220	-	-	-	-	-	9,220
Deposits and other liabilities due to banks, other financial institutions and the central bank	2,340,980	2,317,359	-	-	-	-	23,621
Deposits and other liabilities due to customers	366,617,048	358,459,615	837,475	2,089,340	4,035,828	1,176,023	18,767
Liabilities per derivatives held for risk hedging	58,837	-	-	-	-	-	58,837
Subordinated liabilities	-	-	-	-	-	-	-
Total	369,026,085	360,776,974	837,475	2,089,340	4,035,828	1,176,023	110,445
Off-balance sheet items							
Derivatives designated as risk hedging instruments	512,337	(711,233)	3,253,337	18,941	806,119	(2,854,827)	-
Net interest rate sensitivity gap as of December 31, 2021	55,899,287	(267,446,257)	119,559,793	69,811,483	66,799,798	7,260,041	59,914,429

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risks

Equity Price Risk

The Bank has no equity securities in its portfolio and is therefore not exposed to this sort of price risk.

Foreign Exchange (Currency) Risk

Foreign exchange risk is a risk of possible adverse effects on the Bank’s financial result and capital due to fluctuations in the foreign exchange rates. The Bank is exposed to the foreign exchange risk per items maintained in both the banking book and the trading book. Foreign exchange (currency) risk is measured and expressed through the open foreign exchange position.

The Bank’s open foreign exchange position is the difference between the Bank’s receivables and liabilities in foreign currencies, as well as receivables and liabilities in RSD with a currency clause index (including the absolute amount of open position for gold).

The sensitivity analysis consisting of two scenarios based on reasonably anticipated changes in foreign exchange rates with all other variables held constant is normally preformed to show the possible effects on the Bank’s profit or 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 foreign exchange position (gap) as of December 31, 2022	72,513	(57,347)	(2,993)	14,464	
The +10% effect (FCY appreciation)	7,251	(5,735)	(299)	1,446	2,664
The -5% effect (RSD appreciation)	(3,626)	2,867	150	(723)	(1,332)
Net foreign exchange position (gap) as of December 31, 2021	(10,340)	(1,066,659)	(334)	10,480	
The +10% effect (FCY appreciation)	(1,034)	(106,666)	(33)	1,048	(106,685)
The -5% effect (RSD appreciation)	517	53,333	17	(524)	(53,343)

Currency risk arises in cases of a mismatch in assets and liabilities denominated in foreign currencies. The Bank maintains its foreign exchange position is as low as possible.

The Bank seeks to minimize exposure to the currency risk by extended currency clause-indexed loans.

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risks

Foreign Exchange (Currency) Risk (Continued)

The following tables provides the net foreign exchange position of the Bank's assets and liabilities as at December 31, 2022:

	USD	EUR*	CHF	Other	RSD	Total
Financial assets						
Cash and balances held with the central bank	1,744,287	55,939,046	6,422,413	746,608	47,633,650	112,486,004
Receivables under derivatives	-	-	-	-	52,048	52,048
Securities	19,618,699	15,990,194	-	-	57,758,259	93,367,152
Loans and receivables due from banks and other financial institutions	2,825,348	47,697,140	85,024	716,766	10,013,194	61,337,473
Loans and receivables due from customers	110,080	171,324,430	125,615	1,158	65,928,111	237,489,395
Receivables per derivatives held for risk hedging	-	-	-	-	54	160,189
Investments in subsidiaries	-	-	-	-	20,266,005	20,266,005
Total financial assets	24,298,414	291,110,945	6,633,052	1,464,533	201,651,322	525,158,266
Financial liabilities						
Liabilities under derivatives	-	79,199	-	-	15,337	94,536
Deposits and other liabilities due to banks, other financial institutions and the central bank	1,927,167	6,325,403	2,117,867	92,832	7,018,796	17,482,064
Deposits and other liabilities due to customers	47,858,158	234,523,646	14,866,982	4,944,830	129,498,441	431,692,058
Liabilities per derivatives held for risk hedging	-	-	-	-	1,273,098	1,273,098
Subordinated liabilities		9,044,765				9,044,765
Total financial liabilities	49,785,325	249,973,013	16,984,848	5,037,662	137,805,672	459,586,521
Off-balance sheet items - netted						
FX Spot	(1,485,416)	1,081,300	15,504	(40,500)	428,464	(649)
FX SWAP	27,674,056	(39,908,104)	10,333,192	3,629,314	(1,761,152)	(32,695)
FX Forward	(622,907)	(238,694)	-	-	894,945	33,344
Total	25,565,732	(39,065,499)	10,348,695	3,588,814	(437,743)	-
Foreign exchange position as of December 31, 2022	78,821	2,072,434	(3,101)	15,685	63,407,906	65,571,745

* The EUR column includes RSD amounts with currency clause index.

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risks

Foreign Exchange (Currency) Risk (Continued)

The following tables provides the net foreign exchange position of the Bank's assets and liabilities as at December 31, 2021:

	USD	EUR*	CHF	Other	RSD	Total
Financial assets						
Cash and balances held with the central bank	938,002	44,084,549	3,735,638	566,913	41,293,090	90,618,192
Receivables under derivatives	-	-	-	-	13,669	13,669
Securities	15,230,903	14,292,369	-	-	59,101,967	88,625,239
Loans and receivables due from banks and other financial institutions	1,161,943	7,975,706	96,583	367,244	17,001,762	26,603,238
Loans and receivables due from customers	127,889	145,668,972	149,694	226	70,725,659	216,672,440
Receivables per derivatives held for risk hedging	-	-	-	-	586,824	586,824
Investments in subsidiaries	-	-	-	-	1,293,433	1,293,433
Total financial assets	17,458,737	212,021,596	3,981,915	934,383	190,016,404	424,413,035
Financial liabilities						
Liabilities under derivatives	-	-	-	-	9,220	9,220
Deposits and other liabilities due to banks, other financial institutions and the central bank	22,896	511,694	29,697	3,950	1,772,743	2,340,980
Deposits and other liabilities due to customers	22,548,760	192,984,999	14,361,045	3,570,227	132,972,017	366,617,048
Liabilities per derivatives held for risk hedging	-	49,707	-	-	9,130	58,837
Total financial liabilities	22,571,656	193,564,400	14,390,742	3,754,177	134,763,110	369,026,085
Off-balance sheet items - netted						
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)
Total	5,108,801	(17,778,929)	10,408,550	2,838,493	(576,914)	-
Foreign exchange position as of December 31, 2021	(4,118)	696,267	(277)	18,699	54,676,380	55,386,950

* The EUR column includes RSD amounts with currency clause index.

4. FINANCIAL RISK MANAGEMENT (Continued)

(e) Operational Risks

Operational risk is defined as a risk of a possible occurrence of adverse effects on the Bank's financial result and capital arising from employee omissions and errors, inadequate or failing internal procedures and processes, inadequate information system or other system management, as well as from unforeseeable external events. This definition includes legal risk but excludes strategic and reputation risks.

The Bank manages operational risk in order to minimize its exposure to this risk, i.e., to reduce it to the level acceptable to the Bank in terms of the cost and risk balance through consistent and prudent management of the Bank's financial organization and improvement of its business activities and the internal control system.

Risk management priorities are identified through a combination of experience and observation, internal audit assessment and knowledge, internal controls, detailed risk assessment, amendments to the risk management procedures and incident reports.

Assessment of the operational risk exposure level depends on the event type, occurrence frequency and the financial impact on the Bank's business.

Control, monitoring, reporting on identified and assessed sources of operational risks, as well as measures that are performed in order to mitigate their adverse impact, are integral part of operational risk management.

Risk management activities are aimed at identifying the existing as well as potential sources of operational risks that may arise due to the introduction of new business products, systems or activities. Identification of operational risk sources includes:

- Internal fraud and abuse;
- External fraud and abuse;
- Omissions in the recruitment policy and workplace safety systems;
- Problems in customer relations management, new 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 the information systems; and
- Problems in implementation and execution of business processes, procedures and decisions.

The Bank monitors sources of operational risks in line with its organization and business activities, primarily relating to corporate financing, trading and sales transactions with corporate and FSI entities, retail banking, commercial banking, payment and settlement operations, agency services, asset management and broker-dealer services.

(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 the banking sector supervisor and regulator;
- to ensure its ability to continue as a going concern so that, through its stable and secure operations, the Bank can continue to discharge liabilities to its creditors, provide returns for its shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support development of the Bank's business.

4. FINANCIAL RISK MANAGEMENT (Continued)

(f) Capital Management (Continued)

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. As the banking sector regulator, the National Bank of Serbia sets and monitors capital requirements for the Bank and oversees the Bank's compliance with those requirements. The required information is submitted to the regulator on a quarterly basis. The Bank is directly supervised by the National Bank of Serbia.

The Bank is required to comply with the provisions of the Basel Committee framework, as implemented by the National Bank of Serbia. The Bank uses standardized approaches in calculation of the credit and operational risk capital requirements, while the market risk capital requirement is calculated as prescribed by the National Bank of Serbia's Decision on Capital Adequacy.

The requirements prescribed by the National Bank of Serbia's Decision on Capital Adequacy that each bank must comply with are as follows:

- the required minimum amount of capital the Bank is to maintain is no less than EUR 10 million in RSD equivalent;
- the common equity Tier 1 capital ratio (CET 1 ratio) minimum of 4.5%;
- the core capital adequacy ratio (T1 ratio) minimum of 6%; and
- the total capital adequacy ratio (CAR) minimum of 8%.

In addition, the Bank is under obligation to maintain at all times its capital at the level required to cover all risks to which it is or may be exposed in its operations, at least in the amount necessary to maintain the increased capital adequacy ratios determined by the National Bank of Serbia.

The Bank's regulatory capital is the sum of its core capital (Tier-1 capital) and supplementary capital (Tier-2 capital), where Tier 1 capital is the sum of common equity Tier 1 (CET 1) capital and additional Tier 1 capital.

The Bank's common equity Tier 1 capital is the sum of the following elements, including regulatory adjustments, less deductibles:

- shares and other equity instruments qualifying to be included in the common equity Tier 1 instruments;
- relevant share premium with the common equity Tier 1 instruments;
- the Bank's profit;
- revaluation reserves and other unrealized gains;
- reserves from profit and other reserves of the Bank;
- reserve funds for general banking risks.

Profit, revaluation reserves and other unrealized gains, reserves from profit and other reserves and funds for general banking risk shall be included in CET 1 capital only if available to the Bank to be used unconditionally, fully and without delays to cover or absorb risks or losses if any should occur.

In line with the NBS Decision on the Temporary Measures relating to the calculation of the Bank's capital, the Bank may exclude from the common equity Tier 1 (CET 1) capital the amount of the temporary regulatory adjustment equal to 0.70 or 70% of the unrealized gains/losses on the changes in value of debt instruments issued by the Republic (a portion of account 823 balance). The aforesaid temporary measure shall be implemented from June 30, 2022 up to December 31, 2022.

The Bank's profit included in CET 1 capital comprises retained earnings from prior years unattached to any future liabilities.

4. FINANCIAL RISK MANAGEMENT (Continued)

(f) Capital Management (Continued)

The Bank may include in its CET 1 capital the current year's profit unattached to any future liabilities only upon obtaining prior consent of the Board of Directors. In such a case, the amount of the current year's profit is reduced by the projected amount of income tax, liabilities for dividend payment and all other liabilities payable from profit (other profit distribution forms, all liabilities and/or circumstances that occurred during the reporting period and are likely to result in a reduction of the Bank's profit) that can be anticipated at the time the profit is included in CET 1 capital.

Regulatory adjustments of CET 1 capital include:

- increase in its equity that results from the securitization of exposures;
- the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not measured at fair value, including projected cash flows;
- gains or losses on liabilities measured at fair value, arising from changes in the Bank's credit quality;
- gains or losses on liabilities under derivatives measured at fair value arising from the Bank's credit risk, where the Bank cannot offset these gains and losses against those arising from its counterparty credit risk.

Items deductible from the common equity Tier 1 capital are:

- current and prior year's losses and 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 IFRS/IAS;
- deferred tax assets dependable on the Bank's future profitability;
- defined benefit pension fund assets on the Bank's statement of financial position;
- the Bank's direct, indirect and synthetic holdings of its own common equity Tier 1 instruments, including those that the Bank is under an actual or contingent obligation to repurchase by virtue of a contractual obligation;
- the Bank's direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where those entities have reciprocal holdings in the Bank, designed to artificially inflate its capital;
- the Bank's applicable direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where the Bank holds no significant investments;
- the Bank's applicable direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where the Bank holds significant investments exceeding 10% of the Bank's common equity Tier 1 capital;
- the amounts of items required to be deducted from the Bank's additional Tier 1 capital that exceeds the Bank's additional Tier 1 capital;
- the sum of deferred tax assets and investments in FSI entities where the Bank holds significant investments exceeding the 17.65% limit stipulated in Article 21, para 3 of the NBS Decision on Capital Adequacy;
- the amount of exposures qualifying for application of a risk weight of 1.25%, where the Bank decides to deduct the exposure from the common equity Tier 1 rather than apply the said risk weight;
- any tax charge relating to the common equity Tier 1 items foreseeable at the moment of its calculation, except where the Bank has previously suitably adjusted the amount of common equity Tier 1 items insofar as such tax charges reduce the amount up to which those items may be used to absorb risks or losses;
- gross amount of receivables from a borrower – private individual (except agricultural producers and entrepreneurs) comprising approved consumer loans, cash loans or other loans recorded on accounts 102, 107 and 108 in line with the decision regulating the chart of accounts and contents of accounts within the chart of accounts for banks where the borrower's debt ratio prior to loan approval was higher than the percentage established in line with the decision regulating classification of balance sheet assets and off-balance sheet items of banks or such percent will be higher after loan approval, with the deductible being implemented regardless of whether the debt ratio of the borrower drops below the said percentage after the loan approval;

4. FINANCIAL RISK MANAGEMENT (Continued)

(f) Capital Management (Continued)

- gross amount of receivables from a borrower – private individual (except agricultural producers and entrepreneurs) comprising approved consumer loans, cash loans or other loans (except loans approved for purchase of motor vehicles) that are recorded on accounts 102, 107 and 108 in line with the decision regulating the chart of accounts and contents of accounts within the chart of accounts for banks, with the following agreed maturities:
 - over 2,920 days – if such loans are approved in the period January 1 – December 31, 2019,
 - over 2,555 days – if such loans are approved in the period January 1 – December 31, 2020,
 - over 2,190 days – if such loans are approved after 1 January 1, 2021;(This deductible item is reduced by the amount of loans approved for refinancing of loans extended 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 3,285 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 2,920 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 a borrower – private individual (except agricultural producers and entrepreneurs) comprising consumer loans for purchase of motor vehicles recorded on account 102 in line with the decision regulating the chart of accounts and contents of accounts within the chart of accounts for banks with agreed maturity of over 2,920 days if such a loan was approved after January 1, 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 was approved in the period from March 19, 2020 to December 31, 2021, and that the agreed maturity of that loan is not longer than 3,650 days, as well as that its amount does not exceed the remaining outstanding amount of the loan that is being refinanced.)

The above listed deductibles related to the borrower debt ratios and maturities will not be applicable to the loans and receivables restructured in line with the NBS decision governing classification of on-balance sheet assets and off-balance sheet items provided that those loans and receivables were not initially an equity deductible items, that the restructuring was proposed by the Bank based on the borrower's request supported by and adequate explanation whereafter the Bank established that the borrower's financial position had deteriorated, that the restructuring will not increase the original loan amount outstanding, that there had been no previous restructuring of the same loan/receivables, and that following the restructuring, the agree maturity will not exceed 3,285 days for consumer, cash or other loans (except loans approved for purchase of motor vehicles) or 4,015 days for consumer loans approved for purchase of motor vehicles.

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

- shares and other equity instruments that meet the criteria of additional Tier 1 capital instruments;
- relevant share premiums with the additional Tier 1 capital instruments.

Items deductible from additional Tier 1 capital are:

- the Bank's direct, indirect and synthetic holdings of own s additional Tier 1 capital instruments, including those that the Bank is under an actual or contingent obligation to repurchase by virtue of a contractual obligation;
- the Bank's direct, indirect and synthetic holdings of additional Tier 1 capital instruments of FSI entities where those entities have reciprocal holdings in the Bank, designed to artificially inflate the Bank's capital;
- the Bank's applicable direct, indirect and synthetic holdings of additional Tier 1 capital instruments of FSI entities where the Bank holds no significant investments;

4. FINANCIAL RISK MANAGEMENT (Continued)

(f) Capital Management (Continued)

- the Bank's applicable direct, indirect and synthetic holdings of additional Tier 1 capital instruments of FSI entities where the Bank holds significant investments, excluding items that, as the issue underwriter, it has held for no more than five business days or less;
- the amount for which the Bank's supplementary capital deductible items exceed the Bank's supplementary Tier 2 capital;
- any tax charge relating to the additional Tier 1 capital items foreseeable at the moment of its calculation, except where the Bank has previously suitably adjusted the amount of additional Tier 1 items insofar as such tax charges reduce the amount up to which those items may be used to absorb risks or losses.

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

- shares, other instruments and liabilities under subordinated loans that meet the criteria of supplementary Tier 2 capital instruments;
- the relevant share premium with the supplementary Tier 2 capital instruments;
- general credit risk adjustments gross of tax effects, of up to 1.25% of the risk-weighted credit risk exposures.

The extent to which Tier 2 instruments and/or subordinated liabilities are included in the calculation of the Bank's Tier 2 capital 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 to maturity of the instruments or subordinated liabilities on the day of the calculation.

Items deductible from supplementary Tier 2 capital are:

- the Bank's direct, indirect and synthetic holdings of own supplementary capital instruments and subordinated liabilities, including those that the Bank is under an actual or contingent obligation to repurchase by virtue of a contractual obligation;
- the Bank's direct, indirect and synthetic holdings of supplementary capital instruments and subordinated liabilities of FSI entities where those entities have reciprocal holdings in the Bank, designed to artificially inflate the Bank's capital;
- the Bank's applicable direct, indirect and synthetic holdings of supplementary capital instruments and subordinated liabilities of FSI entities where the Bank holds no significant investments;
- the Bank's applicable direct, indirect and synthetic holdings of supplementary capital instruments and subordinated liabilities of FSI entities where the Bank holds significant investments, excluding items that, as the issue underwriter, it has held for no more than five business days or less.

The Bank's business transactions are categorized either as trading or non-trading (banking) book transactions 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 recognized 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 of the level of capital on shareholder return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with the advantages and security enabled by a sound capital position.

The Bank was in full compliance with all the capital requirements imposed by the National Bank of Serbia throughout the reporting period.

4. FINANCIAL RISK MANAGEMENT (Continued)

(f) Capital Management (Continued)

The table below summarizes the composition of the Bank’s regulatory capital and the ratios achieved by the Bank for the years ended December 31, 2022 and 2021:

	2022	2021
Core Tier 1 capital instruments and the relating share premiums	27,466,158	27,466,158
Revaluation reserves and other unrealized gains/losses	755,183	695,514
Reserves from profit, other reserves and reserves for banking risks	30,309,874	23,353,465
Regulatory adjustments	(180,443)	(31,546)
Other intangible assets decreased by deferred tax liabilities	(1,084,260)	(951,432)
The Bank's applicable direct, indirect and synthetic holdings of common equity Tier 1 instruments of FSI entities where the Bank holds significant investments exceeding 10% of the Bank's common equity Tier 1 capital	(14,721,796)	-
The sum of deferred tax assets and investments in FSI entities where the Bank holds significant investments exceeding the 17.65% limit stipulated in Article 21, para 3 of the NBS Decision on Capital Adequacy	(163,958)	-
Gross amount of receivables due from borrowers whose debt ratios exceeds 60%	(1,551,324)	(2,327,859)
Gross amount of receivables due from borrowers with agreed maturities exceeding the defined duration	(273,394)	(335,002)
Equity Tier 1 capital	40,556,040	47,869,298
Additional Tier 1 capital	-	-
Total core Tier 1 capital	40,556,040	47,869,298
Supplementary Tier 2 capital	5,983,441	-
Total regulatory capital	46,539,481	47,869,298
Capital requirements		
Credit risk	20,347,171	18,365,538
Foreign currency risk	7,180	86,771
Pricing risk	53,002	57,818
Operational risk	2,768,392	2,504,227
Core capital adequacy ratio (T1 ratio)	14.00%	18.22%
Capital adequacy ratio (CAR)	16.07%	18.22%

4. FINANCIAL RISK MANAGEMENT (Continued)

(f) Capital Management (Continued)

The Bank's compliance with the National Bank of Serbia's prescribed adequacy and performance indicators as of December 31, 2022 and 2021 is presented below:

	Prescribed	Achieved in 2022	Achieved in 2021
Common equity Tier 1 capital ratio (CET 1 ratio)	Min 4.5%	14.00%	18.22%
Core capital adequacy ratio (T1 ratio)	Min 6%	14.00%	18.22%
Capital adequacy ratio (CAR)	Min 8%	16.07%	18.22%
Regulatory capital amount	min. EUR 10 mil.	EUR 397 mil	EUR 407 mil
The Bank's investments in non-FSI entities and fixed as-sets relative to its capital	max. 60%	12.92%	12.73%
The sum of the Bank's large exposures relative to its capital	max. 400%	118.62%	107.25%
Quick liquidity ratio	min. 0.7	1.54	1.48
Liquidity ratio	min. 1	2.03	2.07
Foreign exchange risk ratio	max. 20%	0.19%	2.27%
Exposure to a single entity or a group of related enti-ties*	max. 25%	22.92%	20.99%

* 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's approach to such measurement, relying on the 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 optimization of the return achieved on the capital allocated. The amount of capital allocated to each activity is based primarily on 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 diverse risk profiles, subject to the overall level of capital to support a particular activity not falling below the minimum prescribed by the regulator.

Although optimization of the return on risk-adjusted capital is the principal basis used in determining how capital is to be allocated to particular activities, it is not the sole basis used in the Bank's management decision-making. Other factors are also taken into account, such as the effect of synergies with other activities, the availability of management and other resources, and the fit of a particular activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed by the management on a regular basis.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability transferred, between knowledgeable, willing parties in an arm's length transaction.

The fair values are calculated based on the market information available at the reporting date using the valuation methods applied by the Bank.

The fair values of certain financial instruments stated at their nominal values are approximately equivalent to their carrying amounts. Such instruments are cash and receivables and liabilities without contractually defined maturities. For other receivables and liabilities, the expected future cash flows are discounted to their present value using interest rates that reflect the current market conditions and risk factors specific for the respective portfolios.

Quoted market prices are used for securities traded in active markets (stock exchange). The fair value of the other securities is calculated as the net present value of expected future cash flows.

The fair value of the currency swaps is determined based on the discounted expected future cash flows. For discounting purposes, the Bank uses market interest rates applicable to the financial instruments with the same remaining maturities.

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 Note on accounting policies 3(k)(vi).

The Bank measures fair values using the following fair value hierarchy that reflects 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 instrument valuation 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.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Valuation of Financial Instruments (Continued)

Valuation techniques include the net present value and discounted cash flow models, comparison to similar instruments for which a 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 share prices, foreign exchange rates, equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to determine the fair value that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

The Bank uses widely recognized valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps, where only observable market data are used and which require little management judgement and assumption. Observable prices and other inputs are usually available in the market for listed debt and equity securities, derivatives traded on stock exchange markets and simple over-the-counter (OTC) derivatives such as interest rate swaps.

Availability of observable market prices and model input parameters reduces the need for management judgement and assumption and also reduces the uncertainty associated with determining the fair values. Availability of observable market prices and other inputs varies depending on the product and market and is prone to changes under the impact of specific events and general market conditions.

The table below provides a breakdown of the Bank's financial assets and liabilities measured at fair value at the reporting period-end, classified per fair value hierarchy level:

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Receivables under derivatives	52,048	-	-	52,048
Securities	16,708,375	26,025,721	-	42,734,096
Loans and receivables due from customers	-	-	-	-
	16,760,423	26,025,721	-	42,786,144
Liabilities under derivatives	97,536	-	-	97,536
Liabilities per derivatives held for risk hedging	1,273,098	-	-	1,273,098
	1,370,634	-	-	1,370,634
December 31, 2021				
Receivables under derivatives	13,669	-	-	13,669
Securities	22,939,650	37,493,304	-	60,432,954
Loans and receivables due from customers	-	-	-	-
	22,953,319	37,493,304	-	60,446,623
Liabilities under derivatives	9,220	-	-	9,220
Liabilities per derivatives held for risk hedging	58,837	-	-	58,837
	68,057	-	-	68,057

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Valuation of Financial Instruments (Continued)

The effects of changes in fair value of financial instruments measured at fair value through profit and loss were as follows:

	2022	2021
Gains on changes in the fair value of derivatives	32,646,582	10,162,968
Gains on changes in the fair value of financial assets measured at FVTPL	465,653	128,750
Total gains	33,112,235	10,291,717
Losses on changes in the fair value of derivatives	(30,657,379)	(10,205,874)
Losses on changes in the fair value of financial assets measured at FVTPL	(58,246)	(30,656)
Total losses	(30,715,625)	(10,236,529)
Net gains on changes in the fair value of financial instruments	2,396,610	55,188

The table below provides a breakdown of the Bank's financial assets and liabilities other than measured at fair value at the reporting period-end, classified per fair value hierarchy level:

	Level 1	Level 2	Level 3	Total	Carrying value
Balance as of December 31, 2022					
Cash and balances held with the central bank	-	112,486,004	-	112,486,004	112,486,004
Loans and receivables due from banks and other financial institutions	-	-	61,337,473	61,337,473	61,337,473
Loans and receivables due from customers	-	-	238,434,960	238,434,960	237,489,395
Securities at amortized costs	18,278,937	32,276,531	-	50,555,468	50,633,057
	18,278,937	144,762,535	299,772,433	462,813,905	461,945,929
Deposits and other liabilities to banks, other financial institutions and the central bank	-	-	17,482,064	17,482,064	17,482,064
Deposits and other liabilities due to customers	-	-	431,692,058	431,692,058	431,692,058
	-	-	449,174,122	449,174,122	449,174,122

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Valuation of Financial Instruments (Continued)

	Level 1	Level 2	Level 3	Total	Carrying value
Balance as of December 31, 2022					
Cash and balances held with the central bank	-	90,618,192	-	90,618,192	90,618,192
Loans and receivables due from banks and other financial institutions	-	-	26,603,238	26,603,238	26,603,238
Loans and receivables due from 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
	1,100,844	117,792,751	241,183,257	360,076,852	362,086,155
Deposits and other liabilities to banks, other financial institutions and the central bank	-	-	2,340,980	2,340,980	2,340,980
Deposits and other liabilities due to customers	-	-	366,617,048	366,617,048	366,617,048
	-	-	368,958,028	368,958,028	368,958,028

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-secured impaired loans, the fair value is measured based on the fair value of the underlying collateral.

To improve the accuracy of fair value assessment for retail loans, the Bank's loans are grouped into homogenous groups with similar characteristics such as product type, customer type, remaining maturity, currency, etc.

Fair values of deposits due to banks and customers are determined using the discounted future cash flows method, whereby the current interest rates applicable to deposits of the same type, currency, customer type or the same or similar remaining maturity are used. The fair values of demand deposits are the same as their carrying amounts.

Valuation methods and assumptions used to determine fair values of financial instruments other than measured at fair value are discussed below.

Assets and liabilities with fair values approximately equivalent to their carrying amounts

For certain financial instruments without defined maturities or those maturing up to 3 months, it is assumed that their carrying values approximate their fair values. This assumption is also used for demand deposits, saving deposits without defined maturities, as well as for financial instruments with floating interest rates where there are no incremental costs and providing that the Bank's credit risk does not change from the instrument's initial recognition.

Financial instruments at fixed interest rates

Fair values of financial instruments at fixed interest rate measured at amortized costs is assessed based on comparison of the initially agreed interest rates and current interest rates for similar financial instruments. Fair values of loans and deposits at fixed interest rates are determined by discounting expected future 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

The Bank's net interest income comprises:

	2022	2021
Interest income		
The central bank (National Bank of Serbia)	284,383	67,299
Banks		
- domestic banks	251,406	1,916
- foreign banks	294,550	1,560
Corporate customers	5,149,262	3,112,028
Public sector	9	4
Retail customers	5,644,337	5,175,385
Securities	1,741,978	1,672,057
Non-residents	53,576	32,901
	13,419,501	10,063,150
Interest expenses		
Banks		
- domestic banks	(27,987)	(6)
- foreign banks	(811,771)	(117,555)
Corporate customers	(32,563)	(36,186)
Public sector	(17,736)	(509)
Retail customers	(25,122)	(25,463)
Securities	(105,924)	(46,496)
Non-residents	(22,791)	(32,452)
	(1,043,894)	(258,667)
Net interest income	12,375,607	9,804,483

Within the Bank's total interest income for 2022, RSD 37,146 thousand (2021: RSD 29,260 thousand) pertains to the interest income on impaired financial assets.

The Bank's interest income for 2022 also includes income from loan origination fees, which form an integral part of the effective interest rate, in the amount of RSD 391,923 thousand (2021: RSD 379,795 thousand).

7. NET FEE AND COMMISSION INCOME

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized 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 each contract. When the Bank has provided a service to a customer, the relating receivable is invoiced and is generally due immediately upon satisfaction of the performance obligation for 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 concluded that it is normally the principal in its revenue-generating arrangements because it typically controls the services before transferring them to the customer, except in case of agency fees, for the sales of leasing products and investment fund units, and fees collected for insurance agency services.

7. NET FEE AND COMMISSION INCOME (Continued)

The nature of each of the Bank's revenue-generating contracts is such that they result in a single respective performance obligation. Therefore, the Bank does not make any significant judgements when allocating the transaction price to the performance obligation.

The Bank's net fee and commission income includes:

	2022	2021
Fee and commission income		
Insurance agency fees	283,316	261,245
Card operation fees and current account maintenance fees	3,321,631	2,755,063
Payment transfer fees	1,231,089	1,022,702
Guarantee issuance fees	508,456	414,158
Nostro and loro payment fees	813,335	547,153
Loan processing and administration fees	94,097	97,998
POS terminal sales fees	795,108	562,295
Fees for costs of reminders sent to clients	97,822	88,126
Cash pay-in/pay-out fees	28,774	31,293
Agency fees for sales of leasing products and investment fund units	195,022	210,055
Security trade fees	36,064	45,780
Credit Bureau fees	45,989	48,866
Other fees and commissions	663,182	572,981
Foreign currency purchase and sale fees	6,047,281	3,087,987
	14,161,166	9,745,702
Fee and commission expenses		
Domestic payment transfer fees	(272,293)	(201,211)
Foreign payment transfer fees	(1,753,254)	(1,268,863)
Loan insurance fees	(111,786)	(140,488)
MIGA guarantee fees	(92,459)	(93,150)
Credit Bureau fees	(74,585)	(81,825)
Fees for client texting	(47,290)	(42,321)
Other fees and commissions	(53,902)	(47,774)
Fees per agency/brokerage contracts	(219,623)	(249,038)
Foreign currency purchase and sale fees	(1,904,391)	(573,146)
	(4,529,583)	(2,697,816)
Net fee and commission income	9,631,583	7,047,886

8. NET FOREIGN EXCHANGE GAINS/(LOSSES) AND POSITIVE/(NEGATIVE) CURRENCY CLAUSE EFFECTS*

The Bank's net gains on foreign exchange differences and effects of foreign currency clause include:

	2022	2021
Foreign exchange gains and positive currency clause effects		
Derivatives	205	27
Spot transactions	-	-
Vault cash, foreign currency account balances	1,690,633	612,860
Mandatory reserves	48,515	12,173
Loans and other receivables in foreign currencies	6,772,638	1,555,318
Loans and other receivables with a currency clause index	301,792	83,803
Deposits and borrowings in foreign currencies	8,555,429	1,831,335
Securities	2,806,458	1,929,151
Other	7,363	988
Subordinated liabilities	34,757	-
	20,217,790	6,025,655
Foreign exchange losses and negative currency clause effects		
Derivatives	(338)	(28)
Spot transactions	-	-
Vault cash, foreign currency account balances	(1,185,440)	(275,799)
Mandatory reserves	(126,939)	(10,626)
Loans and other receivables in foreign currencies	(7,168,641)	(1,283,234)
Loans and other receivables with a currency clause index	(734,702)	(63,151)
Deposits and borrowings in foreign currencies	(8,810,777)	(4,445,294)
Securities	(2,124,596)	(746,694)
Other	(3,557)	(1,235)
Subordinated liabilities	(1,661)	-
	(20,156,651)	(6,826,061)
Net foreign exchange gains/(losses) and positive/(negative) currency clause effects	61,139	(800,406)

*Note2(i)

9. NET LOSSES ON IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Net losses on impairment of financial assets and credit risk-weighted off-balance sheet items not measured at fair value through profit or loss comprise the following:

	2022	2021
Gains on reversal of impairment of financial assets and credit risk-weighted off-balance sheet items		
Reversal of impairment allowance for financial assets	10,750,815	7,729,970
Reversal of impairment allowance for credit risk-weighted off-balance sheet items	1,759,189	1,632,932
Collected interest receivable on impaired loans	37,146	29,259
Recovery of receivables previously written off	557,537	595,370
Gains on the modification of financial instruments	-	4,143
	13,104,684	9,991,674
Losses on impairment of financial assets and credit risk-weighted off-balance sheet items		
Impairment allowance for financial assets	(11,751,610)	(8,916,931)
Impairment allowance for credit risk-weighted off-balance sheet items	(2,027,476)	(1,573,410)
Impairment allowance for interest receivable on impaired loans	(52,273)	(55,153)
Write-off of irrecoverable receivables	(7,769)	(3,946)
Losses on the modification of financial instruments	-	(14,698)
	(13,839,128)	(10,564,138)
Net losses on impairment of financial assets not measured at fair value through profit or loss	(734,444)	(572,464)

During 2021, due to the COVID-19 pandemic and its negative impact on business operations of corporate customers, the Bank assessed and adjusted its impairment calculation models, resulting in an increase in losses incurred on impairment of financial assets not measured at fair value through profit or loss.

In accordance with the provisions of the Moratoria implemented during 2021, and due to changes in contractual elements that caused changes in future cash flows as per the relevant loan repayment schedules, the Bank calculated net losses on the modification of financial instruments in the amount of RSD 10,555 thousand. In 2022, the Bank had no modifications due to changes in future cash flows as per loan repayment schedules.

10. NET GAINS ON DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST AND OTHER OPERATING INCOME

10.1 Net gains on derecognition of financial instruments measured at amortized cost relate to:

	2022	2021
Net gains on the sale of financial instruments	130,561	415,704
Net gains on derecognition of financial instruments measured at amortized costs	130,561	415,704

The Bank's net gains on derecognition of financial instruments measured at amortized costs are gains on the sales of non-performing loans, which is one of the Bank's workout strategies. In addition, the realized gains and/or losses arise from derecognition of financial instruments measured at amortized cost, which are also disclosed under this line item.

10. NET GAINS ON DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST AND OTHER OPERATING INCOME

10.2 Other operating income comprises:

	2022	2021
Rental income from the lease of premises	30,022	30,104
Loan insurance costs reimbursed	34	25
Gains on the sale of assets acquired in lieu of debt collection	22,874	24,715
Other operating income	107,369	40,982
Total	160,299	95,826

The Bank owns a commercial building, a part of which is leased out to related parties, which, according to the relevant lease contracts, pay the rent for the use of the office space. As the lessor, the Bank generates rental income, which is included in the statement of profit or loss within the line item of other operating income. In 2022, the Bank earned rental income in the amount of RSD 30,022 thousand (2021: RSD 30,104 thousand).

As the Bank leases out an insignificant portion of the building (less than 5%) to its related parties, the entire building is classified within property, plant and equipment rather than investment property. Maturity breakdown of the amounts the Bank expects to receive for the premises leased is provided below:

	December 31, 2022
Rental income from the lease of premises	
Within a year	15,206
From one to two years	15,206
From two to three years	15,206
From three to four years	15,206
From four to five years	15,206
After five years	76,030
Total	152,060

11. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONNEL EXPENSES

Salaries, salary compensations and other personnel expenses include:

	2022	2021
Employee salaries and salary compensations	2,802,282	2,469,061
Payroll taxes payable on salaries and salary compensations	345,528	302,919
Payroll taxes and contributions payable on salaries and salary compensations	672,333	595,570
Provisioning charge for employee bonuses, retirement benefits, unused vacation days and other employee benefits	359,535	257,071
Reversal of provisions for employee retirement benefits	(51,005)	(56,337)
Reversal of provisions for employee unused vacations	(106,475)	(125,157)
Reversal of provisions for employee bonuses	(46,749)	(46,157)
Other personnel expenses	23,125	23,317
Total	3,998,574	3,420,287

12. OTHER INCOME AND OTHER EXPENSES

12.1. Other Income

	2022	2021
Reversal of unreleased provisions for contingent liabilities	249,063	454
Gains on the sale of property, plant and equipment and intangible assets	4,319	6,819
Write-off of liabilities	638	-
Surpluses	5,370	1,488
Costs of court and administrative fees reimbursed	68,411	62,964
Collected interest on receivables previously written off	163,153	141,263
Other income	21,304	22,687
Total	512,258	235,675

12.2. Other Expenses

	2022	2021
Rental costs	48,751	64,782
Indirect taxes and contributions payable	615,283	565,359
Marketing and advertising costs	224,668	230,339
Property and equipment maintenance costs	1,055,247	663,800
Other non-material costs	556,456	469,703
Employee training costs	35,475	22,992
Cost of offices supplies	39,927	44,266
Intellectual service costs and audit fees	675,817	497,303
Telecommunication services and lease of lines	144,224	152,702
Security service costs	131,862	120,303
Other material costs and services	134,246	118,424
Business travel costs – per diems and other business travel costs	22,334	5,909
Postage costs	19,594	20,805
Cost of other materials	194,195	146,690
Insurance premium costs	1,048,320	941,780
Tax expenses	81,472	66,295
Office space refurbishment costs	16,156	12,094
Entertainment costs	41,218	14,468
Membership fees	7,139	3,978
Other	201,259	298,515
Provisioning charge for contingent liabilities	338,351	264,199
Total	5,631,994	4,724,706

Within the total provisioning charge for contingent liabilities, the amount of RSD 332,347 thousand relates to the provisioning charge for litigations (Notes 26.4 and 29.2).

The Bank recognized as rental costs the expenses of short-term leases and leases with low-value underlying assets in the amount of RSD 48,751 thousand (2021: RSD 64,782 thousand) within other expenses.

13. INCOME TAXES

13.1 Components of the income tax expense for 2022:

	2022	2021
Current income tax expense	1,577,413	990,215
Gains on the creation of deferred tax assets and decrease in de- ferred tax liabilities	(37,407)	(27,004)
Total	1,540,006	963,211

13.2 Reconciliation of the effective tax rate is provided below:

	2022	2021
Profit for the year before tax	11,233,618	7,820,291
Income tax at the statutory tax rate of 15%	1,685,043	1,173,044
Reconciliation of the effective interest rate:		
Expenses non-deductible for the tax statement purposes	25,405	11,308
Transfer pricing adjustments	108,494	20,877
Non-taxable income	(273,640)	(230,717)
Temporary differences arising between the tax amounts of property and equipment and their carrying values reported in the financial statements	(63,789)	(26,777)
Provisions for employee benefits	57,067	15,598
Other	1,426	(123)
Income tax expense	1,540,006	963,211
Effective tax rate	13.71%	12.32%

13.3. Movements on deferred taxes, i.e., temporary differences, during 2022 were as follows:

	Balance at January 1, 2022	Recognized in profit or loss	Recognized in OCI	Balance at December 31, 2022
Property and equipment	265,284	68,313	-	333,597
Provisions for employee retirement benefits	53,836	(2,890)	-	50,946
Provisions for litigations	148,234	(29,959)	-	118,276
Tax (losses)/gains arising on OCI com- ponents	(22,687)		213,039	190,352
Other	8,934	1,942	-	10,876
Total	453,601	37,407	213,039	704,047

13. INCOME TAXES (Continued)

13.3. Movements on deferred taxes, i.e., temporary differences, during 2021 were as follows:

	Balance at January 1, 2021	Recognized in profit or loss	Recognized in OCI	Balance at December 31, 2021
Property and equipment	227,182	38,102	-	265,284
Provisions for employee retirement benefits	51,160	2,676	-	53,836
Provisions for litigations	114,268	33,966	-	148,234
Tax credit in the amount of 2% of the debt outstanding pursuant to Article 4, para. 2 of the Law on Conversion of Housing Loans Indexed in CHF	52,437	(52,437)	-	-
Valuation of CF hedge and financial assets at FVtOCI	(87,046)		64,359	(22,687)
Other	4,238	4,696	-	8,934
Total	362,239	27,004	64,359	453,601

Deferred taxes were calculated by applying the tax rate of 15% for both periods presented.

13.4. Taxes on OCI components

	2022	2021
Taxes on OCI components		
Debt instruments measured at FVtOCI – fair value change	248,177	73,429
Actuarial gains/(losses) per defined benefit plans	(5,901)	-
Cash flow hedging - valuation	(29,237)	(9,070)
Total tax benefits per OCI components	213,039	64,359

14. CASH AND BALANCES HELD WITH THE CENTRAL BANK

14.1 Cash and balances held with the central bank

	2022	2021
RSD cash funds		
Gyro account balances	42,259,751	36,070,434
Cash in hand	5,373,899	5,222,656
	47,633,650	41,293,090
Foreign currency cash funds		
Mandatory reserves held with the central bank	45,401,631	32,656,435
Cash in hand	19,454,914	16,668,669
Funds on the account held with the Central Securities Depository and Clearing House	8	4
	64,856,553	49,325,108
Less: Impairment allowance	(4,199)	(6)
Balance as of December 31	112,486,004	90,618,192

14. CASH AND BALANCES HELD WITH THE CENTRAL BANK
(Continued)

14.1 Cash and balances held with the central bank (Continued)

Movements on the impairment allowance for cash and balances held with the central bank are presented below:

	2022	2021
Collective impairment allowance – Stage 1		
Balance as of January 1	6	8
Charge for the year	4,251	2,741
Reversal	(54)	(2,743)
Balance as of December 31	4,199	6

In 2022, the Bank set aside the mandatory reserves in accordance with the Decision on Obligatory Reserves Held with the National Bank of Serbia.

In 2022, the required RSD reserve was calculated at the same rates that were applicable in 2021:

- 5% – applicable to the amount of RSD liabilities per deposits with no currency clause index and with agreed maturities of up to two years;
- 0% – applicable to the amount of RSD liabilities per deposits with agreed maturities of over two years.

The percentage shares of the calculated foreign currency mandatory reserve that can be allocated in RSD remained the same as in 2021 and throughout 2022 – 38% of the reserve per deposits with contractual maturity of up to two years and 30% of the reserve per deposits with contractual maturity of over two years.

The National Bank of Serbia pays interest to banks on the amount of the actual average daily balance of the allocated RSD required reserve in the reporting period, up to the amount of the calculated RSD required reserve. From June 18, 2020 up to April 17, 2022, the aforesaid interest was payable by the National Bank of Serbia at the rate 0.1% per annum. From April 18 to May 17, 2022, the interest rate was increased to 0.25% p.a., and thereafter, from May 18 to June 17, 2022 it equaled 0.5% p.a. and from June 18, 2022 up to the end of 2022, the applicable interest rate equaled 0.75%. Exceptionally, in order to mitigate the economic consequences of the COVID-19 pandemic, the National Bank of Serbia pays interest of 0.6% p.a. (0.1% plus 0.5 percentage points) on a portion of these funds if the prescribed conditions are met.

Mandatory foreign currency reserve is allocated based on the foreign currency sources of funding (deposits) and those in RSD with a currency clause index. In 2022, the required foreign currency reserve was calculated at the following unchanged rates:

- 20% – applicable to the amount of FX liabilities per deposits with agreed maturities of up to two years;
- 13% – applicable to the amount of FX liabilities per deposits with agreed maturities of over two years;
- 100% – applicable to the amount of RSD liabilities per deposits with the currency clause index, irrespective of maturity.

The National Bank of Serbia pays no interest on the mandatory foreign currency reserve. In 2022, the National Bank of Serbia charged interest equal to 3-month EURIBOR plus 5 percentage points p.a. on the allocated foreign currency reserve amount in excess of the calculated foreign currency reserve. Throughout 2022, the Bank maintained its mandatory foreign currency reserve within the permitted limit range.

14. CASH AND BALANCES HELD WITH THE CENTRAL BANK (Continued)

14.2. Cash reported in the statement of cash of flows includes:

	2022	2021
Gyro account balances	42,259,751	36,070,434
Cash in hand in RSD	5,373,899	5,222,656
Cash in hand in foreign currencies	19,454,914	16,668,669
Foreign currency account balances	8,114,602	4,612,280
Balance as of December 31	75,203,166	62,574,039

14.3 Reconciliation between cash in the statement of cash flows and cash as a line item in the statement of financial position

	2022 state- ment of fin. position	2022 state- ment of cash flows
Gyro account balances	42,259,751	42,259,751
Cash in hand in RSD	5,373,899	5,373,899
Mandatory reserves held with the central bank	45,401,631	-
Cash in hand in foreign currencies	19,454,914	19,454,914
Deposit held with the Central Securities Depository and Clearing House	8	-
Less: Impairment allowance	(4,199)	-
Foreign currency account balances (Note 17)	-	8,114,602
Balance as of December 31	112,486,004	75,203,166

	2021 state- ment of fin. position	2021 state- ment of cash flows
Gyro account balances	36,070,434	36,070,434
Cash in hand in RSD	5,222,656	5,222,656
Mandatory reserves held with the central bank	32,656,435	-
Cash in hand in foreign currencies	16,668,669	16,668,669
Deposit held with the Central Securities Depository and Clearing House	4	-
Less: Impairment allowance	(6)	-
Foreign currency account balances (Note 17)	-	4,612,280
Balance as of December 31	90,618,192	62,574,039

15 RECEIVABLES UNDER DERIVATIVES

The Bank's financial assets at fair value through profit or loss (FVtPL) held for trading include:

	2022	2021
RSD receivables under derivatives	52,048	13,669
RSD liabilities under derivatives	(15,337)	(9,220)
Balance as of December 31	(36,711)	4,449

The remaining portion of the liabilities under derivative of RSD 79,199 thousand pertains to derivatives not held for trading.

The notional amounts of derivatives held for trading are provided below:

	2022				2022			
	Notional amount (Bought)	Notional amount (Sold)	Net position	Fair value	Notional amount (Bought)	Notional amount (Sold)	Net position	Fair value
Derivatives held for trading								
FX Forward	894,945	861,601	33,344	33,257	1,252,922	1,246,082	6,839	3,639
FX Swap	65,655,604	65,655,872	-268	3,453	12,225,289	12,224,544	745	810
Total	66,550,549	66,517,473	33,076	36,711	13,478,211	13,470,627	7,584	4,449

16. SECURITIES

The Bank's securities include:

	2022	2021
Bonds of foreign financial institutions	19,348,244	20,804,165
Bonds of other banks	11,883,287	-
Bonds issued by the Republic of Serbia Ministry of Finance	61,375,018	67,038,978
Bonds issued by the Republic of Serbia Ministry of Finance – CHF to EUR conversion of housing loans	794,480	794,480
Less: Impairment allowance	(33,877)	(12,384)
Balance as of December 31	93,367,152	88,625,239

Movements on the impairment allowance for securities are presented below:

	2022	2021
Collective impairment allowance – Stage 1		
Balance as of January 1	12,384	9,650
Charge for the year	40,455	35,101
Reversal	(18,950)	(32,465)
Foreign exchange effects	(12)	98
Balance as of December 31	33,877	12,384

16. SECURITIES (Continued)

	2022	2021
Securities measured at FVtPL	4,461,834	3,480,028
Securities measured at FVtOCI	38,286,111	56,960,756
Securities measured at amortized cost	50,653,084	28,196,838
Less: Impairment allowance	(33,877)	(12,384)
Balance as of December 31	93,367,152	88,625,239

The Bank incurred a loss of RSD 27,348 thousand on the sale of debt securities measured at FVtOCI, which was recognized in profit or loss due to reclassification from OCI (2021: RSD 370 thousand).

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

The Bank's loans and receivables due from banks and other financial institutions include:

	2022	2021
Foreign currency account - Raiffeisen Bank International AG	2,781,562	2,243,498
Foreign currency accounts - other banks	5,333,981	2,368,783
Repo transaction loans	10,004,634	17,000,000
Overnight loans and deposits	1,652,273	-
Liquidity and working capital loans	25,666,709	199,890
Other loans and receivables	5,502,719	4,785,666
Foreign currency earmarked deposits	10,421,506	7,415
	61,363,384	26,605,252
Less: Impairment allowance	(25,911)	(2,014)
Balance as of December 31	61,337,473	26,603,238

Movements on the impairment allowance for loans and receivables due from banks and other financial institutions are presented below:

	2022	2021
Collective impairment allowance - Stage 2		
Balance as of January 1	2,014	527
Charge for the year	25,911	2,554
Reversal	(2,014)	(1,067)
Foreign exchange effects	-	-
Balance as of December 31	25,911	2,014

18. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

The Bank's loans and receivables due from customers consist of:

December 31, 2022	Gross exposure	Impairment allowance	Net exposure	December 31, 2021
Foreign currency accounts and checks	1,948	-	1,948	2,082
Current account overdrafts	5,751,543	197,556	5,553,987	3,106,897
Consumer loans	498,437	23,166	475,271	310,490
Liquidity and working capital loans	91,944,298	1,457,024	90,487,274	76,410,959
Investment loans	37,855,442	519,455	37,335,987	34,455,007
Housing loans	36,330,335	825,905	35,504,430	31,521,372
Cash loans	33,883,899	2,240,296	31,643,603	32,982,220
Other loans and credit cards	26,705,781	786,412	25,919,369	35,771,746
Non-recourse factoring receivables and reverse factoring receivables	1,576,550	1,173	1,575,377	798,377
Recourse factoring receivables	121,386	86	121,300	24,595
Other receivables, discounted bills of exchange	397,537	19,717	377,820	63,196
Loans for payment of imported goods and services	9,410,859	919,932	8,490,927	7,975,746
Deposits	2,103	1	2,102	2,107
	244,480,118	6,990,723	237,489,395	223,424,794
Less: Impairment allowance	(6,990,723)			(6,752,354)
Balance as of December 31	237,489,395			216,672,440

Movements on the impairment allowance for loans and receivables due from customers are presented below:

	2022	2021
Individual impairment allowance – Stage 3		
Balance as of January 1	3,751,067	3,912,449
Charge for the year	3,184,215	3,858,020
Reversal	(3,236,167)	(3,289,174)
Write-off and derecognition	(591,000)	(777,613)
Foreign exchange effects	(3,103)	3,323
Other	25,814	44,062
	3,130,826	3,751,067
Collective impairment allowance – Stage 1		
Balance as of January 1	520,442	506,418
Charge for the year	1,664,637	1,136,006
Reversal	(1,393,538)	(1,096,508)
Foreign exchange effects	(2,137)	(2,050)
Other	(33,757)	(23,424)
	755,647	520,442
Collective impairment allowance – Stage 2		
Balance as of January 1	2,480,845	1,965,054
Charge for the year	6,725,333	3,852,795
Reversal	(6,037,047)	(3,286,279)
Write-off	(71)	(14)
Foreign exchange effects	-	253
Other	(64,810)	(50,964)
	3,104,250	2,480,845
Balance as of December 31	6,990,723	6,752,354

18. LOANS AND RECEIVABLES DUE FROM CUSTOMERS (Continued)

In 2022, to its corporate customers, large and medium-sized entities, the Bank approved the following loans:

- Short-term loans at interest rates depending on the customer credit rating, ranging up to EURIBOR plus 3.5% p.a., and BELIBOR plus 3.0% p.a.;
- Long-term loans for repayment periods of up to 10 years at interest rates depending on the customer credit rating, ranging up to EURIBOR plus 4.5% p.a., and BELIBOR plus 3.5% p.a.

To the customer segment of SMB (small businesses and entrepreneurs), the Bank approved the following loans in 20202:

- Loans with monthly repayment installments depending on the customer credit rating range, at fixed annual interest rates between 4.9% and 5.9% for RSD loans, and at variable interest rates ranging from BELIBOR plus 2.25% to BELIBOR plus 5.5% for foreign currency loans, while loans with currency clause index (EUR-linked loans) were approved at interest rates ranging from EURIBOR plus 2.95% to EURIBOR plus 5.25% p.a.;
- Long-term loans for repayment periods of up to 10 years at prevailing interest rates ranging from EURIBOR plus 3.3% to EURIBOR plus 4.9% p.a.

To the customer subsegment of micro businesses and sole entrepreneurs, the Bank approved:

- RSD loans with monthly repayment installments depending on the customer credit rating range, at fixed annual interest rates between 8.5% and 10%, as well as at variable interest rates equal to BELIBOR plus a margin from 3.5% to 8.5%, while loans with currency clause index (EUR-linked loans) were approved at fixed interest rates ranging from 4.8% to 5.95% p.a. well as at variable interest rates equal to EURIBOR plus a margin from 4.4% to 5.5% p.a.;
- RSD loans were also approved at floating interest rates ranging from 3-month BELIBOR plus 4.3% to 3-month BELIBOR plus 4.9% per annum;
- In the first half of 2022, to all SMB clients, small entities and entrepreneurs, the Bank also extended loans for liquidity maintenance and working capital financing under the Republic of Serbia guarantee scheme; these loans were approved for periods of 36 months at variable interest rates equal to 1-month BELIBOR plus 2.5% p.a. for RSD loans and 3-month EURIBOR plus 3% p.a. for EUR-linked loans.
- For the better part of 2022, the Bank approved to all its SMB clients loans secured with the guarantees of the European Investment Fund, either as RSD or currency clause indexed loans due for repayment within 36 to 48 months.
- To the registered agricultural estates, the Bank approved RSD loans with interest subsidized by the Ministry of Agriculture, Forestry and Water Management. These loans were approved for repayment periods of up to 60 months for investment loans and up to 36 months for permanent working capital at respective interest rates of 0%, 1% and 3% p.a.

During 2022, the Bank approved the following retail loans (to private individuals):

- Short-term loans at floating interest rates equal to EURIBOR plus a margin of 5.75% p.a. for currency clause-indexed loans, and BELIBOR plus margin in the range from 4.8% to 9.7% p.a. for RSD loans;
- Short-term RSD loans at annual fixed interest rates ranging from 19.9% to 30.0% p.a.;
- Current account overdrafts at fixed annual interest rates between 0% and 29.76%;
- Long-term loans at floating interest rates equal to EURIBOR plus a margin of 5.75% to 6.75% for currency clause-indexed loans, and BELIBOR plus 2.9% to 5.0% for RSD loans;
- Long-term (housing) loans with maximum maturity of 30 years at floating annual interest rates equal to from EURIBOR plus 3.24% for currency clause-indexed loans, and BELIBOR plus a margin from 3.6% to 4.6% for RSD loans;
- Long-term RSD loans at fixed annual interest rates ranging from 9.75% to 30%;
- Long-term (housing) loans with maximum maturity of 30 years at fixed annual interest rates ranging from 3.45% to 6.95% for EUR currency clause-indexed loans.

19. INVESTMENTS IN SUBSIDIARIES

	2022	2021
Voluntary Pension Fund Management Company Raiffeisen Future a.d. Beograd	140,787	117,582
Open-End Investment Fund with Public Offering Management Company Raiffeisen Invest a.d. Beograd	422,361	517,361
Raiffeisen Leasing d.o.o. Beograd	1,560,387	658,460
RBA banka a.d., Novi Sad	18,142,440	-
"Budimir Kostić" Humanitarian Fund	30	30
Balance as of December 31	20,266,005	1,293,433

As permitted by IAS 27, the Bank has opted for measuring its investments in subsidiaries at fair value. Under IFRS 9, the Bank has elected to measure these equity investments at fair value through other comprehensive income (FVtOCI) and recognize all changes in the fair value of these investments in OCI.

The positive effect of the 2022 revaluation of these investments was recognized in OCI in the amount of RSD 830,132 thousand (2021: positive revaluation effect of RSD 58,811 thousand).

The positive/(negative) revaluation effects for each of the entities are presented below:

	2022	2021
Raiffeisen Leasing d.o.o. Beograd	901,929	152,865
Raiffeisen Future a.d. Beograd	23,204	(70,546)
Raiffeisen Invest a.d. Beograd	(95,001)	(23,508)
	830,132	58,811

20. PROPERTY, PLANT AND EQUIPMENT

The Bank's property, plant and equipment consist of:

	2022	2021
Land and buildings	3,118,301	3,193,208
Equipment	1,415,503	1,279,865
Leasehold improvements	382,857	433,214
Investments in progress	33,965	-
	4,950,626	4,906,287
Right-of-use (ROU) assets	1,064,332	1,034,362
Balance as of December 31	6,014,958	5,940,649

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements on the Bank's property and equipment were as follows:

	Land and buildings	Equipment	Investments in progress	Total
Cost				
Balance as of January 1, 2021	3,930,192	5,744,747	-	9,674,939
Additions	-	-	575,349	575,349
Transfers from investments in progress	10,802	564,547	(575,349)	-
Retirement and disposal	-	(283,831)	-	(283,831)
Balance as of December 31, 2021	3,940,994	6,025,463	-	9,966,457
Balance as of January 1, 2022	3,940,994	6,025,463	-	9,966,457
Additions	-	-	667,988	667,988
Transfers from investments in progress	8,592	625,431	(634,023)	-
Retirement and disposal	-	(268,266)	-	(268,266)
Balance as of December 31, 2022	3,949,586	6,382,628	33,965	10,366,179
Accumulated depreciation				
Balance as of January 1, 2021	664,703	4,106,731	-	4,771,434
Depreciation charge for the year	83,083	483,949	-	567,032
Retirement and disposal	-	(278,296)	-	(278,296)
Balance as of December 31, 2021	747,786	4,312,384	-	5,060,170
Balance as of January 1, 2022	747,786	4,312,384	-	5,060,170
Depreciation charge for the year	83,499	532,873	-	619,372
Retirement and disposal	-	(263,989)	-	(263,989)
Balance as of December 31, 2022	831,285	4,584,268	-	5,415,553
Net book value				
as of January 1, 2021	3,265,489	1,638,016	-	4,903,505
as of December 31, 2021	3,193,208	1,713,079	-	4,906,287
as of December 31, 2022	3,118,301	1,798,360	33,965	4,950,626

As of the reporting date, there were no encumbrances (mortgages) instituted over the Bank's property for securitizing repayment of borrowings or settlement of other liabilities.

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements on the Bank's right-of-use (ROU) assets were as follows:

	Vehicles	Premises	Total
Cost			
Balance as of January 1, 2021	47,955	1,756,810	1,804,765
Additions – lease contract renewal	9,372	60,902	70,274
Additions – new lease contracts		57,088	57,088
Lease termination, retirement and disposal	(1,498)	(121,231)	(122,729)
Balance as of December 31, 2021	55,829	1,753,569	1,809,398
Balance as of January 1, 2022	55,829	1,753,569	1,809,398
Additions – lease contract renewal	15,315	149,492	164,807
Additions – new lease contracts		48,010	48,010
Lease termination, retirement and disposal	-	-	-
Balance as of December 31, 2022	71,144	1,855,051	1,926,195
Accumulated depreciation			
Balance as of January 1, 2021	24,574	588,109	612,683
Depreciation charge for the year	13,159	354,627	367,786
Additions – lease contract renewal	-	(49,622)	(49,622)
Additions – new lease contracts	(1,499)	(33,081)	(34,580)
Lease termination, retirement and disposal	-	(121,231)	(121,231)
Balance as of December 31, 2021	36,234	738,802	775,036
Balance as of January 1, 2022	36,234	738,802	775,036
Depreciation charge for the year	13,031	351,737	364,768
Additions – lease contract renewal	-	(277,941)	(277,941)
Additions – new lease contracts	-	-	-
Lease termination, retirement and disposal	-	-	-
Balance as of December 31, 2022	49,265	812,598	861,863
Net book value			
as of January 1, 2021	23,381	1,168,701	1,192,082
as of December 31, 2021	19,595	1,014,767	1,034,362
as of December 31, 2022	21,879	1,042,453	1,064,332

The Bank rents business premises for some of its branches and vehicles. The average lease term stipulated by the Bank's lease contracts in force is 5 years for premises and 4 years for vehicles.

The total cash outflows the Bank incurred in respect of leases amounted to RSD 484,372 thousand RSD (2021: RSD 433,533 thousand).

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

Amounts pertaining to the lease of premises and vehicles recognized in the Bank's statement of profit or loss are shown below:

	2022	2021
Depreciation charge for ROU assets	(364,769)	(367,786)
Interest expenses on lease liabilities	(11,326)	(12,661)
Rental costs for short-term leases	(9,854)	(7,089)
Service charges for premises leased	(18,542)	(18,171)
The Bank's rental income for premises leased out	30,022	30,105

21. INTANGIBLE ASSETS

The Bank's intangible assets comprise:

	2022	2021
Software, patents and licenses	1,084,261	951,433
Balance as of December 31, 2022	1,084,261	951,433

Movements on the Bank's property and equipment were as follows:

	Software. patents and licenses	Other intangi- ble assets	Total
Cost			
Balance as of January 1, 2021	4,199,413	27,257	4,226,670
Additions	437,149	-	437,149
Balance as of December 31, 2021	4,636,562	27,257	4,663,819
Balance as of January 1, 2022	4,636,562	27,257	4,663,819
Additions	512,860	-	512,860
Balance as of December 31, 2022	5,149,422	27,257	5,176,679
Accumulated amortization			
Balance as of January 1, 2021	3,368,280	27,257	3,395,537
Amortization charge for the year	316,849	-	316,849
Balance as of December 31, 2021	3,685,129	27,257	3,712,386
Balance as of January 1, 2022	3,685,129	27,257	3,712,386
Amortization charge for the year	380,032	-	380,032
Balance as of December 31, 2022	4,065,161	27,257	4,092,418
Net book value			
as of January 1, 2021	831,133	-	831,133
as of December 31, 2021	951,433	-	951,433
as of December 31, 2022	1,084,261	-	1,084,261

22. DEFERRED TAX ASSETS

Calculation of the Bank’s deferred tax assets as of December 31, 2022 and 2021 is presented below:

	2022			2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Differences arising between the prop- erty and equipment’s tax amounts and carrying amounts	333,597	-	333,597	265,284	-	265,284
Provisions for litigations	118,276	-	118,276	148,234	-	148,234
Provisions for employee retirement benefits	50,946	-	50,946	53,836	-	53,836
Other	10,876	-	10,876	8,934	-	8,934
Deferred taxes per revaluation reserves relating to securities	190,352	-	190,352	-	(22,687)	(22,687)
Deferred tax assets/(liabilities), net	704,047	-	704,047	476,288	(22,687)	453,601

Deferred tax assets were calculated at tax rate of 15% for both periods presented.

Deferred taxes were not recognized on temporary taxable differences relating to the Bank’s investments in subsidiaries. The positive effects of the Bank’s revaluation of those permanent equity investments amounted to RSD 830,132 thousand (2021: positive revaluation effects of RSD 58,811 thousand).

Deferred tax liabilities are not recognized on temporary differences relating to the cumulative positive revaluation effects (fair value adjustment effects) as the as the Bank is able to control the timing of utilization of these temporary differences and it is likely that those temporary differences will not be utilized in the foreseeable future.

23. OTHER ASSETS

The Bank’s other assets include the following:

	2022	2021
Receivables for payment transfer fees and other non-lending services	72,723	83,470
Trade receivables	1,541	1,539
Receivables per advances paid for working capital	10,725	8,271
Receivables from employees	33,265	4,648
Receivables for sick/parental leave allowance refunds	22,118	26,785
Other accounts receivable	76,196	114,094
Suspense and temporary accounts	551,382	390,726
Receivables in settlement		6,588
Deferred interest expenses	6	7
Deferred insurance expenses and rental costs	199,341	131,724
Other prepayments – accrued insurance agency income	253,855	210,992
Assets acquired in lieu of debt collection	5,890	11,910
Fixtures and inventories in use	2,017	2,017
Less: Impairment allowance	(95,314)	(95,416)
Balance as of December 31	1,133,745	897,355

23. OTHER ASSETS (Continued)

Movements on the impairment allowance for other assets are presented below:

	2022	2021
Individual impairment allowance – Stage 3		
Balance as of January 1	82,215	75,295
Charge for the year	27,642	15,846
Reversal	(9,372)	(8,693)
Write-off	(45,960)	(399)
Foreign exchange effects	-	166
	54,525	82,215
Collective impairment allowance – Stage 1		
Balance as of January 1	2,153	2,164
Charge for the year	276	180
Reversal	(278)	(188)
Other	2,094	-
Foreign exchange effects	1	(3)
	4,246	2,153
Collective impairment allowance – Stage 2		
Balance as of January 1	11,048	10,299
Charge for the year	78,856	13,688
Reversal	(53,361)	(12,853)
Foreign exchange effects	-	(86)
	36,543	11,048
Balance as of December 31	95,314	95,416

Assets acquired in lieu of debt collection (foreclosed assets) comprise:

	2022		2021	
	Area (m2)	Value	Area (m2)	Value
Smederevska Palanka. Neznalog junaka no.47 - commercial and residential building	274.52	5,890	274.52	5,890
Novi Sad. Jovana Dučića no. 35 - sports hall and tennis courts	-	-	246.00	6,020
Balance as of December 31	274.52	5,890	520.52	11,910

Movements on the impairment allowance for foreclosed assets are presented below:

	2022	2021
Impairment allowance		
Balance as of January 1	78	76
Charge for the year	2,094	2
Balance as of December 31	2,172	78

23. OTHER ASSETS (Continued)

Buildings foreclosed in the process of debt collection (NPL collection) are included in the Bank's other assets unless otherwise specified. Such property is initially measured 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 ensuing period, the Bank re-assesses the net realizable value of these assets so that the new carrying value thereof is equal to the lower of their cost or appraised market value. 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 losses are recognized in the period in when incurred, or when the carrying value of assets is reduced to their net realizable value. All gains or losses on disposal of assets are included under other operating income or other expenses.

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

The Bank's deposits and other financial liabilities due to banks, other financial institutions and the central bank include:

	2022			2021		
	RSD	FCY	Total	RSD	FCY	Total
Demand/transaction deposits	1,639,841	840,206	2,480,047	1,758,302	532,694	2,290,996
Earmarked deposits	10,000	103,281	113,281	10,000	5,882	15,882
Other deposits	5,356	6,787,809	6,793,165	4,358	1,469	5,827
Overnight deposits	-	2,328,073	2,328,073	-	-	-
Liabilities per repo transactions	5,362,089	-	5,362,089	-	-	-
Borrowings	-	47,740	47,740	-	-	-
Other financial liabilities	1,508	356,161	357,669	82	28,193	28,275
Balance as of December 31	7,018,794	10,463,270	17,482,064	1,772,742	568,238	2,340,980

The Bank's borrowings include:

	2022		2021	
	EUR '000	RSD '000	EUR '000	RSD '000
RAIFFEISEN BANK INTERNATIONAL AG	409	47,740	-	-
Balance as of December 31	409	47,740	-	-

As of December 31, 2022, the negative balance (overdraft) on the Bank's foreign currency account held with RAIFFEISEN BANK INTERNATIONAL AG amounted to EUR 409 thousand and was recorded as a liability per borrowings according to the instructions of the National Bank of Serbia.

25. DEPOSITS AND OTHER FINANCIAL LIABILITIES DUE TO CUSTOMERS

The Bank's deposits and other financial liabilities due to other customers comprise:

	2022			2021		
	RSD	FCY	Total	RSD	FCY	Total
Demand/transaction deposits	127,869,460	260,964,756	388,834,216	132,017,591	191,692,530	323,710,121
Savings deposits	274,279	28,933,991	29,208,270	298,795	29,713,002	30,011,797
Deposits placed as collaterals for loans approved	108,469	1,214,277	1,322,746	78,458	1,030,991	1,109,449
Earmarked deposits	326,179	6,052,184	6,378,363	191,752	5,674,999	5,866,751
Other deposits	1,018,689	413,007	1,431,696	368,251	205,061	573,312
Borrowings	-	3,258,433	3,258,433	-	4,136,560	4,136,560
Other financial liabilities	18,689	1,239,645	1,258,334	17,169	1,191,889	1,209,058
Balance as of December 31	129,615,765	302,076,293	431,692,058	132,972,016	233,645,032	366,617,048

Borrowings in the amount of RSD 3,258,433 thousand (2021: RSD 4,136,560 thousand) refer to loans approved to the Bank by the Republic of Serbia Ministry of Finance - APEX loans for periods of up to 11 years at interest rates equal to 3-month and 6-month EURIBOR plus a margin in the range from 0.277% to 1.38% p.a. These borrowings are repaid in equal semi-annual and annual installments.

In 2022, the Bank generally did not pay interest to large and medium-sized corporate clients, but optionally offered the services of Raiffeisen Invest Cash Fund, where average yields on RSD deposits were approximately 1.5%, and 0.75% to foreign currency deposits in EUR.

In 2022, the Bank did not offer term deposits to small firms and sole entrepreneurs and paid no interest on such deposits but optionally offered the services of UCITS funds Raiffeisen Cash and Raiffeisen Euro Cash, where average yields were accrued at the rates of 1.5% for RSD and 0.8% for EUR deposits.

The Bank paid no interest on the foreign currency deposits placed by retail customers (individuals), except for EUR demand deposits placed on savings accounts opened with the Bank before 2015, where the interest rate was equal to 0.1% per annum.

The Bank paid no interest on the RSD current account balances and RSD demand deposits placed by retail customers (individuals) on their savings accounts.

Short-term RSD deposits of retail customers with maturity of 12 months accrued interest at an annual rate of 1.0%, while all the other forms of RSD and foreign currency term deposits, both short-term and long-term savings deposits, were withdrawn from the Bank's mix of products in 2016.

For RSD and foreign currency deposits placed on term deposit accounts opened before 2016, with the possibility of more successive payments and automatic renewal of deposit placement term, the Bank paid interest at the rate of 0.11% p.a. on EUR deposits and at the rate of 0.1% for other deposits in other currencies irrespective of the deposit term.

25. DEPOSITS AND OTHER FINANCIAL LIABILITIES DUE TO CUSTOMERS (Continued)

	Note	2022	2021
Opening balance			
Deposits and other financial liabilities due to banks, other financial institutions and the central bank	24	2,340,980	4,926,799
Deposits and other financial liabilities due to other customers	25	366,617,048	303,752,087
Opening balance at January 1		368,958,028	308,678,886
Net inflows - deposits		80,710,373	58,692,017
Net outflows – borrowings		(831,383)	(1,027,391)
Net outflows - interest		(1,042,945)	(258,552)
Net outflows - fees		(4,525,278)	(2,757,919)
Foreign exchange effects		256,141	2,613,560
Accrued interest and other non-cash transactions		5,649,186	3,017,427
Closing balance			
Deposits and other financial liabilities due to banks, other financial institutions and the central bank	24	17,482,064	2,340,980
Deposits and other financial liabilities due to other customers	25	431,692,058	366,617,048
Closing balance as of December 31		449,174,122	368,958,028

25.1 Movements on the financial liabilities arising from the Bank’s financial activities

The table below provides detail on the changes in the Bank’s liabilities arising from its financing activities., including both cash and non-cash transactions. Liabilities arising from financing activities are those liabilities the cash flows of which are classified as flows from financing activities in the Bank’s statement of cash flows.

	Opening balance	Cash inflows	Cash outflows	Accrued interest	Closing balance
2022					
Borrowings	4,136,560	-	(831,383)	(46,744)	3,258,433
2021					
Borrowings	5,162,780	-	(1,027,391)	1,171	4,136,560

26. SUBORDINATED LIABILITIES

	2022	2021
Subordinated liabilities	9,044,765	-
Balance as of December 31	9,044,765	-

In April 2022, for the regulatory capital diversification purposes among other things, the Bank obtained a subordinated loan from Raiffeisen Bank International AG totaling EUR 75,000 thousand. The initially agreed maturity for the loan is 10 years, so that its repayment due date falls on April 8, 2032 in the form of a bullet payment.

27. PROVISIONS

27.1. Breakdown of the Bank's provisions:

	2022	2021
Provisions for employee benefits		
- for retirement benefits	251,215	271,691
- for other long-term employee benefits	88,429	87,217
- other provisions – short-term (for bonuses, annual leave allowances)	307,458	176,964
	647,102	535,872
Provisions for losses on off-balance sheet items (contingent liabilities)	1,075,857	808,869
Provisions for litigations	768,281	951,981
Other provisions	38,566	54,480
Balance as of December 31	2,529,806	2,351,202

27.2. Movements on the provisions for employee benefits were as follows:

	2022	2021
Balance at January 1	535,872	513,267
Provisioning charge for the year	359,535	257,071
Reversal of provisions	(204,229)	(227,651)
Actuarial gains	(39,341)	-
Release through payment	(4,735)	(6,815)
Balance as of December 31	647,102	535,872

27. PROVISIONS (Continued)

27.3. Movements on the provisions for losses on off-balance sheet items were as follows:

	2022	2021
Balance at January 1	808,521	868,217
Provisioning charge for the year	2,027,476	1,573,410
Reversal of provisions	(1,759,189)	(1,632,932)
Foreign exchange effects	(951)	(174)
Balance as of December 31	1,075,857	808,521

Provisions for contingent liabilities in the amount of RSD 1,075,857 thousand (December 31, 2021: RSD 808,521 thousand) were made for guarantees and other off-balance sheet items in accordance with the Bank's Methodology for calculation of Impairment Allowances of On-Balance Sheet Assets and Provisions for Losses on Off-Balance Sheet Items.

27.4. Movements on the provisions for litigations were as follows:

	2022	2021
Balance at January 1	951,981	703,547
Provisioning charge for the year	332,347	251,880
Other	(249,063)	(454)
Release through payment	(266,984)	(2,992)
Balance as of December 31	768,281	951,981

27.5. Movements on the other provisions were as follows:

	2022	2021
Balance at January 1	54,480	58,239
Provisioning charge for the year	6,004	12,319
Release through payment	(21,918)	(16,078)
Balance as of December 31	38,566	54,480

28. OTHER LIABILITIES

The Bank's other liabilities consist of:

	2022	2021
Liabilities for fees and commissions	6,180	3,139
Trade payables	64,344	79,738
Liabilities per advances received	459,617	147,361
Lease liabilities (Note 20)	1,091,347	1,061,438
Other accounts payable	91,052	95,142
Liabilities in settlement	514,237	164,804
Suspense and temporary accounts	666,447	466,105
Liabilities for employee salaries and salary compensations	254	3,107
Value added tax liabilities	76,397	63,398
Liabilities for other taxes and contributions payable	3,422	3,379
Other accrued expenses	242,944	139,094
Deferred interest income	98,774	93,333
Deferred other income	251,982	214,188
Other accruals	2,430	317
Balance as of December 31	3,569,427	2,534,543

29. EQUITY

29.1. The Bank's equity consists of:

	2022	2021
Share capital	27,466,158	27,466,158
Reserves from profit	30,309,874	23,353,465
Revaluation reserves from the change in the fair value of equity instruments – investments in the subsidiaries	1,397,085	566,953
Actuarial gains	33,440	-
Hedging reserves	136,115	(29,563)
Revaluation reserves from the change in the fair value of equity instruments – bonds	(1,248,213)	158,124
Current year's profit	9,693,612	6,956,409
Balance as of December 31	67,788,071	58,471,546

Raiffeisen SEE Region Holding GmbH Wien is the sole (100%) owner of the Bank's issued capital.

The holder of the ordinary (common stock) shares of the Bank is liable for the obligations and liabilities and bears the risk of the Bank's business operations commensurately to the number of shares held. The shares are transferrable in accordance with the provisions of the Articles of Incorporations. The holder of ordinary shares is entitled to dividend payment.

29. EQUITY (Continued)

Under the relevant decision of the Bank’s Shareholder Assembly dated April 28, 2022, a portion of the 2021 profit in the amount of RSD 5,291,195 thousand was allocated to the other reserves from profit. Thereafter, under the Assembly’s decision dated September 26, 2022, the remaining portion of the 2021 profit of RSD 1,565,885 thousand, as well as retained earnings realized prior to 2021 amounting to RSD 99,329 thousand the Bank also allocated to the other reserves from profit.

In 2021, under the relevant decision of the Bank’s Shareholder Assembly dated April 28, 2021, the Bank paid to its shareholder a dividend of RSD 11,061,069 thousand as the 2019 and 2020 profit distribution.

29.2. The Bank’s reserves from profit include:

	2022	2021
Required reserve for estimated losses on on-balance sheet assets and off-balance sheet items	23,353,465	23,353,465
Other reserves from profit	6,956,409	-
Balance as of December 31	30,309,874	23,353,465

In line with the regulations applicable to the banking sector, the Bank was required to create reserves from profit in the amount of specific credit loss provisions, which were calculated in accordance with the requirements defined by the NBS Decision on Classification of On-Balance Sheet Assets and Off-Balance Sheet Items.

Under the said regulation in force, the Bank may formally reduce the value of reserves from profit if it has obtained NBS prior approval to do so. In order to obtain such an approval, the Bank must demonstrate its readiness to replace the item with an instrument of an equal or higher quality and similar or lower costs and that its capital adequacy ratio will be maintained above the prescribed minimum after such reduction of the capital/reserves.

In 2022, under the relevant decision of its Assembly, the Bank allocated the 2021 and pre-2021 profits to reserves from profit.

29.3. The Bank is fully compliant with all the regulatory requirements in respect of its capital and capital adequacy ratios (Note 4(f)).

30. COMMITMENTS AND CONTINGENT LIABILITIES

30.1. The Bank’s commitments and contingent liabilities as of December 31 were as follows:

	2022	2021
Guarantees and other sureties issued	72,584,683	59,449,194
Letters of credit	1,914,037	1,377,251
Irrevocable loan commitments	17,998,123	14,712,858
Revocable loan commitments	96,787,842	101,033,754
Balance as of December 31	189,284,685	176,573,057

30. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

30.1. The Bank's commitments and contingent liabilities (Continued)

For its commitments and contingent liabilities presented within off-balance sheet items the Bank estimated and made provisions and charged those against the profit or loss in the amount of RSD 808,869 thousand (2021: RSD 868,217 thousand), recording them at the same time within liabilities in the statement of financial position.

Breakdown of the Bank's irrevocable loan commitments:

	2022	2021
Framework loan facilities per corporate clients' account overdrafts	25,000	25,000
Framework loan facilities per short-term loans and guarantees	37,626	37,908
Framework loan facilities per long-term loans and guarantees	4,930,170	2,600,182
Framework facilities per factoring activities	284,057	-
Framework loan facilities per corporate clients' credit cards	1,027,549	948,439
Framework loan facilities per retail clients' account overdrafts	1,185,247	1,181,595
Framework loan facilities per retail clients' credit cards	10,508,474	9,919,734
Balance as of December 31	17,998,123	14,712,858

30.2. Litigation

As of December 31, 2022, there were 22,988 lawsuits (2021: 13,872 lawsuits) involving the Bank as a defendant with the claims totaling RSD 3,820,439 thousand (2021: RSD 2,601,589 thousand). Based on the management's estimates of positive and negative outcomes of these lawsuits and the aggregate loss that the Bank may sustain, the Bank made provisions for contingent litigation losses in the total amount of RSD 768,281 thousand (2021: RSD 951,981 thousand).

On the other hand, the Bank filed a number of lawsuits against third parties mostly for debt collection.

31. RELATED PARTY TRANSACTIONS

The Bank is controlled by Raiffeisen SEE Region Holding GmbH. Wien, incorporated in Austria, which is the sole (100%) owner of the Bank's common stock shares. The ultimate owner of the Bank is Raiffeisen Zentralbank Österreich AG incorporated in Austria. In turn, the Bank controls its subsidiaries and joint ventures: 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 Bank's normal course of business. These include loans, deposits, equity investments and derivatives.

31. RELATED PARTY TRANSACTIONS (Continued)

The following tables summarize the total on-balance sheet exposures, i.e., receivable and payables due form and to the related parties affecting the Bank's operations:

STATEMENT OF FINANCIAL POSITION

	December 31, 2022	December 31, 2021
ASSETS		
Receivables under derivatives		
Raiffeisen Bank International AG Wien	18,791	9,862
	18,791	9,862
Loans and receivables due from banks and other financial institutions		
Raiffeisen Bank International AG Wien	2,804,841	2,243,800
The Bank's related parties fully consolidated	23,120,052	4,986,815
	25,924,893	7,230,615
Loans and receivables due form customers		
The Bank's related parties fully consolidated	18,424,891	1,163,175
	18,424,891	1,163,175
Receivables per derivatives held for risk hedging		
Raiffeisen Bank International AG Wien	160,189	586,824
	160,189	586,824
Property, plant and equipment		
The Bank's related parties fully consolidated	21,879	19,594
	21,879	19,594
Other assets		
Raiffeisen Bank International AG Wien	53,845	25,538
The Bank's related parties fully consolidated	2,207	2,487
Other related parties	21,203	11,637
	77,255	39,662
LIABILITIES		
Liabilities under derivatives		
Raiffeisen Bank International AG Wien	91,306	9,051
	91,306	9,051
Liabilities per derivatives held for risk hedging		
Raiffeisen Bank International AG Wien	1,273,098	9,130
	1,273,098	9,130
Deposits and other financial liabilities due to banks, other financial institutions and the central bank		
Raiffeisen Bank International AG Wien	52,610	127,246
The Bank's related parties fully consolidated	9,109,325	375,705
Other related parties	106,058	42,398
	9,267,993	545,349
Deposits and other financial liabilities due to customers		
The Bank's related parties fully consolidated	345,720	85,406
	345,720	85,406
Provisions		
Raiffeisen Bank International AG Wien	47	10
The Bank's related parties fully consolidated	702	1,813
	749	1,823
Other liabilities		
Raiffeisen Bank International AG Wien	88,322	64,592
The Bank's related parties fully consolidated	397	22,489
	88,719	87,081

31. RELATED PARTY TRANSACTIONS (Continued)

STATEMENT OF PROFIT OR LOSS

	2022	2021
Interest income		
Raiffeisen Bank International AG. Wien	23,191	10
The Bank's related parties fully consolidated	452,683	21,474
	475,874	21,484
Interest expenses		
Raiffeisen Bank International AG. Wien	(701,889)	(35,351)
The Bank's related parties fully consolidated	(49,336)	(398)
	(751,225)	(35,749)
Fee and commission income		
Raiffeisen Bank International AG. Wien	1,416,790	413,462
The Bank's related parties fully consolidated	213,791	8,803
Other related parties	16,289	
	1,646,870	422,265
Fee and commission expenses		
Raiffeisen Bank International AG. Wien	(1,672,336)	(641,605)
The Bank's related parties fully consolidated	(514,748)	(275,912)
Other related parties	(1,108)	(4)
	(2,188,192)	(917,521)
Net gains/(losses) on fair value changes of financial instruments		
Raiffeisen Bank International AG. Wien	1,964,030	(53,673)
The Bank's related parties fully consolidated	-	(49)
	1,964,030	(53,722)
Net (losses)/gains on risk hedging		
Raiffeisen Bank International AG. Wien	(1,847,238)	957,913
	(1,847,238)	957,913
Other operating income		
Raiffeisen Bank International AG. Wien	2,164	10,005
The Bank's related parties fully consolidated	20,411	23,383
Other related parties	8,393	8,598
	30,973	41,986
Net losses on impairment of financial assets measured at FVtPL o		
Raiffeisen Bank International AG. Wien	(381)	6
The Bank's related parties fully consolidated	(16,595)	(2,912)
	(16,976)	(2,906)
Other income		
Raiffeisen Bank International AG. Wien	10	8
The Bank's related parties fully consolidated	805	284
	815	292
Other expenses		
Raiffeisen Bank International AG. Wien	(499,019)	(448,409)
The Bank's related parties fully consolidated	(86,099)	(61,718)
	(585,118)	(510,127)
Expenses, net	(1,270,187)	(76,085)

31. RELATED PARTY TRANSACTIONS (Continued)

In 2022, the total gross salaries paid to the members of the Bank's Managing Board and other key management personnel amounted to RSD 816,991 thousand (2021: RSD 807,755 thousand). Other than the said gross salaries, no remunerations were paid to the Bank's key management personnel in 2022 or 2021.

32. EVENTS AFTER THE REPORTING PERIOD

After these financial statement's preparation date there have been no significant events that would require disclosure in or adjustment to the Bank's financial statements for 2022.

Belgrade, March 20, 2023



Zoran Petrović
Chairperson of the Managing Board



Nenad Sibinović
Member of the Managing Board

www.raiffeisenbank.rs



**Raiffeisen
Bank**