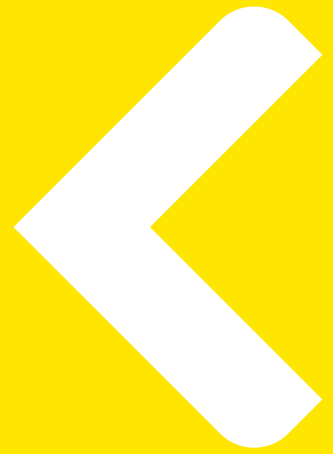


Annual Report

2023



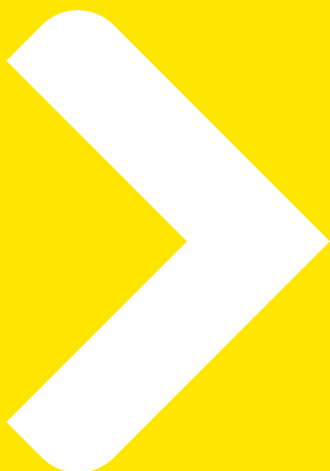
> Survey of key data

Raiffeisen banka a.d.			
Monetary values are in thousands RSD	2023	Change	2022
Income Statement			
Net interest income after provisioning	263,811,89	126.6%	11,641,163
Net commission income	12,916,017	34.1%	9,631,583
Net trading income	167,751	-138.6%	-434,292
General administrative expenses	-15,717,966	43.0%	-10,994,740
Profit before tax	25,023,386	122.8%	11,233,618
Profit after tax	21,357,568	120.3%	9,693,612
Balance Sheet			
Loans and advances to banks	87,309,014	42.3%	61,337,473
Loans and advances to customers	330,352,592	39.1%	237,489,395
Amounts owed to other banks	13,415,628	-23.3%	17,482,064
Amounts owed to customers	542,104,777	25.6%	431,692,058
Equity (incl. minorities and profit)	87,164,770	28.6%	67,788,071
Balance-sheet total	663,687,232	24.3%	534,095,277
Regulatory information			
Total own funds	77,193,246	65.9%	46,539,481
Own funds requirement	30,790,971	32.9%	23,168,565
Core capital ratio	17.77%	26.9%	14.00%
Own funds ratio	20.06%	24.8%	16.07%
Performance			
Return on equity (ROE) before tax	37.95%	94.3%	19.53%
Return on equity (ROE) after tax	32.39%	92.2%	16.85%
Cost/income ratio	29.36%	-30.3%	42.11%
Return on assets (ROA) before tax	3.77%	79.3%	2.10%
Risk/earnings ratio	2.47%	-58.4%	5.93%
Resources			
Number of staff on balance-sheet date	2,045		1,482
Business outlets	106		81

> Pregled najvažnijih podataka

Raiffeisen banka a.d.			
Vrednosti su izražene u hiljadama dinara	2023	Promena	2022
Neto dobitak po osnovu kamata posle rezervisanja	26,381,189	126.6%	11,641,163
Neto dobitak po osnovu naknada i provizija	12,916,017	34.1%	9,631,583
Neto prihodi od trgovanja	167,751	-138.6%	-434,292
Administrativni troškovi	-15,717,966	43.0%	-10,994,740
Dobitak pre oporezivanja	25,023,386	122.8%	11,233,618
Dobitak posle oporezivanja	21,357,568	120.3%	9,693,612
Bilans stanja			
Plasmani bankama	87,309,014	42.3%	61,337,473
Plasmani klijentima	330,352,592	39.1%	237,489,395
Obaveze prema bankama	13,415,628	-23.3%	17,482,064
Obaveze prema klijentima	542,104,777	25.6%	431,692,058
Kapital	87,164,770	28.6%	67,788,071
Bilans stanja (ukupno)	663,687,232	24.3%	534,095,277
Kontrolne informacije			
Ukupni sopstveni kapital	77,193,246	65.9%	46,539,481
Potreban sopstveni kapital	30,790,971	32.9%	23,168,565
Adekvatnost kapitala (osnovni kapital)	17.77%	26.9%	14.00%
Adekvatnost kapitala (ukupni kapital)	20.06%	24.8%	16.07%
Pokazatelji poslovanja			
Stopa povraćaja kapitala pre oporezivanja	37.95%	94.3%	19.53%
Stopa povraćaja kapitala posle oporezivanja	32.39%	92.2%	16.85%
Odnos rashoda i prihoda	29.36%	-30.3%	42.11%
Stopa povraćaja aktive	3.77%	79.3%	2.10%
Učešće ispravke vrednosti u neto prihodima od kamate	2.47%	-58.4%	5.93%
Izvori			
Broj zaposlenih na dan bilansa	2,045		1,482
Broj poslovnica	106		81

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➤ Report of the Board of Directors



Ladies and Gentlemen,

It is our pleasure to be able to announce that Raiffeisen banka a.d. Beograd finished the financial year 2023 with outstanding results. The quality of our portfolio is superb, which reflects how credit risks were managed. By continuing the transformation of our business model based on the further digitalization of products and services, as well as improved efficiency, we were able to meet all market challenges admirably. The acquisition of RBA banka (formerly Crédit Agricole Srbija A.D. Novi Sad) was completed successfully, full integration was achieved and the bank is one of the best in the Serbian banking market. This way, we have increased the client base to more than one million users and have continued offering them superior user experience. Proof of the bank's efforts in this respect are also the titles awarded by "Euromoney" magazine as the "Best Bank for Digital Solutions in Serbia", as well as "Global Finance" magazine as the "Best Consumer Digital Bank in Serbia".

During the 2023 financial year, the members of the Board of Directors held twelve meetings. The overall attendance rate for Board of Directors meetings was 98 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 2023. 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 and in the current year, 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,

Zadovoljstvo nam je što možemo da objavimo da je Raiffeisen banka a.d. Beograd završila finansijsku 2023. godinu sa izuzetnim rezultatima. Kvalitet našeg portfolija je izvanredan, što svedoči o tome kako se upravljalo kreditnim rizicima. Kroz nastavak transformacije našeg poslovnog modela utemeljenog na daljoj digitalizaciji proizvoda i usluga i poboljšanju efikasnosti, uspešno smo odgovorili na sve tržišne izazove. Akvizicija RBA banke (nekadašnje Crédit Agricole Srbija A.D. Novi Sad) uspešno je završena, postignuta je puna integracija, i jedna je od najboljih na srpskom bankarskom tržištu. Time smo podigli klijentsku bazu na više od milion korisnika, kojima smo nastavili da pružamo superiorno korisničko iskustvo. Potvrda napora banke u tom smeru su i nagrade magazina "Euromoney" za "Najbolju banku za digitalna rešenja u Srbiji" i magazina "Global Finance" za "Najbolju digitalnu banku u segmentu poslovanja sa stanovništvom."

Tokom 2023. godine, članovi Upravnog odbora održali su 12 sednica. Ukupna stopa učešća na sastancima Upravnog odbora u finansijskoj 2023. godini bila je 98%.

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 obavestavao 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 njihovom 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 2023. 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 i u tekućoj godini 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,

Peter Lennkh
Predsednik Upravnog odbora

➤ 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, we wish to share our joy and pride with you because of the successes achieved in the past year. The year was quite challenging, but together we realized outstanding results and reached substantial goals.

The integration with RBA banka (formerly Crédit Agricole Srbija A.D. Novi Sad) was an important step for us and the results were remarkable. Our team demonstrated superb problem solving skills, securing the continuous stability and reliability of our services.

The integration process was completed almost unnoticeably for clients, which clearly shows our commitment in offering superior customer experience. Now, we are working with a base of more than one million clients, so that we can say that the integration brought many benefits for us – it strengthened our position in the local market and enabled us an even more powerful presence compared to our competitors.

In realizing this project, apart from local knowledge, we had the generous support of our colleagues and the management of our head office in Vienna – Raiffeisen Bank International. Once more, this showed the strategic commitment of our group to this market and to our mutual development that has

been lasting continuously for more than twenty years.

Digital transformation has also been the key focus in the past year. We are proud that now we can offer most of our products and services online, which has improved the availability and efficiency of our services. We have been continuously working on developing digital processes, fine-tuning them to changes in client experience and clients' expectations and thus we have additionally raised the bar of our digital offer.

At the end of 2023, we can say with pride that five out of eight basic products intended for private individuals have been fully digitalized from beginning to end of the process, and clients' readiness to recommend our digital products is extremely high (NPS exceeds 70), which is an exceptionally high percentage in the banking industry. You will find more details on concrete results and figures in the rest of this report.

Our digital transformation did not go unnoticed, as was proven by two prestigious digital banking awards issued by the magazines "Euromoney" and "Global Finance", which is an acknowledgement to our leadership in the market in this domain.

We will continue our dedicated work on ecological and socially responsible initiatives, convinced that this is the path towards sustainable development of the community where we do business.

Apart from regular activities on improving energy efficiency of the buildings where we are situated, as of May 2023, all electricity used in our head office and in the branch network is being generated from renewable sources and we also receive a certificate on the origin of electricity. The ESG segment is a domain in which we wish to grow in the future years as well. Sustainable banking and supporting such initiatives is something we will strive to do in the future as well, and as an organization we will take into account the needs of the community where we do business.

Our partnership with the Yugoslav Drama Theatre and the Basketball Federation of Serbia are only two examples of our efforts to support culture and sports, as key elements of society life.

We are proud of the successes achieved by colleagues from Raiffeisen Leasing, as well as our private pension and investment funds – Raiffeisen Future and Raiffeisen Invest, which have provided stability and security to our clients in planning their financial future.

➤ Uvodna reč predsednika Izvršnog odbora



Poštovani akcionari, partneri i kolege,

U ime Izvršnog odbora Raiffeisen banke, želimo da podelimo sa vama radost i ponos zbog postignutih uspeha tokom protekle godine. Ova godina je bila puna izazova, ali smo zajedno ostvarili izvanredne rezultate i dostigli značajne ciljeve.

Integracija sa RBA bankom (nekadašnja Crédit Agricole Srbija A.D. Novi Sad) predstavljala je za nas važan korak, a rezultati su bili izuzetni. Naš tim je demonstrirao izvanrednu sposobnost u rešavanju problema, osiguravajući kontinuiranu stabilnost i pouzdanost naših usluga. Proces integracije protekao je gotovo neprimetno za klijente, što jasno pokazuje našu predanost u pružanju vrhunskog korisničkog iskustva. Sada radimo sa bazom od preko milion klijenata, tako da možemo da kažemo da nam je integracija mnogo toga donela - ojačala našu poziciju na lokalnom tržištu i omogućila da još snažnije nastupamo u odnosu na konkurenciju.

U realizaciji tog projekta, pored lokalnog znanja imali smo nesebičnu podršku kolega i menadžmenta iz naše centrale iz Beča - Raiffeisen Bank International. To je još jednom pokazalo stratešku posvećenost naše grupacije ovom tržištu i zajedničkom razvoju koji kontinuirano traje preko dvadeset godina.

Digitalna transformacija je, takođe, bila ključni fokus u protekloj godini. Ponosni smo što sada možemo ponuditi većinu proizvoda i usluga online, čime smo unapredili dostupnost i efikasnost naših usluga. Kontinuirano smo radili na razvoju digitalnih procesa, prilagodili ih promenama u iskustvu klijenata i njihovim očekivanjima i time dodatno pomerili granice digitalne ponude. Na kraju 2023. godine sa ponosom možemo da kažemo da je pet od osam osnovnih proizvoda namenjenih fizičkim licima potpuno digitalizovano od početka do kraja procesa, a spremnost klijenata da preporučuje naše digitalne proizvode je izuzetno velika (NPS je preko 70), što je izuzetno visok procenat u bankarskom sektoru. Više o konkretnim rezultatima i brojevima videćete u nastavku ovog izveštaja.

Da naša digitalna transformacija nije prošla neprimećeno govore dve prestižne nagrade za digitalno bankarstvo - magazina „Euromoney“ i „Global Finance“, što je priznanje našem liderstvu na tržištu u ovoj oblasti.

Nastavljamo da posvećeno radimo na ekološkim i društveno odgovornim inicijativama, uvereni da je to put ka održivom razvoju zajednice u kojoj poslujemo.

Pored redovnih aktivnosti na unapređenju energetske efikasnosti zgrada u kojima poslujemo, od maja 2023. godine sva električna energija koju koristimo u centralama i u celokupnoj mreži filijala je energija dobijena od obnovljivih izvora, a o poreklu električne energije dobijamo i sertifikat. ESG segment je prostor u kome želimo da rastemo i narednih godina. Održivo bankarstvo i podrška takvim inicijativama je nešto čemu ćemo i dalje težiti, a kao organizacija voditi računa o tome šta je potrebno zajednici u kojoj poslujemo.

Naše partnerstvo sa Jugoslovenskim dramskim pozorištem i Košarkaškim savezom su samo primeri našeg angažmana u podršci kulturi i sportu, kao ključnih elemenata društvenog života.

Ponosni smo na uspehe koje su ostvarile kolege iz Raiffeisen Leasinga, kao i naših privatnih penzionih i investicionih fondova - Raiffeisen Future i Raiffeisen Invest, koji su pružili stabilnost i sigurnost našim klijentima u planiranju njihove finansijske budućnosti.

In the years ahead of us, we will continue focusing on digitalization and be even more dedicated to our clients' needs. We are staying true to the vision until the year 2025 – to be the “most recommended financial services provider”. Thus, our mission remains unchanged – to be a partner to our clients in realizing their financial goals and to offer them the best possible banking experience.

We are looking to the future with pleasure and optimism, certain that we will achieve even greater successes together.

A handwritten signature in black ink, reading "Z Petrović". The signature is written in a cursive style with a large, stylized 'Z' at the beginning.

Zoran Petrović
Chairman of the Managing Board

U godinama koje su pred nama, nastavićemo da se fokusiramo na digitalizaciju i još više budemo posvećeni potrebama klijenata. Ostajemo dosledni viziji do 2025. godine - da budemo „najpreporučiviji pružalac finansijskih usluga“. Samim tim naša misija ostaje nepromenjena - biti partner klijentima u ostvarivanju njihovih finansijskih ciljeva i pružiti im najbolje moguće iskustvo u bankarstvu.

Sa zadovoljstvom i optimizmom gledamo u budućnost, sigurni da ćemo zajedno ostvariti još veće uspehe.

Handwritten signature of Zoran Petrović in black ink.

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 najpreporučivija finansijska grupacija.

MISIJA

Kontinuirane inovacije oblikujemo u superiorno korisničko iskustvo.

VREDNOSTI

SARADNJA

Radimo zajedno – ako saradujemo, razgovaramo jedni sa drugima, slušamo i podržavamo jedni druge, možemo da postignemo mnogo više. Stvaramo okruženje uzajamnog razumevanja, poštovanja i poverenja. Ohrabrujemo raznolikost. Saradujući 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

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 in the region.

In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management and M&A. In total, around 45,000 RBI

employees serve 18.6 million customers from more than 1,500 business outlets, the vast majority of which are in CEE.

The regional Raiffeisen banks hold approximately 61.17 per cent of RBI's shares. The remaining shares are held 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 45.000 zaposlenih u mreži RBI uslužuje 18,6 miliona klijenata u preko 1.500 poslovnica, prvenstveno u srednjoj i istočnoj Evropi.

Regionalne Raiffeisen banke drže oko 61,17% deonica RBI-a, dok je ostatak u slobodnoj prodaji.

➤ Macroeconomic Environment, Opportunities for Foreign Investors and Perspectives

At the extraordinary parliamentary elections held on December 17, the Serbian Progressive Party (Srpska napredna stranka – SNS) won 129 mandates in the Parliament of the Republic of Serbia, according to the Republic Electoral Commission (RIK), followed by the coalition "Serbia against Violence" with 65 mandates and the list "Ivica Dačić – Prime Minister of Serbia" was ranked third, with 18 mandates. According to data provided by RIK, the turnout on parliamentary elections was 58.65 per cent of the total number of voters registered. These are the fifth elections since 2012, when SNS came to power. Of a total of five elections, only one election was regular (2016), all other elections were extraordinary. Apart from elections for the Republic Parliament, elections were held for the Assembly of the City of Belgrade. SNS won 37.56 per cent of votes, while the coalition "Serbia against Violence" won 34.27 per cent of votes.

The government repeated the measures for mitigating negative effects of high food prices onto citizens' living standard (freezing the prices of 36 staple foods, payment of monetary support to targeted groups of citizens who were the most affected by price hikes and freezing the prices of oil and oil derivatives for seven-day periods).

The Executive Board of the International Monetary Fund (IMF) completed the second control as part of the stand-by arrangement (SBA) for the Republic of Serbia. IMF's Executive Board approved the SBA in the amount of approx. € 2.4 billion on December 19, 2022. This control made around € 400 million available for withdrawal, however, the government of the Republic of Serbia decided not to withdraw the funds and to treat the SBA as a precautionary arrangement (i.e. not to have access to the available funds at this moment), starting from the current revision, which is one control earlier than was previously planned.

The government of the Republic of Serbia drew a total of € 1.2 billion as part of this arrangement. According to the IMF, macroeconomic results within this program remain strong, with growth recovery, current disinflation, reduction of the current account deficit and record-high foreign currency reserves. The budget for 2024 was limited in an appropriate manner, while simultaneously making space for the public investments

needed. The financial situation of state enterprises in the energy sector was stabilized, and structural reforms in electricity companies, management of public companies and the wider fiscal management are coming along well.

Fitch rating agency confirmed the country's credit rating at BB+, with stable perspectives for rating improvement. Confirmation of this rating was also supported by the reasonable macroeconomic policy, prudent fiscal policy, development of human resources and GDP per capita compared to countries of the same rating. Moody's rating agency also confirmed its Ba2 rating and stable perspectives of credit rating improvement. The decision is based on the following factors: stable perspectives of economic growth in the mid-term and economy's resilience despite the challenging external environment, supported by considerable inflow of foreign direct investments.

Further, the agency pointed out that the fiscal consolidation that was performed in the previous years, as well as the structural reforms implemented as part of the IMF arrangement, made room for the absorption of potential shocks. Standard and Poor's rating agency confirmed Serbia's credit rating at BB+/stable perspectives for the rating improvement. This rating was the result of a moderate level of public debt and the reasonable monetary policy. On the other hand, the rating improvement was limited by the relatively weak institutional framework of the country, low GDP per capita, significant external obligations and the high level of eurization.

The European Commission adopted a new growth plan for the Western Balkans, aiming to bring some of the membership benefits to the region before its EU accession, in order to further economic development and speed up the deeply needed socio-economic convergence. The aim should be to enable partners to speed up reforms and investments in order to accelerate the pace of enlargement considerably, as well as the growth of their economies. For this, a new reform and growth instrument for the Western Balkans was proposed worth six billion euros for the period of 2024–2027. The funds will be paid after the fulfillment of the reforms agreed upon.

➤ Makroekonomsko okruženje, mogućnosti za strane investitore i perspektive

Na vanrednim parlamentarnim izborima održanim 17. decembra, Srpska napredna stranka (SNS) je, prema Republičkoj izbornoj komisiji (RIK), osvojila 129 mandata u Parlamentu Republike Srbije, na drugom mestu je koalicija "Srbija protiv nasilja" sa osvojenih 65 mandata, a na trećem mestu je lista "Ivica Dačić – premijer Srbije", koja je osvojila 18 mandata. Prema podacima RIK-a, izlaznost na parlamentarnim izborima bila je 58,65% od ukupnog broja upisanih birača. To su peti izbori od 2012. godine kada je SNS došla na vlast. Od ukupno pet izbora, samo jedni izbori su bili redovni (2016), svi ostali izbori su bili vanredni. Pored izbora za republički Parlament, održani su izbori za Skupštinu grada Beograda. SNS je osvojila 37,56% glasova, dok je koalicija "Srbija protiv nasilja" osvojila 34,27% glasova.

Vlada je ponovila mere u cilju sprečavanja negativnog efekta visokih cena hrane na životni standard građana (zamrzavanje cena 36 životnih namirnica, isplata novčane pomoći targetiranim grupama stanovništva koje su najviše bile pogođene rastom cena i fiksiranje cena nafte i naftnih derivata na sedam dana).

Izvršni odbor Međunarodnog monetarnog fonda (MMF) zaključio je drugu kontrolu u okviru stendbaj aranžmana (SBA) za Republiku Srbiju. SBA u iznosu od oko 2,4 milijarde evra, Izvršni odbor MMF-a odobrio je 19. decembra 2022. godine. Ovom kontrolom, oko 400 miliona evra postalo je dostupno za povlačenje, međutim, Vlada Republike Srbije odlučila je da se sredstva ne povlače i da se SBA aranžman tretira kao aranžman iz predostrožnosti (tj. da za sada nemaju pristup raspoloživim sredstvima) počevši od tekuće revizije, što je jednu kontrolu ranije nego što je to ranije planirano. Vlada Republike Srbije je ukupno, u okviru ovog aranžmana povukla 1,2 milijardi evra. Prema MMF-u, makroekonomski rezultati u okviru programa ostaju jaki, uz oporavak rasta, tekuću dezinflaciju, smanjenje deficita tekućeg računa i rekordno visoke devizne rezerve. Budžet za 2024. godinu je na odgovarajući način ograničen, a istovremeno pruža prostor za potrebne javne investicije. Finansijska situacija državnih preduzeća u energetskom sektoru je stabilizovana, a strukturne reforme u kompanijama energetskog sektora, upravljanje državnim preduzećima i šire fiskalno upravljanje dobro napreduju.

Rejting agencija *Fitch* potvrdila je BB+ kreditni rejting zemlje, sa stabilnim perspektivama za unapređenje rejtinga. Potvrda rejtinga je podržana kredibilnom makroekonomskom politikom, prudentnom fiskalnom politikom, razvojem ljudskih resursa i BDP-a po glavi stanovnika u odnosu na zemlje istog rejtinga. Rejting agencija *Moody's* takođe je potvrdila Ba2 rejting i stabilne perspektive povećanja kreditnog rejtinga. Odluka je zasnovana na sledećim faktorima: stabilne perspektive rasta ekonomije u srednjem roku i otpornost ekonomije uprkos izazovnom spoljnom okruženju, a podržano značajnim prilivom stranih direktnih investicija.

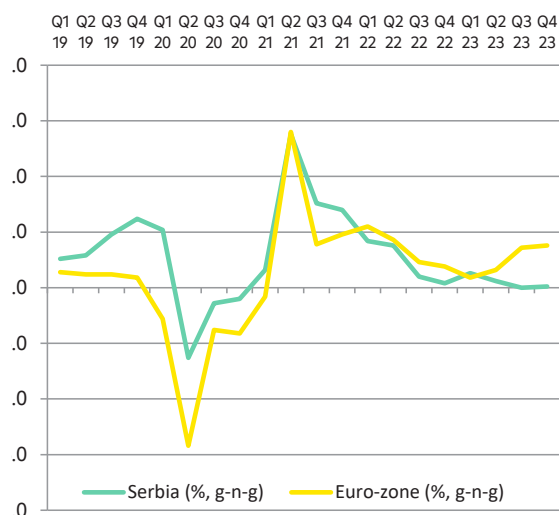
Dalje, agencija je ukazala da su fiskalna konsolidacija sprovedena u prethodnim godinama, kao i strukturne reforme koje se sprovode u okviru MMF aranžmana, stvorile prostor za apsorpciju potencijalnih šokova. Rejting agencija *Standard and Poor's* potvrdila je kreditni rejting Srbije na BB+/stabilne perspektive za unapređenje rejtinga. Potvrda rejtinga je rezultat umerenog nivoa javnog duga i kredibilne monetarne politike. Sa druge strane, unapređenje rejtinga je ograničen relativno slabim institucionalnim okvirom zemlje, niskim BDP-om po glavi stanovnika, značajnim spoljnim obavezama i visokim nivoom evroizacije.

Evropska komisija usvojila je novi plan rasta za Zapadni Balkan, sa ciljem da donese neke od prednosti članstva u region pre pristupanja EU, podstakne ekonomski rast i ubrza preko potrebnu socioekonomsku konvergenciju. Cilj bi trebalo da bude omogućavanje partnerima da ubrzaju reforme i investicije kako bi značajno ubrzali brzinu procesa proširenja i rast njihovih ekonomija. Za to je predložen novi instrument za reformu i rast za Zapadni Balkan vredan šest milijardi evra za period od 2024-2027. godine. Sredstva će biti isplaćena nakon ispunjenja dogovorenih reformi.

Macroeconomic Trends

The Republic Statistics Office published the preliminary economic indicators for the year 2023. The gross domestic product (GDP) maintained the same growth rate of 2.5 per cent as in 2022, at the time of the energy crisis. In essence, growth of the economy was secured mostly through capital investments of the state into infrastructure and, to a lesser extent, through private investments. Personal consumption was in decline until mid-year, only to move into slight recovery with the mild growth of real wages and the slowing down of inflation. Of course, consumption levels are far from the level in the period before inflation growth. Further, export slowed down quite a lot in the second part of the year due to a decline in demand of EU countries and import was declining, because industrial production was weaker and there was not so much need for import of semi-processed goods.

GDP



The GDP growth acceleration (in constant prices) in the fourth quarter to 3.8 per cent annually, after 3.6 per cent annually in the third quarter, 1.6 per cent in the second quarter and 0.9 per cent in the first quarter, is the result of state investments for the most part and, in part, private investments. Investments increased by 5.2 per cent (third quarter: 4.1 per cent). State consumption increased by 5.9 per cent, after having grown by 1.8 per cent in the third quarter and having dropped in the first two quarters. The growth of this segment in the fourth quarter is the result of increased expenditures for pensions, wages and special payments paid out of the budget to those categories of citizens who were hit the most by growing consumer prices. Wages corrections in the private and state sectors, increased pensions and the above mentioned payments to citizens enhanced personal consumption in the fourth quarter (plus 2.5 per cent annually), after growth by 1.4 per cent in the third quarter. After a decline by 1 per cent in the third quarter, exports gradually recovered towards the end of the year (plus 0.3 per cent), while imports recovered by as much as 4.2 per cent y-o-y (third quarter: minus 1.3 per cent).

Viewed with regard to production, the greatest contributor to GDP growth was the construction industry (plus 7.4 per cent), the growth of which was boosted by investments into infrastructure, followed by agriculture (plus 7.7 per cent), which is realizing high growth rates due to the good agricultural season. After a decline in the first two quarters, the wholesale and retail trade segment recovered slightly in the third quarter (plus 1.7 per cent), and continued its growth afterwards in the fourth quarter (plus 3.4 per cent), thanks to the recovery of personal consumption. The industries of mining and energy, as well as the processing industry, slowed down growth in the fourth quarter (plus 2.7 per cent), after having grown by 3.4 per cent in the third quarter.

The unemployment rate increased slightly to 9.1 per cent in the fourth quarter, from 9 per cent in the third quarter of 2023. However, compared to the fourth quarter of 2022 (9.4 per cent), the unemployment rate was declining slightly in 2023.

Viewed as of the start of the year, industry production increased by 2.5 per cent annually (2022: 1.7 per cent), mostly due to the recovery of electricity production (plus 12.7 per cent), compared to the decline by 7.1 per cent in the year 2022. The recovery of this segment came as a result of better hydrometeorological conditions, the increase of electricity prices agreed within the stand-by arrangement with the IMF, as well as exports of electricity due to surpluses created as a consequence of reduced consumption by citizens (better weather conditions) and the economy (reduced production).

The processing industry slowed down growth this year (2023: plus 0.7 per cent), compared to 1.4 per cent in 2022, due to reduced export demand and high financial expenditures. Mining declined by 0.1 per cent from the start of the year in 2023, compared to having grown by 22.6 per cent in 2022, as a consequence of greater reliance on ore imports, compared to previous periods of using local mining resources.

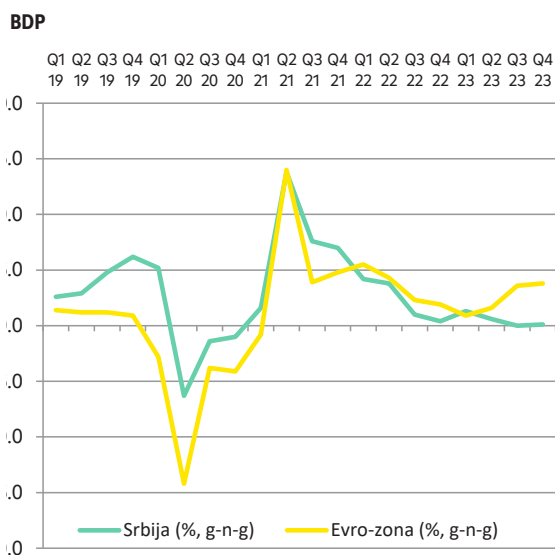
Retail trade turnover declined by 1.9 per cent in 2023 (2022: plus 5.9 per cent), as a consequence of delayed correction of wages in the private sector, which happened only in the second half of the year, as well as a decline in purchasing power, due to increasing consumer prices. Consumption of food, beverages and tobacco declined by 2.8 per cent (2022: plus 2.1 per cent), consumption of non-alimentary products, excluding cars, dropped by 0.8 per cent (2022: plus 6.8 per cent y-o-y), while consumption of motor fuels declined by 2.2 per cent (2022: plus 12.7 per cent y-o-y).

In 2023, exports increased by 3.7 per cent annually (2022: plus 26.3 per cent) and amounted to € 28.6 billion. Lower growth rates this year were the result of slowing down of the EU's export demand. In 2023, the value of exports towards the EU amounted to € 18.1 billion (growth in 2023: plus € 396.7 million annually), while in 2022 exports to the EU increased by € 3.6 billion annually. Export growth is still visible with electric machinery and transport equipment and electricity, while exports of the majority of other goods are declining.

Makroekonomski trendovi

Republički zavod za statistiku objavio je preliminarne ekonomske pokazatelje za 2023. godinu. Bruto domaći proizvod (BDP) zadržao je istu stopu rasta od 2,5% kao i u 2022. godini, kada smo imali energetska krizu. U suštini, rast ekonomije obezbeđen je najvećim delom kroz kapitalne investicije države u infrastrukturu i manjim delom kroz privatne investicije. Lična potrošnja bila je u padu do polovine godine, da bi krenuo lagani oporavak sa blagim rastom realnih zarada i usporavanjem inflacije. Naravno, nivoi potrošnje su daleko od nivoa iz perioda pre rasta inflacije.

Izvoz je u drugom delu godine dosta usporio rast jer je pala tražnja zemalja EU, a uvoz je bio u padu, jer je industrijska proizvodnja bila slabija i nije bilo toliko potrebe za uvozom repromaterijala.



Ubrzanje rasta BDP-a (u stalnim cenama) u četvrtom kvartalu na 3,8% godišnje, posle 3,6% godišnje u trećem kvartalu, 1,6% godišnje u drugom kvartalu i 0,9% godišnje u prvom kvartalu, rezultat je državnih investicija u najvećem delu i jednim delom privatnih investicija. Investicije su porasle za 5,2% (3. kvartal: 4,1%). Državna potrošnja je porasla za 5,9% nakon rasta od 1,8% u trećem kvartalu i pada u prva dva kvartala. Rast ove kategorije u četvrtom kvartalu rezultat je povećanja rashoda za penzije, zarade i namenske isplate sredstava iz budžeta kategorijama stanovništva najviše pogođenim rastom potrošačkih cena. Korekcije zarada u privatnom i državnom sektoru, rast penzija i pomenute isplate građanima su podstakle ličnu potrošnju u četvrtom kvartalu (+2,5% godišnje), posle rasta od 1,4% u trećem kvartalu. Nakon pada od 1,0% u trećem kvartalu, izvoz se polako oporavio pred kraj godine (+0,3%), dok je uvoz porastao za čak 4,2% gng, (3. kvartal: -1,3%).

Gledano po proizvodnom principu, najveći doprinos rastu BDP-a je došao od građevinarstva (+7,4%) čiji rast je bio podstaknut infrastrukturnim investicijama, poljoprivrede (+7,7%), koja ove godine ostvaruje visoke stope rasta usled dobre poljoprivredne sezone. Posle

pada u prva dva kvartala, sektor trgovine na veliko i malo se oporavio u trećem kvartalu (+1,7% godišnje), a potom nastavio rast i u četvrtom kvartalu (+3,4% godišnje) zahvaljujući oporavku lične potrošnje. Sektor rudarstva, energetike i prerađivačke industrije je usporio rast u četvrtom kvartalu (+2,7%) nakon rasta od 3,4% u trećem kvartalu.

Stopa nezaposlenosti je blago porasla na 9,1% u četvrtom kvartalu sa 9,0% u trećem kvartalu 2023. Međutim, u odnosu na četvrti kvartal 2022. (9,4%) stopa nezaposlenosti je u blagom padu u 2023. godini.

Gledano od početka godine, industrijska proizvodnja je porasla za 2,5% godišnje (2022: 1,7%), najviše usled oporavka proizvodnje električne energije (+12,7%) u poređenju sa padom od 7,1% u 2022. godini. Oporavak ovog sektora rezultat je boljih hidrometeoroloških uslova, rasta cena električne energije dogovorenih standbaj aranžmanom sa MMF-om i izvozom električne energije usled viškova nastalih kao posledica manje potrošnje stanovništva (bolji meteorološki uslovi) i privrede (smanjena proizvodnja).

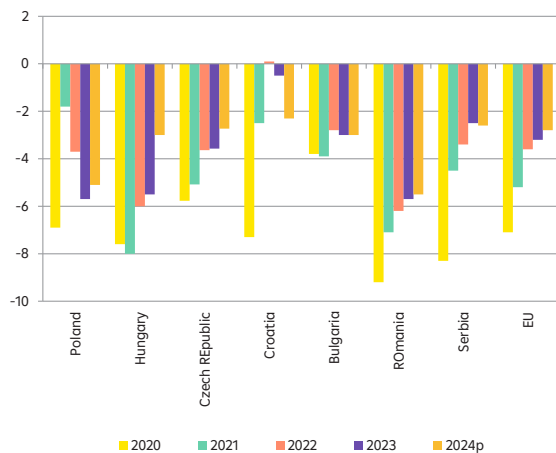
Prerađivački sektor je usporio rast ove godine (2023: +0,7%) u poređenju sa 1,4% u 2022. godini usled manje izvozne tražnje i visokih finansijskih troškova. Rudarstvo je palo za 0,1% od početka godine u 2023. u poređenju sa rastom od 22,6% u 2022, a kao posledica većeg oslonca na uvoz rude u odnosu na prethodne periode korišćenja sopstvenih rudnih zaliha.

Promet u trgovini na malo je pao za 1,9% u 2023. godini (2022: +5,9%) kao posledica odložene korekcije zarada u privatnom sektoru koja se desila tek u drugom delu godine i pada kupovne moći usled rasta potrošačkih cena. Potrošnja hrane, pića i duvana je pala za 2,8% (2022: +2,1% gng), potrošnja neprehrambenih proizvoda, izuzev automobila je pala 0,8% (2022: +6,8% gng), dok je potrošnja motornih goriva pala za 2,2% (2022: +12,7% gng).

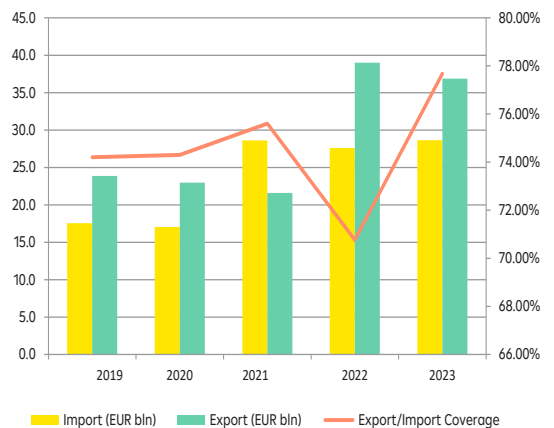
Izvoz je u 2023. godini porastao za 3,7% godišnje (2022: +26,3%) i iznosio 28.6 mlrd evra. Niže stope rasta ove godine su rezultat usporavanja izvozne tražnje EU. U 2023. godini, vrednost izvoza ka EU iznosila je 18.1 mlrd evra (rast u 2023: +396,7 mln evra godišnje), dok je 2022. godine izvoz ka EU porastao za 3.6 milijarde evra godišnje. Rast izvoza je i dalje prisutan kod električnih mašina i transportne opreme i električne energije, dok je izvoz većine ostalih roba u padu.

Sa druge strane, manji uvoz prvenstveno električne energije, ali i nafte i gasa uticao je na pad uvoza u 2023. godini (-5,5% godišnje) u odnosu na rast od 34,8% godišnje u 2022. godini, a najviše kao rezultat pada volumena uvoza (električne energije najviše), ali i pada cene energenata. Pad uvoza je prisutan kod uvoza hemijskih proizvoda (veštačka đubrava, plastika u primarnoj formi, medicinski i farmaceutski proizvodi), uvoza gvožđa, čelika i ostalih metala, kao i uvoza električnih mašina. Posledično, vrednost uvoza je iznosila 36.9 mlrd evra, deficit spoljne trgovine je smanjen za 27,9%, nakon što je tokom cele 2022. godine bio u porastu.

Consolidated Budget Deficit/Surplus Compared to GDP



Foreign Trade



On the other hand, lower imports primarily of electricity, but also oil and gas, had an impact on decline of imports in 2023 (minus 5.5 per cent annually), compared to growth by 34.8 per cent in 2022, mostly as a result of declined import volumes (mostly electricity), but also lower fuel prices. Of import decline is also apparent for chemical products (fertilizers, plastic in its primary form, medical and pharmaceutical products), import of iron, steel and other metals, as well as import of electrical appliances. Consequently, import value amounted to € 36.9 billion, foreign trade deficit was reduced by 27.9 per cent, after having been on the rise for the whole of 2022.

Foreign direct investments (FDI) declined by 1.9 per cent in 2023 and amounted to € 4.2 billion, compared to € 4.3 billion in 2022. Despite the slight decline, FDIs are still quite high taking into account the local circumstances and were supported by a reallocation of EU investments due to the start of energy transition in the EU, but also significant FDIs came from Republic of China. Inflow of remittances declined slightly (minus 1.5 per cent), but the amount was still much higher (€ 3.72 billion) in 2023, as compared to before the health crisis (2019: € 2.56 billion).

Compared to 2022, when inflation was on the upturn and reached the level of 15.1 per cent at the end of the year, in the course of 2023, inflation significantly slowed down its growth. The maximum was reached in March (16.2 per cent) and since then inflation was declining, only to reach the level of 7.6 per cent annually at the end of 2023. The slowing down of inflation is the result of the restrictive monetary policy, the fuel prices decline in global markets, the stable foreign exchange rate, as well as the good agricultural season. Further, the base effect also had a positive influence (December, 2022: 15 per cent annually), followed by the still weak turnover in retail trade and also freezing the prices of 36 alimentary products, as well as the seven-day price adjusting for oil derivatives.

Prices of food and non-alcoholic beverages slowed down growth to 8.4 per cent annually (2022: +23.4 per cent annually). Prices of accommodation, water, electricity, gas and other fuels slowed down growth to 11.6 per cent (2022: 19.3 per cent annually), while prices of residential equipping and maintenance slowed down growth to 9.4 per cent (2022: +18.2 per cent annually). Transport prices increased by 1.1 per cent annually (2022: +9.2 per cent annually). Prices of goods increased by 8 per cent annually (2022: +17.3 per cent), while prices of services increased by 6.4 per cent (2022: +8.5 per cent annually).

Core inflation (consumer prices, excluding prices of energy, food, alcohol and cigarettes) grew by 6.5 per cent in 2023, after a growth by 10.1 per cent in 2022.

The National Bank of Serbia (NBS) maintained its restrictive monetary policy in 2023 as well. The key interest rate increased from 5 per cent at the beginning of the year to 6.5 per cent in July, when the increase cycle of this rate came to an end. The interest rate remained unchanged at the level of 6.5 per cent until the end of the year, supported by a slowing down of inflation, but the mandatory reserve rate on deposits with banks was increased in order to neutralize the inflationary effect of monetary support payments to citizens by the government.

In the course of 2023, the NBS net bought € 3.9 billion, due to strong appreciatory pressures supported by the strong inflow of foreign direct investments and inflowing payments, which put pressure towards strengthening of the dinar. As a result, the dinar remained stable compared to the year 2022 and strengthened nominally by 0.2 per cent in 2023. Foreign currency interventions resulted in the intense growth of foreign currency reserves (plus € 5.5 billion) to the level of as much as € 24.9 billion at the end of 2023. Apart from interventions, inflows based on managing foreign

Strane direktne investicije (SDI) su pale za 1,9% u 2023. godini i iznosile 4,2 mlrd evra u poređenju sa 4,3 mlrd evra u 2022. godini. I pored blagog pada nivo SDI-a je izuzetno visok za domaće prilike i bio je podstaknut realokacijom investicija iz EU usled početka energetske tranzicije u Uniji i značajnog priliva investicija iz Republike Kine. Priliv doznaka iz inostranstva je blago pao (-1,5%), ali je iznos i dalje bio mnogo viši (3,72 mlrd evra) u 2023. u poređenju sa istim periodom pre zdravstvene krize (2019: 2.56 mlrd evra).

U poređenju sa 2022. godinom, kada je inflacija bila u usponu i dostigla nivo od 15,1% na kraju godine, tokom 2023. godine inflacija je značajno usporila rast. Maksimum je dostignut u martu mesecu (16,2%) i od tada je inflacija u padu, da bi na kraju 2023. godine dostigla nivo od 7,6% godišnje. Usporavanje inflacije je rezultat restriktivne monetarne politike, pada cena energenata na globalnim tržištima, stabilnog deviznog kursa i dobre poljoprivredne sezone. Pozitivno je uticao i efekat baze (decembar 2022: 15% godišnje) i još uvek slab promet u trgovini na malo i fiksiranje cena 36 prehrambenih proizvoda, te sedmodnevno prilagođavanje cena naftnih derivata.

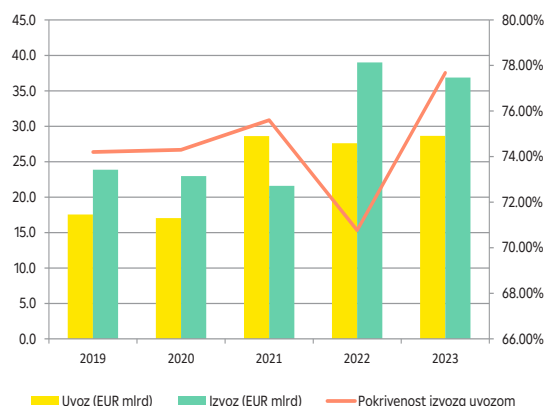
Konsolidovani budžetski deficit/suficit u odnosu na BDP



Cene hrane i bezalkoholnih pića usporile su rast na 8,4% godišnje (2022: +23,4% godišnje). Cene stanovanja, vode, struje, gasa i drugih goriva su usporile rast na 11,6% (2022: 19,3% godišnje), dok su cene opreme za stan i tekuće održavanje usporile rast na 9,4% (2022: +18,2% godišnje). Cene transporta su porasle za 1,1% godišnje (2022: +9,2% godišnje). Cene robe su porasle za 8,0% godišnje (2022: +17,3%), dok su cene usluga porasle za 6,4% (2022: +8,5% godišnje).

Bazna inflacija (potrošačke cene po isključenju cene energije, hrane, alkohola i cigareta) je ostvarila rast od 6,5% u 2023. godini nakon rasta od 10,1% 2022. godini.

Spoljna trgovina



Narodna banka Srbije (NBS) je nastavila da vodi restriktivnu monetarnu politiku i tokom 2023. godine. Referentna kamatna stopa je povećana sa 5% na početku godine na 6,5% u julu mesecu kada je i završen ciklus povećanja ove stope. Do kraja godine kamata je ostala nepromenjena na nivou od 6,5%, podržana usporavanjem inflacije, ali je povećana stopa obavezne rezerve na depozite kod banaka kako bi se neutralisao inflatorni efekat isplate novčane pomoći građanima od strane Vlade.

U toku 2023. godine, NBS je neto kupila 3,9 mlrd evra usled snažnih aprecijacijskih pritisaka podstaknutih snažnim prilivom stranih direktnih investicija i doznaka koji su vršili pritisak ka jačanju dinara. Kao rezultat, dinar je ostao stabilan u odnosu na 2022. godinu i nominalno je ojačao za 0,2% u 2023. godini. Devizne intervencije su rezultirale snažnim rastom deviznih rezervi (+5,5 milijardi evra) na nivo od čak 24,9 milijardi evra na kraju 2023. godine. Pored intervencija, na rast deviznih rezervi su uticali i prilivi po osnovu upravljanja deviznim rezervama (351,6 miliona evra), donacije i druge osnove (926,6 miliona evra). Ovi prilivi su bili dovoljni da nadomeste odlive po osnovu neto smanjenja deviznih obaveza države i ostalim osnovama za 276,6 miliona evra.

U 2023. godini, ostvaren je deficit budžeta u iznosu od 179,3 milijarde dinara, u poređenju sa deficitom od 235,2 milijarde dinara u 2022. godini. Ostvareni deficit budžeta je niži i od deficita planiranog za 2023. godinu u iznosu od 227 milijardi dinara i pored novog programa podrške građanima i poljoprivredi, isplate novčane pomoći studentima i povećanje penzija, sa jednokratnim isplatom novčane pomoći u iznosu od 20 hiljada dinara penzionerima. Niži deficit od planiranog je rezultat bržeg rasta prihoda (+12,4% godišnje) od rashoda budžeta (+8,0% godišnje).

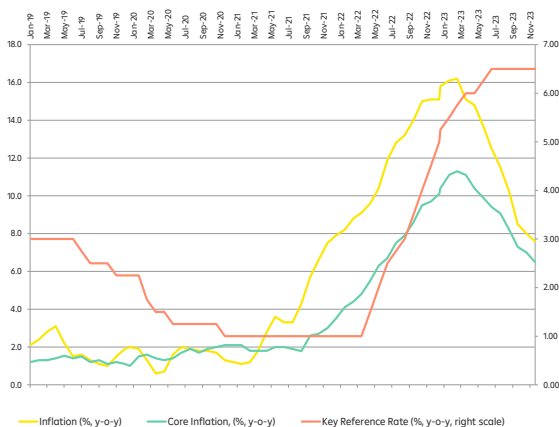
Na strani prihoda, najveći rast su ostvarili: porez na dodatu vrednost, porez na dobit preduzeća, zbog ostvarenja visoke neto dobiti preduzeća tokom 2022.

currency reserves (RSD 351.6 million) had an impact on foreign currency reserves, donations and other bases (€ 926.6 million). These inflows were sufficient to make up for outgoing payments based on the net reduction of foreign currency liabilities of the state and other bases by € 276.6 million.

In 2023, a budget deficit amounting to RSD 179.3 billion was realized, compared to the deficit of RSD 235.2 billion in 2022. Further, the realized budget deficit was lower than the deficit planned for 2023 in the amount of RSD 227 billion, even with the new support program to citizens and agriculture, payments to students and pension increases, with one-off payments of monetary support in the amount of RSD 20,000 to pensioners. The lower deficit is the result of profits growing faster (plus 12.4 per cent annually) than budget expenditures (plus 8 per cent annually).

On the side of revenues, the largest growth was recorded with: value added tax, companies' income tax, because of the high net profit of companies realized in the course of 2022, excises, due to the increased excise rate on oil derivatives, coffee, cigarettes and alcoholic beverages as of October 1st and non-tax revenues.

Inflation and the Key Interest Rate

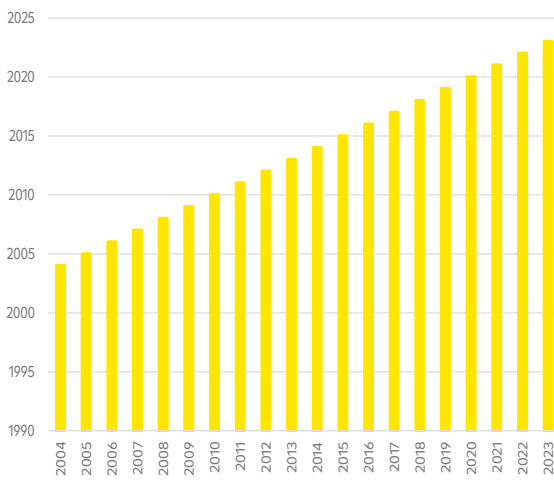


The increase in budget expenditures was generated mostly by increased transfers to mandatory social security organizations (pension increase), employee expenditures (salary increase), subsidies, interest expenditures (higher interest rates on the financial market) and capital expenditures.

In 2023, public debt reached the amount of € 36.2 billion, i.e. 52.3 per cent in relation to GDP (projection of the Ministry of Finance). Public debt increased by € 2.8 billion from the start of the year, mostly from external debt (€ 3.8 billion), while domestic debt declined by € 969.1 million.

During 2023, the Public Debt Administration sold securities at primary auctions in the value of € 1.83 billion (1.79 billion euros in dinar-denominated bonds, while bonds denominated in euros were represented with € 37.5 million). At the very beginning of the year, in January, eurobonds were issued on the international financial market in the value of 1.75 billion dollars.

Foreign Currency Reserves



Issues of securities in the local and international financial market were sufficient to finance due liabilities of locally issued securities (€ 2.85 billion). Demand for bonds was high during most of the year, because investors expected that the maximum interest rate level was achieved, more precisely, that the NBS key interest rate would not grow further.

Returns on the local benchmark bonds with maturity August 2032 declined from 7.15 per cent at the start of the year to 6.20 per cent at the end of the year, while the yield decline was even more pronounced with bonds issued on the international financial market. The eurobond with maturity 2027 was traded with returns of 6.75 per cent since the start of the year, while returns dropped to the level of 4.50 per cent by the end of the year.

Although investors' appetite was directed to securities with two-year maturity due to the still present geopolitical risk, the share percentage of dinar-denominated securities of this maturity in the total number of auctions declined to 41 per cent from 60 per cent in 2022, while interest for securities with nine-year maturity became apparent (24 per cent).

Trends in the Banking Industry

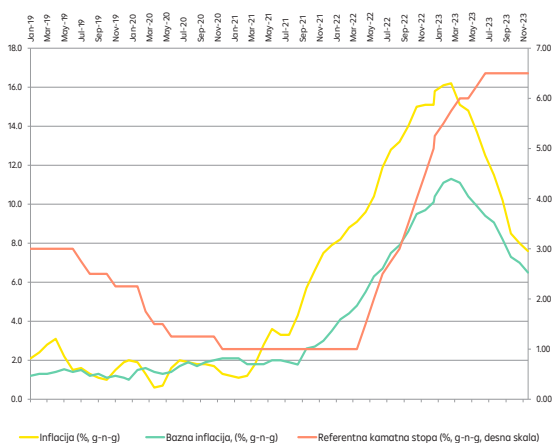
Local crediting activity of the banking industry recorded low growth rates in 2023, due to the increase of the domestic key interest rate, as well as the key interest rate of the European Central Bank (ECB) and it did not recover even when the growth of both banks' interest rates was stopped. Also, the high base of the previous year had an influence, the maturity of credits from guarantee schemes, stricter loan standards and lower demand. Namely, the private sector had a weaker performance in the preceding year due to a

godine, akcize usled povećanja akcizne stope na derivate nafte, kafu, cigarete i alkoholna pića od 1. oktobra i neporeski prihodi.

Rast rashoda budžeta najviše je generisan rastom transfera organizacijama obaveznog socijalnog osiguranja (rast penzija), rashodima za zaposlene (povećanje zarada), subvencijama, rashodima kamata (rast kamata na finansijskom tržištu) i kapitalnim rashodima.

U 2023. godini javni dug je dostigao iznos od 36.2 mlrd evra, tj. 52,3% u odnosu na BDP (projekcija Ministarstva finansija). Javni dug je porastao za 2,8 mlrd evra od početka godine, najviše iz spoljnog duga (3,8 mlrd evra), dok je domaći dug pao za 969,1 miliona evra.

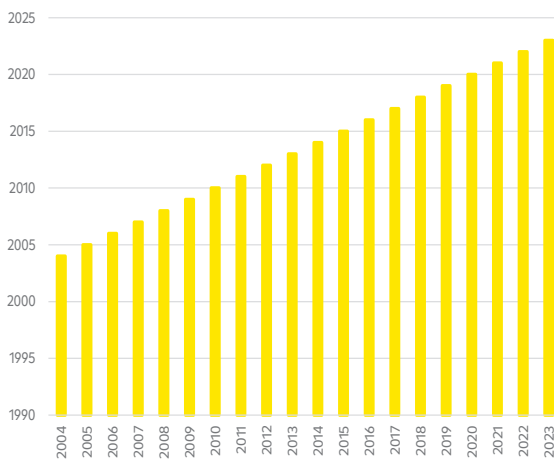
Inflacija i referentna kamatna stopa



Tokom 2023. godine, Uprava za javni dug je na primarnim aukcijama prodala hartije od vrednosti (HOV) u vrednosti od 1.83 milijarde evra (1.79 milijarde evra dinarski denominovane obveznice dok su 37.5 miliona evra predstavljale eurski denominovane obveznice). Na samom početku godine, u januaru, emitovane su evroobveznice na međunarodnom finansijskom tržištu, u vrednosti od 1.75 milijarde dolara. Emisije HOV na domaćem i međunarodnom finansijskom tržištu su bile dovoljne za finansiranje dospelih obaveza lokalno emitovanih HOV (2.85 mlrd eur). Tražnja za obveznicama je bila velika tokom većeg dela godine, jer su investitori očekivali da je dostignut maksimum kamatnih stopa, tačnije da neće biti daljeg rasta referentne kamatne stope NBS-a.

Prinosi na lokalnu referentnu obveznicu sa dospećem avgust 2032. su pali sa 7,15% na početku godine na 6,20% na kraju godine, dok je kod obveznica emitovanih na međunarodnom tržištu pad prinosa bio još izraženiji. Euroobveznica ročnosti 2027. godine početkom godine je trgovana na prinosu od 6,75% dok je na kraju godine prinos pao na nivo od 4,50%.

Devizne rezerve



Iako je usled i dalje prisutnog geopolitičkog rizika, apetit investitora bio usmeren na HOV ročnosti 2 godine, procenat učešća u ukupnom broju aukcija dinarski denominovanih HOV ove ročnosti je pao na 41% sa 60% u 2022. godine dok se javilo interesovanje za HOV ročnosti 9 godina (24%).

Kretanja u bankarskoj industriji

Domaća kreditna aktivnost bankarskog sektora u toku 2023. godine je beležila niske stope rasta usled rasta domaće referentne kamatne stope, kao i referentne kamatne stope Evropske centralne banke (ECB) i nije se oporavila ni kada je zaustavljen rast kamatne stope obe banke. Takođe, uticala je i visoka baza iz prethodne godine, dospeće kredita iz garantnih šema, pooštreni kreditni standardi i slabija tražnja. Naime, privatni sektor je slabije radio prethodne godine usled pada izvozne traže EU zemalja, kao i povećanja cena električne energije i gasa na domaćem tržištu, pa samim time je i smanjena tražnja za kreditima. Kada je u pitanju sektor fizičkih lica, tražnja za kreditima je pala, usled slabe korekcije zarada (u realnom iznosu) u privatnom sektoru (2023: 2,6%) u uslovima kumulativnog rasta inflacije od 32% u periodu januar 2021. do septembra 2023. U 2023. godini krediti privredi su porasli za 2,4 od početka godine, (2022: 4,2% godišnje), dok su krediti stanovništvu porasli za 1,2% godišnje (2022: 6,1% godišnje).

Kada je u pitanju privreda, u 2023. godini, investicioni krediti su porasli za 5,1 od početka godine (2022: +3,6% godišnje), dok su krediti za likvidnost pali za 0,3% od početka godine (2022: -14,6% godišnje). Posmatrajući sektorsku strukturu, najveći rast je ostvaren u kreditiranju građevinskog sektora, poslovanju sa nekretninama, saobraćaju, skladištenju, informacijama i komunikacijama, dok je najveći pad ostvaren u prerađivačkom sektoru, sektoru proizvodnje električne

decline in export demand of EU countries, as well as increased electricity and gas prices in the local market, consequently, loan demand was reduced.

Concerning the retail segment, loan demand declined due to weaker salary corrections (real wages) in the private sector (2023: 2.6 per cent) in conditions of cumulative inflation growth by 32 per cent in the period January 2021 until September 2023. In 2023, corporate loans increased by 2.4 per cent from the start of the year (2022: 4.2 per cent annually), while consumer loans increased by 1.2 per cent annually (2022: 6.1 per cent annually).

As regards the corporate segment, in 2023, investment loans increased by 5.1 per cent from the start of the year (2022: +3.6 per cent annually), while liquidity loans dropped by 0.3 per cent from the start of the year (2022: -14.6 per cent annually). Looking at industry segments, the largest growth was realized in credits issued to the construction industry, real estate business, traffic, storing, information and communications, while the largest decline was evident in the processing industry, electricity production industry and agriculture.

Banks were still maintaining stricter loan standards in 2023, primarily due to increased financing sources costs, more precisely, interest rate growth and the uncertain economic sentiment. Consequently, interest margins increased, the maximum loan maturity was reduced, as well as the maximum loan amount, while collateral requirements became more rigorous.

Concerning loans issued to private individuals, loan growth in 2023 was generated mostly from consumer loans (+9.2 per cent from the start of the year), although their share in the loan structure is fairly low. Further, cash loans increased by 3.5 per cent, while mortgage loans declined by 1.3 per cent annually. Similar as with corporates, loan standards were stricter, on the other hand, loan demand was slightly lower due to interest rate growth.

The National Bank of Serbia brought a decision in September to temporarily limit the interest rate for debtors who were users of their first mortgage with variable interest rate, the contracted amount of which does not exceed € 200,000 in the period from October of this year until the end of 2024. Apart from this, interest rates for new mortgage loans will be limited temporarily and premature repayment of mortgage loans under more competitive terms has also been enabled. This decision was brought in an environment of the citizens' declining purchasing power and the slow growth of salaries in the private sector in an environment of higher prices of goods and services.

The ratio of non-performing corporate loans remained unchanged at 2.1 per cent in the fourth quarter of 2023, compared to 2.1 per cent in the fourth quarter of 2022, and in case of private individuals, a slight growth was registered to 4.4 per cent, compared to 4 per cent in the fourth quarter of 2022. The coverage of non-performing loans by value corrections was at an extremely high level and amounted to 100.1 per cent (fourth quarter of 2022: 102.1 per cent). Also, capital adequacy is still much

above the required 12 per cent, and the amount of this ratio in September 2023 was 22.2 per cent (December 2022: 19.5 per cent).

In 2023, banks placed surplus liquidity into repo transactions that reached as much as € 3.5 billion in 2023 (2022: € 899 million), due to reduced credit activity and an attractive interest rate, as well as into dinar and foreign currency mandatory reserve with the NBS, which amounted to € 3.9 billion (2022: € 4 billion).

The National Bank of Serbia brought a decision in September to withdraw part of the high surplus of the banks' dinar liquidity by means of mandatory reserve instruments and this way to additionally make the local monetary terms more restrictive. Mandatory reserve rates to the foreign currency base were increased by three percentage points each, to 23 per cent and 16 per cent for obligations with contracted terms up to two years and exceeding two years, respectively, and mandatory reserve rates on the dinar base by two percentage points each, to 7 per cent and 2 per cent. Simultaneously, percentages of the part of foreign currency reserve that is paid in dinars were increased by eight per cent each, to 46 per cent and 38 per cent for liabilities with contracted terms up to two years and exceeding two years, respectively.

The loan/deposit ratio dropped to 76.6 per cent in 2023, compared to 85.3 per cent in 2022. Total credits increased by 1 per cent annually in 2023, compared to 2022, while total deposits grew by 12.2 per cent in the same period due to deposit growth of corporates (+9.2 per cent annually), as well as retail deposits growth (+10.1 per cent).

In the meantime, stricter monetary terms both locally and in the eurozone, boosted the profitability of the local banking industry. In the first nine months of 2023, return on equity reached 19.2 per cent, compared to 13.9 per cent in 2022, which was the highest level since 2003 and such a result was achieved by increasing the net interest margin, which grew by 4 per cent compared to around 3 per cent in the period from 2020-2022. This fast transfer of higher interest rates onto the net interest revenue was supported by the credit portfolio structure, with a high share of contracts with variable interest rate.

The Serbian banking market was active as regards mergers and acquisitions. A big transaction happened in 2023, since the local AIK banka bought the branch office of Greek Eurobank (Eurobank direktna). The job was completed in November, making AIK the third largest group in the market (13.3 per cent market share in total assets). Among other transactions, owners of Ekspobank linked to Russia sold the entity Adriatic Bank AD with a corresponding name change. Also, the merger of RBA banka (formerly Credit Agricole Srbija) and Raiffeisen banka in 2023 reduced the number of banks in the system to 20. We can see that appetites of foreign banks in the Serbian market largely remained as they were, which should support further consolidation in this industry.

energije i poljoprivredi. Banke su i dalje držale pojačane kreditne standarde tokom 2023. 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 2023. godine je generisan najvećim delom iz potrošačkih kredita (+9,2%), iako je njihovo učešće u strukturi kredita dosta nisko. Gotovinski krediti su porasli za 3,5%, dok su stambeni krediti pali za 1,3% godišnje. Slično kao i kod privrede, kreditni standardi su pooštreni, a sa druge strane, tražnja za kreditima je blago smanjena usled rasta kamata.

Narodna banka Srbije je u septembru donela odluku da privremeno ograniči kamatnu stopu za dužnike koji su korisnici prvog stambenog kredita s promenljivom kamatnom stopom, a čiji ugovoreni iznos ne prelazi 200.000 evra u periodu od oktobra ove godine do kraja 2024. godine. Pored toga, privremeno će biti ograničene kamatne stope na nove stambene kredite, a omogućena je i prevremena otplata stambenog kredita pod povoljnijim uslovima. Odluka je doneta u uslovima pada kupovne moći građana i sporog rasta zarada u privatnom sektoru u uslovima povišenih cena robe i usluga.

Racio problematičnih kredita privrede ostao je nepromenjen na 2,1% u četvrtom kvartalu 2023. u poređenju sa 2,1% u četvrtom kvartalu 2022. godine, a u slučaju stanovništva zabeležen je blagi rast na 4,4% u poređenju sa 4,0% u četvrtom kvartalu 2022. godine. Pokrivenost problematičnih kredita ispravkama vrednosti je bila na izuzetno visokom nivou i iznosila je 100,1% (4. kvartal 2022: 102,1%). Takođe adekvatnost kapitala je i dalje dosta iznad propisanih 12%, a visina ovog racija u septembru 2023. je iznosila 22,2% (decembar/2022: 19,5%).

Tokom 2023. godine banke su viškove likvidnosti plasirale u repo transakcije koje su dostigle iznos od čak 3.5 mlrd evra u 2023. godini (2022: 899 mln evra) usled smanjene kreditne aktivnosti i atraktivne kamatne stope, kao i u dinarske i devizne obavezne rezerve kod NBS koje su u novembru 2023. iznosile 3.9 mlrd (2022: 4 mlrd evra).

Narodna banka Srbije je donela odluku u septembru da putem instrumenta obavezne rezerve povuče deo visokih viškova dinarske likvidnosti banaka i time dodatno pooštiri domaće monetarne uslove. Stope obavezne rezerve na deviznu osnovicu povećane su za po 3 procentna poena, na 23% i 16% za obaveze sa ugovorenim ročnošću do dve godine i preko dve godine, respektivno, a stope obavezne rezerve na dinarsku osnovicu za po 2 procentna poena, na 7% i 2%. Istovremeno, povećani su procenti dela devizne obavezne rezerve koja se izdvaja u dinarima za po 8 procentnih poena, na 46% i 38% za obaveze sa ugovorenim ročnošću do dve godine i preko dve godine, respektivno.

Racio pokrivenosti kredita depozitima je pao na 76,6% u 2023. u poređenju sa 85,3% u 2022. godini. Ukupni krediti su porasli za 1,0 % godišnje u 2023. u odnosu na 2022. godinu, dok su ukupni depoziti porasli za 12,2% u istom periodu usled rasta depozita privrednih društava (+9,2% godišnje), kao i depozita stanovništva (+10,1%).

U međuvremenu, pooštreni monetarni uslovi na lokalnom nivou i u evrozoni podstakli su profitabilnost domaćeg bankarskog sektora. U prvih devet meseci 2023. godine, prinos na kapital je dostigao je 19,2%, u odnosu na 13,9% u 2022. godini, što je najviši nivo od 2003. godine i takav rezultat je postignut povećanjem neto kamatne marže, koja je porasla na 4% u poređenju sa oko 3% u periodu 2020-2022. Ovaj brzi prenos viših kamatnih stopa na neto prihod od kamata podržan je strukturom kreditnog portfolija, sa visokim učešćem ugovora sa varijabilnom kamatnom stopom.

Srpsko bankarsko tržište je bilo aktivno na strani spajanja i akvizicija. Velika transakcija se dogodila 2023. godine, pošto je lokalna AIK banka kupila filijalu grčke Eurobanke (Eurobank Direktna). Posao je završen u novembru, čime je AIK postala treća po veličini grupacija na tržištu (13,3% tržišnog učešća po imovini). Između ostalih transakcija, vlasnici Ekspobanke povezani sa Rusijom prodali su entitet Adriatic Bank AD sa odgovarajućom promenom imena. Takođe, pripajanjem RBA banke (ranije Credit Agricole banka Srbija) Raiffeisen banci 2023. godine, broj banaka u sistemu je opao na 20. Vidimo da su apetiti stranih banaka za tržište Srbije u velikoj meri netaknuti, što bi trebalo da podrži dalju konsolidaciju u sektoru.

➤ ESG Initiatives, Social Responsibility and Sustainability

Dedication to promoting the practice of socially responsible activities and sustainable business can be seen as the most important business guidelines of Raiffeisen banka in Serbia. The bank remains 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 concerns the mission of the 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 2023, the focus was on raising awareness of all important topics, both with employees and with clients. Also, a range of concrete steps and activities was undertaken with the aim of further developing and implementing ESG goals.

Constant efforts are being invested into implementing best practices and policies of RBI Group as concerns the concept of sustainable business. In 2023, the practice of screening and flagging the existing corporate loan portfolio continued in accordance with RBI Group regulations and EU taxonomy. Initiatives to automate the process of flagging transactions and implementing ESG criteria into corporate crediting processes also continued. In December 2023, it was found that 6.2 per cent of the total loan portfolio before provisioning in this segment can be marked as ESG. Some of the most important activities in this regard in 2023 are participating in a syndicated loan for the financing of a wind park, as well as best practice sharing with the aim of creating a unified ESG questionnaire for companies, together with other banks in the market.

In the retail and small business segment, in 2023, the bank continued promoting sustainable loans in the segment of micro, small enterprises and entrepreneurs, by introducing a new investment loan for solar panels (producing energy from renewable resources). A significant part of the loan portfolio in the segment

of “small business” comes from companies owned by women and companies from underdeveloped regions. In the retail segment, after the merger with RBA banka, vehicle financing was continued, which enabled us to further grow our portfolio for electric vehicle financing.

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 our responsibility in the future not only by providing financial support to those who are on the sustainability path, but also by creating our own products and by adopting business practices that strive to protect the environment where we live and work.

In this respect, activities focusing on business digitalization and introducing products and services for which there is no need to submit paper documents continued in 2023.

The electronic and mobile application for clients in the corporate and retail banking segments, online factoring platform, followed by online loans for citizens and digital accounts both for private individuals, as well as for small businesses – all these are significantly supporting the bank's strategy of sustainable business and offering services that protect the natural resources we live in. Thanks to these principles, better saving of resources is enabled, such as paper, i.e. plastic usage is restricted, as drawing cash at ATMs is enabled without the need of owning a payment card.

One of the important steps in this direction is also the introduction of payment cards made of recycled plastic, which have been part of the bank's offer since 2022, the production and distribution of which was continued in 2023 as well. Raiffeisen banka is the first bank in the banking market of Serbia to introduce such cards into its offer. This innovation directly contributes to reducing new waste, thereby reducing the consumption of electricity and reducing the pollution levels of water, air and other vitally important resources. It was estimated that for producing cards out of recycled plastic, CO2 emissions were as much as 80 per cent lower compared to the production of cards made of non-recycled plastic.

Apart from ESG initiatives in the domain of banking products and services, Raiffeisen banka was always striving to approach responsibly those segments of society that are most in need of help. The support we

➤ ESG inicijative, društvena odgovornost i održivo poslovanje

Posvećenost promovisanju prakse društveno odgovornog ponašanja i održivog poslovanja može se uvrstiti među najvažnije postulate rada Raiffeisen banke u Srbiji. Rukovođena vrednostima koje promoviše Raiffeisen grupacija (RBI), prvenstveno odgovornosti u poslovanju – prema klijentima, partnerima, zaposlenima i životnoj sredini, banka u mnogim segmentima ostaje lider na tržištu.

Kao članica RBI grupacije, koja među svojim osnovnim principima ima doprinos ostvarenju UN ciljeva 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 doprinosti dugoročnoj dobrobiti ljudi i kompanija na tržištima na kojima poslujemo*“.

Radimo na kontinuiranom unapređivanju svojih proizvoda, usluga i poslovnih procesa, kako bismo ih učinili što usklađenijima sa principima održivog razvoja. U 2023. godini, banka je nastavila da ulaže napore na podizanju svesti o važnim ESG temama, kako kod zaposlenih, tako i kod klijenata. Takođe, učinjen je i niz konkretnih koraka i aktivnosti u cilju daljeg razvoja i implementacije ovih ciljeva.

Konstantni naponi ulažu se u implementiranje najboljih praksi i politika RBI grupacije kad je reč o konceptima održivog poslovanja. U 2023. godini nastavljena je praksa skrininga i obeležavanja postojećeg kreditnog portfolija u segmentu privrede, prema grupnim regulativama i EU taksonomiji. U toku su inicijative za automatizaciju procesa obeležavanja transakcija i implementaciju ESG kriterijuma u postupke kreditiranja pravnih lica. U decembru 2023. godine utvrđeno je da se 6,2% ukupnog kreditnog portfolija pre rezervisanja u ovom segmentu može označiti kao ESG. Neke od najznačajnijih aktivnosti u ovom pogledu u 2023. godini su učešće u sindiciranom kreditu za finansiranje vetroparka, kao i deljenje najboljih praksi u cilju razvoja uniformisanog ESG upitnika za kompanije zajedno sa drugim bankama na tržištu.

U segmentu stanovništva i male privrede, u 2023. godini banka je nastavila promociju održivog kreditiranja u segmentu mikro, malih preduzeća i preduzetnika uvođenjem novog investicionog kredita za solarne panele (proizvodnju energije iz obnovljivih izvora). Značajan deo kreditnog portfolija u segmentu „malog biznisa“ dolazi od preduzeća koja su u vlasništvu žena i preduzeća koja dolaze iz nerazvijenih regiona.

U segmentu poslovanja sa stanovništvom, nakon spajanja sa RBA bankom, nastavljeno je poslovanje finansiranja vozila, što nam je pružilo mogućnost daljeg rasta portfolija u oblasti finansiranja električnih vozila.

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 i usvajanjem poslovnih praksi kojima brinemo o očuvanju okruženja u kome živimo i radimo.

U tom smislu, u 2023. godini nastavljene su aktivnosti usmerene ka digitalizaciji poslovanja i uvođenju proizvoda i usluga za koje nije potrebno dostavljanje dokumentacije u papirnoj formi.

Elektronska i mobilna aplikacija za klijente u segmentu stanovništva i privrede, platforma za onlajn faktoring, zatim potpuno onlajn krediti za građane i digitalni računi kako za fizička lica, tako i za malu privredu – značajno podržavaju bančinu strategiju održivog poslovanja i pružanja usluga kojima se štede prirodni resursi okruženja u kome živimo. Zahvaljujući ovim principima 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 ovom smeru jeste i uvođenje platnih kartica od reciklirane plastike, koje su u ponudi banke od 2022. godine, a čija proizvodnja i distribucija su nastavljene i tokom 2023. godine. Raiffeisen banka je prva banka koja je u svoju ponudu uvrstila ovako izrađene kartice na bankarskom tržištu Srbije. Ova inovacija daje direktan doprinos smanjenju stvaranja novog otpada, a time i smanjenju potrošnje električne energije i smanjenju nivoa zagađenosti vode, vadaha i ostalih životno važnih resursa. Procenjeno je da su za proizvodnju kartica od reciklirane plastike emisije CO2 smanjene za čak 80% u odnosu na izradu kartica od nereciklirane plastike.

Pored ESG inicijativa u domenu bankarskih proizvoda i usluga, Raiffeisen banka je od početka svog poslovanja, uvek težila da neguje odgovoran pristup prema onim članovima društva kojima je pomoć najpotrebnija. Podrška koju pružamo je finansijska, ali i kroz volonterski rad zaposlenih. Usmerena je na najugroženije ili

offered is in the form of financial aid, but also through voluntary work of our employees. It is directed towards the most vulnerable or the weakest parts of the community, such as children and individuals with special needs, children without parental care, individuals with severe health issues, etc.

Socially responsible business also includes the bank's activities realized 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 was the first chairman of Raiffeisen Bank International, Dr. Herbert Stepic).

During 2023, the "H. Stepic CEE Charity", supported by Raiffeisen banka in Serbia, continued offering financial support to 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.

Through the work of its charity "Budimir Boško Kostić", in 2023, the bank directly helped activities focused on promoting and protecting human, citizens' and minorities' rights, promoting democratic values, European integration and international understanding, promoting and improving culture, promoting science, education, art and amateur sports, improving the position of disabled individuals, taking care of children and young people and other activities serving to achieve aims for the general good.

Traditional voluntary projects were continued, where the bank's employees are the main partners in socially responsible activities.

Continuing the very successful voluntary project realized in the past twelve 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 matched 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.

Other voluntary initiatives realized in 2023 include collecting children's clothes, shoes, toys and cosmetics for children, all of which was then donated to an institution taking care of children and young people with special needs and this way we directly supported this vulnerable group of society. The long-established initiative with the Blood Transfusion Institute continued as well, where the bank's employees voluntarily donate blood, thus contributing to this nationally vital initiative.

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

Apart from the philanthropic and socially responsible endeavours, the bank also recognizes the importance of responsible human resources management and strives to provide a working environment where employees will be satisfied and work in positions suited to their knowledge and skills, with the opportunity of further professional and personal development. Our employees are one of the biggest company assets. We are investing major efforts to provide continual education and improvement of skills and talents of our employees, to include them into all the relevant fields, to stimulate 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 minor 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 installation system of the bank's head office are functioning on the principles of energy savings by implementing modern energy recuperation systems and optimizing technical parameters for ventilation and cooling. As part of our efforts to contribute to preserving and protecting the environment, as of May 2023, Raiffeisen banka has begun using electricity from renewable sources at all of its locations where it does business in Serbia. This way, we have significantly cut emissions in scope 2 and this is a big step in decarbonizing the energy mix we use.

Since 2022, the bank has been actively supporting the protection of natural wealth and resources in Serbia. The project of setting up solar panels for electricity production in one of the largest natural reserves in Serbia, "Zasavica", for which the bank donated funds, was completed in the course of 2023.

The issue of business ethics and maintaining good business practice is certainly one of the most important, so that basic principles of the bank's business are transparency and ethical business, applying responsible and fair operational practices, promoting a constructive and open exchange with clients, business partners, organizations and institutions, as well as with employees.

najslabije članove zajednice, kao što su deca i pojedinci sa posebnim potrebama, deca bez roditeljskog staranja, pojedinci sa teškim zdravstvenim problemima, itd.

U društveno odgovorno poslovanje 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 2023. godine, humanitarna fondacija „H. Stepic CEE Charity“, uz podršku Raiffeisen banke u Srbiji, nastavila je da pruža finansijsku pomoć projektima koji se realizuju i u našoj zemlji. Njima je podržan rad svratišta za decu koja žive i/ili rade na ulicama u naša tri najveća grada, Beogradu, Novom Sadu i Nišu.

Kroz rad svoje fondacije „Budimir Boško Kostić“, tokom 2023. godine, banka je pružila direktnu pomoć za aktivnosti usmerene na promovisanje i zaštitu ljudskih, građanskih i manjinskih prava, promovisanje demokratskih vrednosti, evropskih integracija i međunarodnog razumevanja, promovisanje i unapređenje kulture, promovisanje i popularizaciju nauke, obrazovanja, umetnosti i amaterskog sporta, unapređenje položaja osoba sa invaliditetom, brigu o deci i mladima i druge aktivnosti kojima se ostvaruju opštekorisni ciljevi.

Nastavljene su tradicionalne volonterske akcije u okviru kojih su zaposleni banke njeni glavni partneri u društveno odgovornom delovanju.

Nastavljajući veoma uspešne volonterske akcije realizovane tokom prethodnih dvanaest godina uoči novogodišnjih i božićnih praznika, zaposleni Raiffeisen banke su organizovali volontersku akciju u okviru koje su prikupili novčane donacije za kupovinu 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.

Ostale volonterske inicijative realizovane tokom 2023. godine uključuju akciju prikupljanja dečje odeće, obuće, igraćaka i kozmetike za decu, koju smo zatim donirali ustanovi koja se brine o deci i mladima sa posebnim potrebama i na taj način direktno pomogli ovoj ugroženoj grupi stanovništva. Nastavljena je i inicijativa sa dugom tradicijom u saradnji sa Institutom za transfuziju krvi u okviru koje zaposleni banke dobrovoljno daju krv i na taj način daju svoj doprinos ovoj nacionalno važnoj inicijativi.

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.

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 njihovih veština i talenata, 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. Direktna uticaja našeg operativnog poslovanja je srazmerno mali u odnosu na neke druge industrije. Ipak, RBL 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 delujemo. Stoga nastojimo da kontinuirano unapređujemo ključne parametre zaštite životne sredine u našem poslovanju. Vodi se računa o uštedi energije, reciklaži papira, plastike 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. U okviru napora da doprinese očuvanju i zaštiti životne sredine, Raiffeisen banka od maja 2023. godine na svim lokacijama na kojima posluje u zemlji koristi električnu energiju dobijenu od obnovljivih izvora. Na taj način, značajno smo redukovali emisije iz obima 2 i učinili veliki korak za dekarbonizaciju energetskog miksa koji koristimo.

Počev od 2022. godine, banka pruža aktivnu podršku zaštiti prirodnih bogatstava i resursa u Srbiji. Projekat postavljanja solarnih panela za proizvodnju energije u jednom od najvećih prirodnih rezervata u Srbiji, „Zasavici“ za koji smo donirali sredstva, završen je tokom 2023. godine.

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.

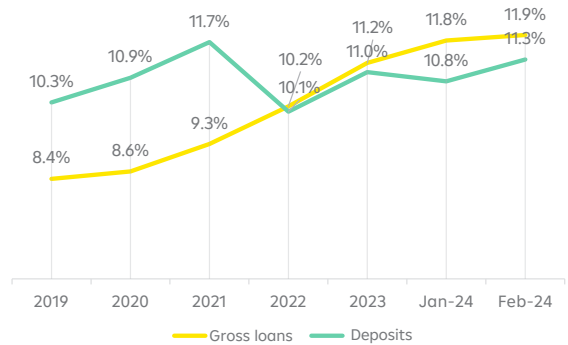
> Corporate Banking

In 2023, in line with positive market developments and after the successfully finalized merger with RBA (formerly Crédit Agricole Srbija) bank, Corporate Banking recorded the most 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 preserving its leadership position in the international segment, the bank continued implementing key initiatives concerning product excellence and digital transformation, particularly related to enabling growth of new digital innovative client platforms and a new way of communication with the bank's clients, while also clearly supporting the new ESG concept and positioning itself as one of the market leaders in this segment.

Development of Key Products

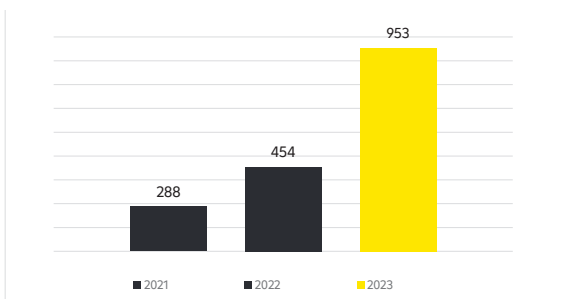
In terms of our key product assets, and in line with the strategy to focus on top market performers and industries, the corporate segment grew its credit portfolio by € 159 million (+13.4 per cent, including the portfolio acquired via RBA) and built up its asset market share to the historically high level of 11.9 per cent.

Market share - loans and deposits

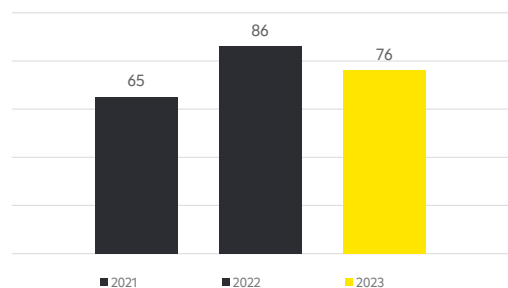


Maintaining a long-term partnership with its primary credit portfolio clients by focusing on well-structured deals and by fully exploiting the cross-border potential and international strength of the RBI Group – represent our key success factors. The Corporate segment continued growing its cross-border 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, altogether positioning itself as a market leader in the international client segment.

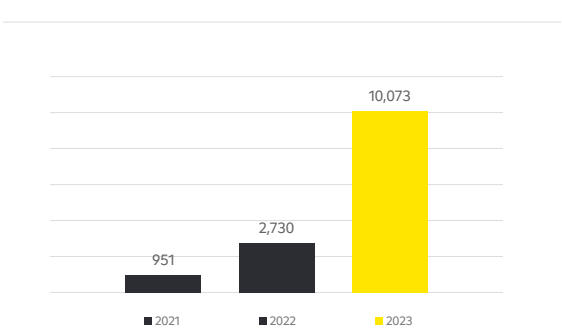
Number of newly acquired clients (GI>100 EUR)



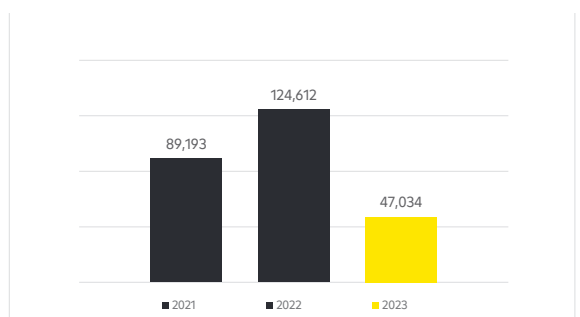
Number of new loan clients



GI New Clients



Volume of loans to new clients



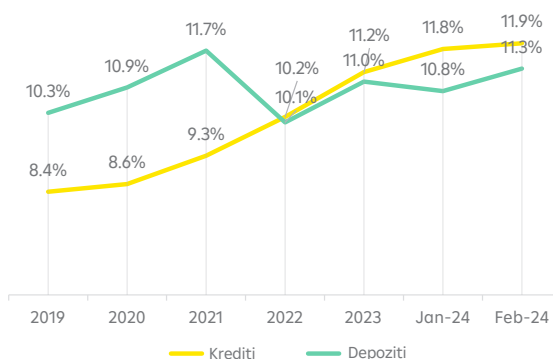
➤ Poslovanje sa privredom

U 2023. godini, u skladu sa pozitivnim razvojem situacije na tržištu i nakon uspešno završenog pripajanja RBA banke (bivše Crédit Agricole Srbija), Sektor za poslovanje sa privredom zabeležio je svoju najuspešnije 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 inovativnih platformi namenjenih klijentima i novih načina komunikacije sa klijentima banke, uz istovremenu veliku podršku novim ESG inicijativama i pozicioniranje kao jedne od vodećih banaka na tržištu u ovom segmentu.

Razvoj ključnih proizvoda

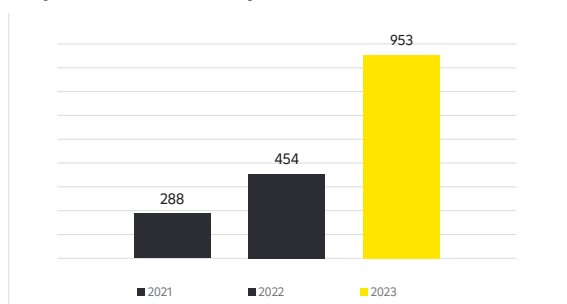
Kad je reč o ključnim proizvodima, u skladu sa strategijom da fokus bude na vodećim industrijskim granama i kompanijama sa najboljim performansama na tržištu, Sektor za poslovanje sa privredom ostvario je rast svog portfolija aktive za 159 miliona evra (+13,4%, uključujući portfolio akviziran preko RBA banke) i povećao tržišnu učešće na do sada najveći udeo od 11,9%.

Tržišni udeo – krediti i depoziti

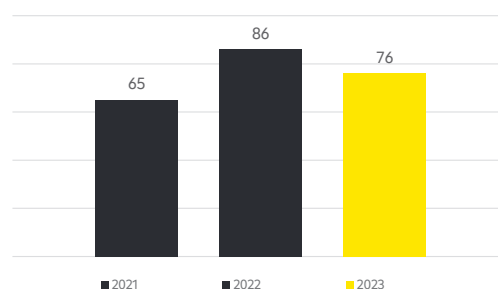


Održavanje dugoročnih partnerstava sa klijentima iz svog primarnog kreditnog portfolija, usmerenje na dobro strukturisane poslove, kao i korišćenje celokupnog prekograničnog potencijala i međunarodne snage grupacije Raiffeisen Bank International, predstavljaju ključne faktore uspeha. Segment poslovanja 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.

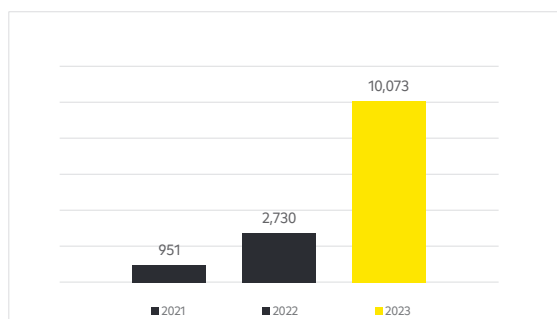
Broj novoakviziranih klijenata



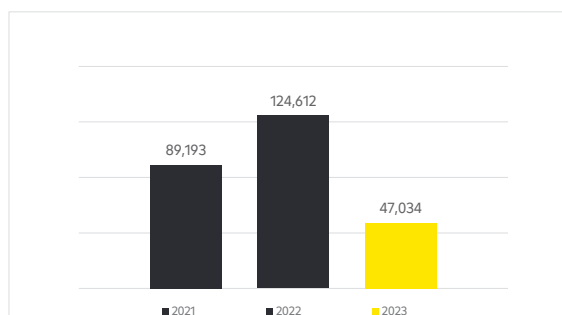
Broj novih kreditnih klijenata



Bruto zarada od novih klijenata



Volumen kredita izdatih novim klijentima



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

Performance concerning new customer acquisition was solid, with new customer acquisition of € 47 million new loans coming from new customers and 953 new corporate customers to the bank.

Regarding risk parameters, the prudent risk approach applied in the past years continued to result in excellent portfolio quality (PD of 1.95%) and strong reduction of NPLs (currently 0.52%).

Integration with RBA bank (formerly Crédit Agricole Srbija), as one of the key priorities for 2023, was completed very successfully according to the defined project plan and all former RBA clients were smoothly integrated into the structure and processes of Raiffeisen banka (e.g. related to clients, products, tariffs, KYC, etc.).

New Innovations and Initiatives

On the innovation side relating to new digital and sales initiatives in 2023, Raiffeisen banka placed a special focus on the implementation of its digital strategy and roll-out of new client digital platforms, as well as on initiatives focusing on superior customer experience and ease. We focused on three key elements:

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

- Availability, advisory services, product knowledge, etc., within the existing corporate segment organizational structure of the corporate segment and very good collaboration with the back office.

Online Factoring Platform

- Active client acquisition for factoring continued in 2023. Total factoring in December 2023 YTD outstanding amounted to € 47.1 million and factoring turnover was € 212.4 million.

Digital client portals: Infoportal and Davinci

- **Infoportal (local digital portal):** a new digital communication platform between clients and the bank with an automatized KYC process was launched in 2020. The platform has been upgraded significantly with a new set of client-friendly functionalities, e.g. Raiffeisen services such as confirma-

tions, notifications, contract documentation, product overview, etc. More than 1,276 clients already signed into the platform, while 770 clients used it in 2023. Very ambitious client acquisition strategy and plans are in place for 2024.

- **DaVinci (RBI Group platform)** – mainly targeting Group clients. We are continuing to collect client feedback, as well as feedback of our sales and product people.

Overall level of corporate digitalization and usage of existing platforms as at December 2023

- The share of clients doing FX with the bank online (vs FX clients with all channels) amounts to 50 per cent (vs 50 per cent in December 2022).
- The share of clients on the Loan online platform amounts to 54 per cent (vs 26 per cent in December 2022).
- The share of clients on the Guarantee online platform amounts to 69 per cent (vs 47 per cent in December 2022).
- Info portal: 854 active clients in December 2023.
- The number of active ROL users in December YTD amounts to 1,665.

KYC Initiatives

- Ongoing participation in important Raiffeisen Group KCY project with the RBI head office, with the main aim of optimizing the KYC process for big international groups.
- Digitalization of the KYC account opening process via the Info Portal platform. A total of 103 clients performed the KYC process via this platform in 2023.

Credit Process optimization initiatives

Small ticket lending

- Target to speed up the process and to increase potential with existing credit clients; the framework on Raiffeisen Group level has been adopted by RBI.
- The pilot engine with all criteria applied, has been launched in the credit process with existing clients.

LMS

- Group limit management and application processing system. Raiffeisen banka will use LMS as the primary system for local and GRO applications. The system will go live in February 2024.

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 47 miliona evra novih kredita plasiranih novim klijentima, kao i 953 nova korporativna klijenta 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 1,95%), kao i značajno umanjene loših kredita (trenutno 0,52%).

Integracija sa RBA bankom kao jedan od ključnih prioriteta u 2023. godini, završena je veoma uspešno prema definisanom projektnom planu, a svi klijenti neometano su integrisani u strukturu i procese Raiffeisen banke (npr. što se tiče klijenata, proizvoda, tarifa, KYC platforme, itd).

Inovacije i inicijative

Kad je reč o inovacijama koje se tiču novih digitalnih i prodajnih inicijativa u 2023. 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:

Održavanje trenutnog nivoa usluga izuzetnog kvaliteta, upravljanja odnosima sa klijentima i izuzetnog korisničkog iskustva

- Dostupnost, savetodavne usluge, znanje o proizvodima, itd, u okviru postojeće organizacione strukture segmenta za poslovanje sa privredom, uz odličnu saradnju sa pozadinskim službama.

Platforma za onlajn faktoring

- Aktivna akvizicija klijenata za faktoring nastavljena je i u 2023. godini. Ukupni portfolio u decembru 2023. do datuma izveštavanja iznosi 47,1 miliona evra, a volumen faktoring usluga dostigao je 212,4 miliona evra.

Digitalni portali za klijente: Infoportal i DaVinci

- **Infoportal (lokalni digitalni portal):** nova digitalna platforma za komunikaciju između klijenata i banke, sa automatizovanim KYC procesom pokrenuta je 2020. godine. Platforma je značajno poboljšana novim setom funkcionalnosti lakim za korišćenje (npr. Raiffeisen usluge, kao što su potvrde, notifikacije,

ugovorna dokumentacija, pregled proizvoda, itd). Više od 1.276 klijenata već ima nalog na platformi, dok je platformu tokom 2023. godine koristilo 770 klijenata. Predviđena je veoma ambiciozna strategija akvizicije klijenata u 2024. godini.

- **DaVinci (platforma RBI grupacije):** targetira uglavnom klijente same grupacije. Banka nastavlja da prikuplja povratne informacije od klijenata, kao i od naših stručnjaka za prodaju i proizvode.

Ukupni nivo digitalizacije klijenata iz privrede – korišćenje postojećih platformi tokom 2023. godine

- Udeo klijenata koji obavljaju devizne transakcije sa bankom onlajn (u poređenju sa klijentima koji obavljaju devizne transakcije na svim kanalima) iznosi 50% (prema 50% u dec. 2022).
- Udeo klijenata na onlajn platformi za kredite iznosi 54% (prema 26% u dec. 2022).
- Udeo klijenata na onlajn platformi za garancije iznosi 69% (prema 47% u dec. 2022).
- Info portal – 854 aktivna klijenta u dec. 2023.
- Broj aktivnih korisnika ROL platforme u decembru na dan izveštavanja iznosi 1.665.

Inicijative u sklopu procesa "Upoznaj svog klijenta" ("Know Your Customer" - KYC)

- U toku je učešće u važnom KYC projektu RBI grupacije sa ciljem optimizacije KYC procesa za velike internacionalne grupacije.
- Digitalizacija KYC procesa otvaranja tekućih računa preko Info Portal platforme – ukupno 103 klijenta završilo je KYC proces tokom 2023. godine.

Inicijative za optimizaciju kreditnog procesa

"Small ticket lending"

- Cilj da se ubrza proces i uveća potencijal sa postojećim kreditnim klijentima, a RBI je usvojila okvir delovanja na nivou grupacije.
- Pilot projekat sa svim primenjenim kriterijumima pušten je u kreditni proces sa postojećim klijentima.

LMS

- Sistem na nivou grupacije za upravljanje limitima i obradu aplikacija. Raiffeisen banka će koristiti LMS kao osnovni sistem za lokalne i grupne aplikacije. Sistem počinje sa radom u februaru 2024. godine.

ESG

- Raiffeisen Group is committed to promoting sustainable development and supporting positive climate change, reduction of CO₂ (carbon dioxide) emissions and energy efficiency projects. As part of RBI Group, Raiffeisen banka follows RBI's green agenda and is valued as an environmentally responsible business partner. We are continuously screening our existing corporate client portfolio and market potential in order to identify potential ESG transactions.
 - As of December 2023, 6.2 per cent of the total corporate loan portfolio before provisions is ESG aligned (volume of € 83.4 million loan outstanding), as well as the total volume of € 14.8 million off balance. Among other ESG relevant transactions in 2023, we have financed the Krivača wind park project as part of a syndicated loan, where Raiffeisen banka participated in the deal with RBI and three other banking groups.
 - Raiffeisen banka actively participated together with other banks in the market in negotiations in the Assembly of the National Bank of Serbia to form a joint ESG bank questionnaire for clients in the Serbian market. We will continue with our goal to raise ESG awareness both internally through workshops and externally through client meetings, as well as via participation in ESG panels and workshops.
 - In addition, our focus on digitalization and paperless process remains one of the most important goals. In that respect, we have implemented cash management, ROL and factoring digital and paperless platforms for clients, as well as the Info Portal – a platform available for our clients, which significantly contributes to the bank's orientation towards sustainable operations.
- E-bills of exchange development started on RaiffeisenOnLine app;
 - FCMI – live payments through real-time connection.

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 2023, where Raiffeisen banka reached an NPS score of 67, with a client response rate of 21 per cent.

Further development of cash management products – RaiffeisenOnLine and Halcom:

- Migration of 7,500 clients to the new version of eBanking platform;
- Migration of 2,200 RBA clients from RBA Halcom application to the Halcom application of Raiffeisen banka (users, accounts, authorizations);
- New 600 clients on the RaiffeisenOnLine application (RBA clients);
- Option for attaching foreign currency documents along with the payment;
- SWIFT GPI project;
- E-bills of exchange development on Halcom app;

ESG

- Raiffeisen grupacija posvećena je promovisanju održivog razvoja i podršci pozitivnim klimatskim promenama, smanjenju emisije CO2 (ugljen-dioksida), kao i energetske efikasnim projektima. Kao deo RBl grupacije, Raiffeisen banka sledi zelenu agendu i uživa reputaciju poslovnog partnera sa odgovornim odnosom prema životnoj sredini. Radi se stalni skrining postojećeg portfolija klijenata i tržišnog potencijala kako bi se identifikovale potencijalne ESG transakcije.
- Od decembra 2023, 6,2% ukupnog portfolija kredita za privredu pre rezervisanja je u skladu sa ESG principima (portfolio od 83,4 miliona evra), kao i ukupan volumen od 14,8 miliona evra vanbilansno u skladu sa ESG principima. Među ostalim relevantnim ESG transakcijama izvršenim u 2023. godini, finansiran je projekat vetroparka Krivača, kao deo sindiciranog kredita, gde je Raiffeisen banka saradivala sa RBl i tri druge bankarske grupacije.
- Raiffeisen banka je aktivno učestvovala sa drugim bankama na tržištu u pregovorima sa Skupštinom Narodne banke Srbije na izradi zajedničkog ESG upitnika za klijente na tržištu Srbije. Nastavićemo sa našim ciljem podizanja svesti kako interno, putem radionica, tako i eksterno, putem sastanaka sa klijentima, kao i učešća na ESG panelima i radionicama.
- Osim toga, naše usmerenje na digitalizaciju i procese bez papira ostaje jedan od najvažnijih ciljeva. U tom smislu, implementirali smo digitalne platforme bez papira za klijente za poslove upravljanja gotovinom, RaiffeisenOnLine, Info Portal i faktoring, što značajno doprinosi orijentaciji banke ka održivom poslovanju.

Dalji razvoj proizvoda segmenta za upravljanje gotovinom – RaiffeisenOnLine i Halcom:

- Migracija 7.500 klijenata na novu verziju eBanking platforme;
- Migracija 2.200 RBA klijenata sa RBA Halcom aplikacije na Halcom aplikaciju Raiffeisen banke (korisnici, nalozi, autorizacije);
- Novih 600 klijenata na RaiffeisenOnLine aplikaciji (RBA klijenti);
- Opcija kačenja dokumenata za devizne transakcije koja prate plaćanje;
- SWIFT GPI projekat;
- Razvoj elektronskih menica na Halcom aplikaciji;
- Razvoj elektronskih menica započet na RaiffeisenOnLine aplikaciji;

- FCMI – plaćanja putem konekcije u realnom vremenu.

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. 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 2023. godine, gde je banka ostvarila NPS parametar od 67, sa stopom odgovora klijenata od 21%.

> Retail Banking

In 2023, the segment of Retail Banking recorded growth in lending activity. New volumes of loan products increased by 33 per cent compared to 2022, which is mostly a consequence of the integration that was completed at the end of April 2023.

Digitalization and Innovations

As a result of successful digital transformation and continuous improvements in Raiffeisen banka's service quality, along with the successful acquisition, the number of active mobile banking users grew by around 40 per cent in 2023. The number of clients who obtained a loan by using digital channels continued to exceed the number of loans contracted via traditional channels, while more than 24,000 users were acquired fully digitally, despite the intense competition in the banking industry.

"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 four years, more than 50,000 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 past year. "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 other banks in 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. Apart from "iKeš", the bank has in its online offer also the refinancing loan, account overdraft and a unique product in the market - the "WEB" loan. Following global internet trade trends and modelled after "iKEŠ", the first fully online consumer "WEB" loan is also on offer. The product aims to additionally make easier and stimulate internet shopping and it is available through 22 partnering online stores that are leading in their market 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 withdraw cash at multifunctional devices. In 2023, the bank introduced the "Foreign Currency iAccount" that enables clients

to open a foreign currency account fully online. So far, more than 24,000 dinar accounts and more than 3,000 foreign currency accounts were opened in this manner.

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 this 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. Following global trends, the application was redesigned, with improved user experience. Communication was made easier by introducing the push notification for each piece of information the client receives from the bank. Apart from various types of dinar payments, in the international payments segment, apart from sending money abroad, users now have the possibility of receiving receipts and foreign currency inflowing payments through several simple steps and without the need to visit a branch office.

Further work continued on improving the chatbot based on artificial intelligence in communicating and offering services to clients. Apart from the possibility of obtaining detailed information on products and services, users can pay bills, send money, settle loan installments as well as credit card debts, all by using the chatbot. The chatbot also reacts proactively in online processes and offers support and help throughout all the stages. Additional platform upgrades made it possible for the chatbot to target the best product for the client already in the starting phases of the process. In 2023, the chatbot had a monthly average of more than 50,000 interactions.

Considerable investments were made into advanced analytics development, where Raiffeisen banka realized a tangible impact on business processes optimization. Three projects have already been implemented into business processes, and four more are in phases of development or testing. The volume of impacting additional markets in RBI Group has been extended and they are prepared for integration with the remaining RBI Group members.

Cooperating with Raiffeisen Bank International in order to improve user experience and improve client relations, Raiffeisen banka has developed a platform that enables the processing of client transactions and creating personalized offers in real time. The most contemporary cloud platform is able to categorize client transactions and point out their needs in real time by using state-of-the-art tools. This provides significant benefits – the ability to offer, apart from basic information, also very relevant recommendations to the bank's clients (e.g. the need for a new product or improvement of an existing one, and also to provide high-quality services to the client in real time). This enables that the user is served in the best possible manner. Raiffeisen banka in Serbia is one of the first banks in the Raiffeisen Group to implement a real-time solution and this was acknowledged by RBI.

➤ Poslovanje sa stanovništvom

U 2023. godini zabeležen je rast kreditne aktivnosti u segmentu stanovništva. Novi volumeni kreditnih proizvoda veći su za 33% u odnosu na 2022, što je najvećim delom posledica integracije koja je završena krajem aprila 2023. godine.

Digitalizacija i inovacije

Kao rezultat uspešne digitalne transformacije i kontinuiranih unapređenja kvaliteta usluga Raiffeisen banke, uz uspešnu akviziciju, u 2023. godini zabeležen je rast broja aktivnih korisnika mobilnog bankarstva za oko 40%. Broj klijenata koji su realizovali kredit korišćenjem digitalnih kanala nastavlja da premašuje broj kredita ugovorenih kroz tradicionalne kanale, dok je potpuno digitalno akvizirano preko 24.000 korisnika, uprkos snažnoj konkurenciji u bankarskom sektoru.

„iKEŠ“ – prvi keš kredit na tržištu koji je potpuno onlajn za sve korisnike, bez obzira na to da li imaju račun u banci ili ne – predstavlja platformu banke za dalje skaliranje digitalnog kreditiranja. Nakon više od četiri godine rada, preko 50.000 korisnika imalo je priliku da realizuje „iKEŠ“ kredit, 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 i ostale banke iz Raiffeisen grupacije u međuvremenu ponude ovaj proizvod svojim korisnicima.

Zahvaljujući intenzivnim i kontinuiranim unapređenjima, „iKEŠ“ je obogaćen novim opcijama i mogućnostima. Pored keš kredita, banka u svojoj onlajn ponudi nudi kredit za refinansiranje, dozvoljeno prekoračenje i jedinstveni proizvod na tržištu - „WEB“ kredit. 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 kroz 22 partnerske internet prodavnice koje su vodeće u svojim oblastima 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 podižu gotovinu na višenamenskim uređajima. Banka je ove godine uvela i „Devizni iRačun“ koji klijentima omogućava potpuno onlajn otvaranje i deviznog računa. Do sada je na ovaj način otvoreno preko 24.000 dinarskih i preko 3.000 deviznih računa.

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. Aplikacija je prateći svetske trendove redizajnirana, sa unapređenim kretanjem kroz aplikaciju. Olakšana je komunikacija uvođenjem push notifikacija za svaku informaciju koju klijent dobija od banke. Pored različitih vrsta dinarskih plaćanja, u delu međunarodnih plaćanja, korisnicima je pored slanja novca u inostranstvo, sada omogućena potvrda i deviznih priliva kroz nekoliko jednostavnih koraka i bez dolaska u banku.

Nastavljen je i dalji rad na unapređenju rada čet botova zasnovanog na veštačkoj inteligenciji u komunikaciji i pružanju usluga klijentima. Pored toga što mogu da saznaju detaljne informacije o proizvodima i uslugama, korisnici preko čet botova mogu izvršiti plaćanje računa, slanja novca, rata kredita i izmirivanja duga po kreditnim karticama. Čet bot, takođe, proaktivno reaguje i u slučaju onlajn procesa i nudi podršku i pomoć kroz sve korake. Dodatna unapređenja platforme omogućila su i da čet bot klijenta može usmeriti na najbolji proizvod već u početnim trenucima procesa. Tokom 2023. godine, čet bot je u proseku mesečno imao preko 50.000 interakcija.

Značajno je investirano i u razvoj napredne analitike, gde je Raiffeisen banka ostvarila opipljiv uticaj na optimizaciju poslovnih procesa. Tri projekta su već implementirana u poslovne procese, a još četiri su u fazama razvoja ili testiranja. Proširen je opseg delovanja na dodatna tržišta u RBI grupi i pripremljeni su za integraciju kod preostalih članica RBI grupe.

Kako bi poboljšala korisničko iskustvo i unapredila odnose sa klijentima, Raiffeisen banka je u saradnji sa Raiffeisen International-om razvila platformu koja omogućava procesuiranje klijentskih transakcija i kreiranje personalizovanih ponuda u realnom vremenu. Najmodernija cloud platforma uz upotrebu najnaprednijih alata je u mogućnosti da kategorizuje klijentske transakcije i ukaže na njihove potrebe u realnom vremenu. To daje značajne benefite - da se pored bazičnih informacija pruže i veoma relevantne preporuke klijentima banke (npr. potrebu za nekim novim proizvodom ili unapređenje postojećeg, kao i da se klijent kvalitetno servisira u realnom vremenu). Time je omogućeno da korisnik bude uslužen na najbolji mogući način. Raiffeisen banka Srbije je prva od banaka u grupaciji koja je implementirala real-time rešenje, i dobila priznanje od RBI.

Branch Network

In this segment, too, the business year 2023 was marked by the integration of Raiffeisen banka with RBA banka. In May 2023, the network of branch offices of the integrated bank consisted of 139 organizational units (80 from the network of Raiffeisen banka and 59 from the network of the former RBA banka).

In order to ensure a more efficient functional organization of branch offices, the process of network optimization was performed gradually, through mergers in towns where both banks had a branch office, so that the year 2023 was completed with 106 branch offices.

In the course of 2023, the basic focus in retail banking through branch offices was network stabilization, employee education, setting up and harmonizing processes and procedures in day to day work, all with the aim of easier adjustment of clients and employees to changes that occurred as a result of the integration of banks.

One of the priorities in retail business was also offering high-quality services through part of the transformed branch office network operating in the agile mode of work, that was making up almost 90 per cent of the total number of branches before the integration. In those branch offices, the strong focus on switching transactions onto digital channels and multifunctional devices remained, as well as the regular introduction of fully digital products into the offer of branch offices.

Apart from multifunctional devices, on which almost 97 per cent of cash transactions are taking place, the bank offered to its clients in 2023 also deposit devices for the payment of daily takings (KUAN devices), without limits in amounts and banknotes.

Also, in the course of 2023, clients in the mass segment were offered remote advisory services (Retail Direct), with the aim of offering a more comfortable way of banking for digitally oriented clients. Through this channel, users are offered fully digital products and processes via video call, without the need to visit branch offices and wait.

Premium Banking

The business model transformation of the Premium segment from branch offices towards remote access continued in 2023 as well, in order to adapt this service to the expectations of new services and changes in the financial market. The Premium Direct service enables clients to communicate with their personal bankers using video technology and video calls, without the need to visit a branch office.

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, co-browsing, media library sharing. The number of clients communicating with the bank remotely reached 81 per cent of the client base in the Premium segment, while

87 per cent of sales were also performed remotely. Client satisfaction by video calls expressed by NPS is 85 per cent.

The mobile application and internet banking are the basic tool for communicating and doing business with clients. 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. The new advanced electronic signature, based on two-factor authentication of the client through a one-time password, is communicated to the client via the application.

Premium clients are using the mobile app and internet banking for all kinds of transactions, so that 97 per cent of all dinar transactions are being performed via the app, as well as 78 per cent of all international payment transactions and 99 per cent of all currency exchange transactions. High self-service of Premium clients is also visible in the segment of cash transactions, where 95 per cent of all cash transactions are performed on multifunctional devices.

The total client base, when compared to the year before, grew by 35 per cent. Total assets of Premium clients increased in 2023 by 24 per cent y-o-y, with a sharp growth of invested assets by 27 per cent y-o-y, the loan portfolio by 39 per cent y-o-y and deposits by 17 per cent y-o-y.

The Financial Advisory tool was more intensely used in 2023. This is a platform for professional management of clients' needs as well as their assets in Raiffeisen, with the aim of increasing the quality of our financial and investment services. Our clients' opinion regarding such an approach is confirmed with a high NPS of 95 per cent.

Private Banking Development

Raiffeisen Private Banking, a service introduced in 2020, is based on a personal approach, full discretion and searching for comprehensive financial and banking solutions, as its basic values. The bank's ambition is to provide to its clients the highest possible service level, to protect and increase clients' assets, preserving wealth for future generations while developing strong long-term relations at the same time. 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

Mreža filijala i ekspozitura

I u ovom segmentu poslovnu 2023. godinu obeležila je integracija Raiffeisen banke sa RBA bankom. U maju 2023. godine, mrežu filijala i ekspozitura integrisane banke činilo je 139 organizacionih jedinica (80 iz mreže Raiffeisen banke i 59 iz mreže bivše RBA banke).

Radi efikasnijeg poslovanja mreže filijala i ekspozitura, postepeno je sproveden proces optimizacije mreže, kroz spajanje filijala u gradovima gde su bile prisutne poslovnice obe banke, tako da je 2023. godina završena sa 106 filijala.

Tokom 2023. godine osnovno usmerenje u poslovanju sa stanovništvom kroz filijale i ekspoziture bilo je na stabilizaciji mreže, edukaciji zaposlenih, uspostavljanju i ujednačavanju procesa i procedura u svakodnevnom radu, a sve u cilju lakšeg prilagođavanja klijenata i zaposlenih nastalim promenama usled integracije banaka.

Jedan od prioriteta u poslovanju sa stanovništvom bilo je pružanje visokog kvaliteta usluga kroz deo transformisane i mreže filijala i ekspozitura koje posluju u agilnom načinu rada, koja je pre integracije činila skoro 90% ukupnog broja filijala. U njima je i dalje ostao snažan fokus na izmeštanju transakcija na digitalne kanale i višenamenske uređaje, kao i redovno uvođenje potpuno digitalnih proizvoda u ponudu ekspozitura.

Pored višenamenskih uređaja na kojima se obavlja skoro 97% keš transakcija, banka je svojim klijentima tokom 2023. godine ponudila i depozitne uređaje za uplatu pazara (KUAN uređaji), bez ograničenja u iznosu i apoenima.

Takođe, tokom 2023. godine klijentima u mass segmentu ponuđena je usluga daljinskog savetovanja (Retail Direct) sa ciljem pružanja udobnijeg načina bankarstva za digitalno orijentisane klijente. Kroz ovaj kanal se putem video poziva korisnicima nude kompletno digitalni proizvodi i procesi, bez poseta filijalama i čekanja.

Premium bankarstvo

Transformacija poslovnog modela Premium segmenta od filijala ka udaljenom pristupu se nastavila i tokom 2023. godine, kako bi se ova usluga prilagodila očekivanjima novih uslova i promena na finansijskom tržištu. Usluga Premium Direct klijentima omogućava da komuniciraju sa svojim ličnim bankarima koristeći video tehnologiju i video pozive, bez dolaska u poslovnicu.

Video komunikacija adekvatno menja sastanke koji su se ranije održavali u filijalama uz pomoć različitih funkcionalnosti, kao što su pregled dokumenata i aplikacija, deljenje fajlova, zajednička pretraga, deljenje medijske biblioteke. Broj klijenata koji sa bankom komuniciraju na daljinu dostigao je 81% klijentske baze u Premium segmentu, dok je 87% prodaje takođe obavljeno na daljinu. Zadovoljstvo klijenata video sastancima izraženo NPS-om iznosi 85%.

Mobilna aplikacija i internet bankarstvo su osnovni alat za komunikaciju i poslovanje sa klijentima. Kompletna komunikacija i deljenje fajlova između klijenta i banke prebačena je sa imejla na inboks u aplikaciji mobilnog ili elektronskog bankarstva. Nov napredni elektronski potpis baziran na dvofaktorskoj autentifikaciji klijenta preko jednokratne lozinke („one-time password“) se komunicira sa klijentom kroz aplikaciju.

Premijum klijenti koriste mobilnu aplikaciju i internet bankarstvo za sve vrste transakcija, tako da se preko aplikacije obavlja 97% svih dinarskih transakcija, 78% transakcija međunarodnih plaćanja i 99% menjačkih transakcija. Visok nivo njihovog samousluživanja vidljiv je i u delu gotovinskih transakcija, gde se 95% svih gotovinskih transakcija obavlja preko višenamenskih uređaja.

Ukupna baza klijenata u poređenju sa prethodnom godinom porasla je za 35%. Ukupna imovina premijum klijenata se tokom 2023. godine povećala za 24% godina na godinu, sa visokim rastom investiranih sredstava 27% godina na godinu, kreditnog portfolija 39% godina na godinu i depozita 17% godina na godinu.

Primena alata „Financial Advisory“, platforme za profesionalno upravljanje potrebama klijenata i njihovom imovinom, intenzivirala se 2023. godine, sa ciljem da se poveća kvalitet finansijskih i investicionih usluga, a mišljenje klijenata o ovakvom pristupu dokazuje se visokim NPS-om od 92%.

Razvoj Privatnog bankarstva

Raiffeisen Privatno bankarstvo, usluga uvedena 2020. godine, zasniva se na ličnom pristupu, punoj diskreciji i potrazi za sveobuhvatnim finansijskim i bankarskim rešenjima, kao svojim osnovnim vrednostima. Ambicija banke je da klijentima obezbedi najviši nivo usluge, da zaštiti i uveća imovinu klijenata, čuvajući bogatstvo za buduće generacije dok istovremeno razvija 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 namenjena klijentima privatnog bankarstva je savetodavna usluga po pitanju investiranja. Iskusni tim investicionih savetnika usmeren je na to da za klijentov investicioni profil odredi

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.

The bank's product offer 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 services for trading on local and most of the foreign financial markets, as an additional feature.

At the end of 2023, Private Banking clients' assets under management increased by 53 per cent y-o-y, as a result of deposit portfolio growth by 23 per cent and investment portfolio growth by 143 y-o-y. The number of Private Banking clients reached 953 and it has increased by 40 per cent y-o-y.

The "Financial Advisory" tool is used in Raiffeisen banka in communicating with clients of this segment with the aim of increasing the quality of our financial and investment services. Our clients' opinion regarding such an approach is confirmed with a high NPS of 95 per cent.

Small Enterprises and Entrepreneurs

The small enterprises and entrepreneurs segment realized another very successful business year and one of the most successful years as regards profit since its establishment. In 2023, the number of clients increased by 60.8 per cent, deposits grew by 56.2 per cent, all of which resulted in a revenue growth by 83.5 per cent. With a high-quality portfolio and good control of risk costs, the segment realized a profit growth by 137 per cent y-o-y and achieved a record profit of € 44.5 million.

The year 2023 confirmed that Raiffeisen banka was again the bank of first choice for newly-founded companies and 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 37 per cent for dinar accounts and as much as 44 per cent for foreign currency accounts.

The business segment of small enterprises and entrepreneurs continues improving 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 electronic and mobile banking – as much as 95 per cent of transactions in the segment of small enterprises and entrepreneurs are transactions realized via digital channels.

The number of users of the mobile banking application for legal entities increased by 59 per cent compared to the year before, so that by the end of 2023 more than 79,000 clients were using this channel, which is 89 per cent of the total number of clients.

The bank also continued supporting agricultural producers within the Agro segment and maintained a market share of 20 per cent in financing agricultural farms with a loan portfolio of € 120 million.

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 2023, 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, also enabling the registration and usage of payment cards through the Apple Pay and Garmin Pay wallet. RaiPay application was improved as regards security, overview and token management was introduced, as well as the option of keeping various loyalty cards in the application.

By introducing the above-mentioned solutions, the bank reached the very top of the digital payments 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 market share of 24 per cent as regards loans issued through credit cards.

One of the important steps in this direction is also the introduction of payment cards from recycled plastic, which have been part of the bank's offer since 2022. This is a direct contribution to reducing new waste, thereby preserving energy and reducing the level of pollution of water, air and other vital resources. These are the first such cards in the Serbian banking market and it was estimated that in this way, CO₂ discharge is being reduced by as much as 80 per cent compared to the production of cards made of non-recycled plastic.

In 2023, more than 20,000 Visa Gold and Visa Platinum cards made of recycled plastic were issued, with a focus on the Premium segment. The plan is to gradually expand the issuing of these cards to the mass segment of clients as well.

odgovarajuću alokaciju sredstava, korišćenjem znanja i resursa kako lokalno, tako i iz cele Raiffeisen grupacije, kroz ponudu adekvatnih proizvoda grupacije, kao i kroz težnju ka konstantnom poboljšanju ponude investicionih proizvoda.

Ponuda proizvoda banke trenutno uključuje lokalne UCITS i alternativne investicione fondove, obveznice Vlade Republike Srbije 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 2023. godine, sredstva klijenata privatnog bankarstva pod upravljanjem uvećana su za 53% godina na godinu, kao rezultat rasta portfolija depozita od 23% i rasta investicionog portfolija 143% godina na godinu. Broj klijenata privatnog bankarstva dostigao je 953 i uvećan je za 40% godina na godinu.

Alat „Financial Advisory“ u Raiffeisen banci koristi se u komunikaciji sa klijentima iz ovog segmenta kako bi se povećao kvalitet finansijskih i investicionih usluga, a mišljenje klijenata o samom pristupu se dokazuje visokim NPS-om od 95%.

Mala preduzeća i preduzetnici

Segment poslovanja sa malim preduzećima i preduzetnicima realizovao je još jednu u nizu vrlo uspešnih poslovnih godina i najuspešniju godinu u delu profita od kako postoji ovaj segment.

Broj klijenata u 2023. godini povećan je za 60,8%, depoziti za 56,2%, a to je rezultiralo rastom prihoda za 83,5%. Uz dobar kvalitet portfolija i dobru kontrolu troškova rizika, segment je ostvario rast profita za 137% godina na godinu, što čini rekordan profit od 44,5 miliona evra.

Da Raiffeisen banka predstavlja banku prvog izbora za novoosnovane kompanije i da je jedan od lidera u ovom segmentu dokazano je i ove godine. Naime, banka je zadržala vodeću poziciju na tržištu po broju otvorenih računa novoosnovanih preduzeća u Srbiji i čak povećala tržišno učešće kod ovog parametra, tako da ono sada iznosi 37% kod dinarskih računa i čak 44% kod deviznih računa.

Segment poslovanja sa malim preduzećima i preduzetnicima nastavlja sa kontinuiranim poboljšanjem kvaliteta proizvoda i usluga sa akcentom na digitalizaciji, 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 elektronskog i mobilnog bankarstva – čak 95% transakcija klijenata u segmentu malih preduzeća i preduzetnika čine transakcije ostvarene preko digitalnih kanala.

Broj korisnika aplikacije za mobilno bankarstvo za pravna lica povećan je za 59% u odnosu na prethodnu godinu, tako da je do kraja 2023. godine više od 79.000 klijenata koristilo ovaj kanal, što čini 89% ukupnog broja klijenata.

Banka je, takođe, nastavila da pruža podršku poljoprivrednim proizvođačima u okviru Agro segmenta i sa kreditnim portfoliom od 120 miliona EUR zadržala tržišno učešće od 20% u finansiranju poljoprivrednih gazdinstava.

Kartično poslovanje

Banka nastavlja trend rasta i u segmentu kartičnog poslovanja, kako u pogledu izdavanja kartica, tako i u pogledu prihvata platnih kartica. Tokom 2023. 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 i Garmin Pay novčanik. RaiPay aplikacija unapređena je u pogledu sigurnosti, uveden je pregled i upravljanje tokenima, kao i mogućnost čuvanja različitih loyalty kartica u aplikaciji.

Uvođenjem navedenih rešenja, banka je dospela u sam vrh segmenta digitalnih plaćanja na tržištu Srbije.

Za korisnike kreditnih kartica banka ima u ponudi mnoge pogodnosti, 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 24% u pogledu plasmana po kreditnim karticama.

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, vajuha 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.

Tokom 2023. godine je izdato nešto preko 20.000 Visa Gold i Visa Platinum kartica od reciklirane plastike sa fokusom na Premium segment klijenata. Plan je da se postepeno proširuje izdavanje ovih kartica i na Mass segment klijenata u narednom periodu.

➤ 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 2023. 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, as well as the restrictive monetary policy in 2023 as well. Namely, the key interest rate was increased from 5 per cent at the beginning of the year to 6.5 per cent in July, when the cycle of increasing this rate was over. The slowing down of inflation from its maximum reached in March (16.2 per cent p.a.) to 12.5 per cent in July contributed to such a decision, followed by continued slowing down to the estimated 7.6 per cent at the end of 2023. The decline in fuel prices in global commodity markets and the decline in food prices, both globally and locally, contributed to the slowing down of inflation. Although growth of the key interest rate was stopped, the NBS increased the mandatory reserve rate on dinar, foreign currency and FX-indexed deposits, with the aim to sterilize the surplus of dinar liquidity in an environment of monetary mass growth due to increased pensions, salaries in the public sector and financial support payments to groups of citizens vulnerable to consumer price growth.

The dinar exchange rate remained stable in 2023 and ranged from 117.3794 do 117.1504 dinars to one euro. Stability in an environment of geopolitical risks was secured by more intense inflow of foreign direct investments and incoming payments, as well as foreign currency interventions of the NBS, amounting to € 3.94 billion (net purchase), compared to € 1 billion in 2022.

The total turnover on the interbank market declined by 22 per cent, from € 15,35 billion in 2022 to € 11.95 billion in 2023. In the course of 2023, the NBS intervened with € 4.51 billion (of which, € 285 million relate to sales, and € 4.225 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 2023 as well. The Treasury and Investment Banking Division of Raiffeisen banka realized a market share of

21.64 per cent in trading with corporate clients, thereby confirming its leading position in the market.

Aiming to support the financial system, the NBS organized bilateral swap transactions with banks and this way provided additional foreign currency and dinar liquidity at more competitive interest rates. Also, this way the NBS was acting preventively to stabilize rates on the money market as well.

Financial Institutions Correspondence

In the course of 2023, Raiffeisen banka continued maintaining and further developing the cooperation with international and local financial institutions, with the aim of nurturing long-term partnerships. With the support of Raiffeisen Bank International AG, the bank was again a significant and dependable partner, meeting the needs and requirements of clients in a highly professional manner.

As a result of successful cooperation with the European Investment Fund (EIF), at the end of 2023, the bank signed a new WB EDIF contract for a guarantee scheme intended for the economic recovery of small and medium-sized enterprises as part of the Western Balkans Enterprise Development and Innovation Facility, supported by the EU. This contract will enable small and medium-sized enterprises in the region better access to financing, as a response to economic problems and challenges. Through the guarantee schemes COSME and COSME digitalization financed by the EU, the bank continued supporting small and medium-sized enterprises with relaxed collateral terms intended for working capital and investing into long-term innovative business ventures, focusing on business processes digitalization, as well as Covid-19 support.

Cooperation also continued with the American Development Finance Corporation (DFC), aiming to support the financing of small enterprises, development and liquidity increase of micro, small and medium-sized enterprises, agricultural farms, as well as companies run by women and young people in business; support to vulnerable social categories and investing into green financing, which represents an increasingly important factor in global efforts to preserve the environment, especially in the wake of the crisis caused by the Covid-19 virus pandemic, as well as other negative factors caused by developments in the global market.

In the course of 2023, the bank continued making use of available credit facilities of international financial institutions EIB and KfW, in order to support economic

➤ Sektor sredstava i investicionog bankarstva

Sektor sredstava i investicionog bankarstva značajno je doprineo ostvarenju ukupnih rezultata Raiffeisen banke i očuvanju liderske pozicije na tržištu u 2023. 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 je i u 2023. godini nastavila sa monetarnom politikom ciljane stope inflacije, kao i sa restriktivnom monetarnom politikom. Naime, referentna kamatna stopa povećana je sa 5% na početku godine na 6,5% u julu mesecu, kada je završen ciklus povećanja ove stope. Takvoj odluci doprinelo je usporavanje inflacije sa maksimuma dostignutog u martu (16,2% godišnje) na 12,5% u julu, a potom i nastavak usporavanja na procenjenih 7,6% na kraju 2023. godine. Usporavanje inflacije doprineo je pad cena energenata na globalnim tržištima roba i pad cena hrane, globalno i lokalno. Iako je zaustavljen rast referentne kamatne stope, NBS je povećala stopu obavezne rezerve na dinarske, devizne i devizno indeksirane depozite, sa ciljem da se sterilizuje višak dinarske likvidnosti u uslovima rasta novčane mase usled povećanja penzija, zarada u javnom sektoru i isplate finansijske pomoći grupama građana pogođenim rastom potrošačkih cena.

Kurs dinara prema evru je u 2023. godini bio stabilan i kretao se u rasponu od 117,3794 do 117,1504 dinara za jedan evro. Stabilnost u uslovima geopolitičkih rizika je obezbeđena pojačanim prilivom stranih direktnih investicija i doznaka, kao i deviznim intervencijama NBS, koje su iznosile 3.94 milijarde evra (neto kupovina), u odnosu na 1.0 milijardu evra u 2022. godini.

Ukupan promet na međubankarskom tržištu smanjen je za 22%, sa 15,35 milijardi evra u 2022. godini na 11,95 u 2023. godini. NBS je u toku 2023. godine intervenisala sa 4,51 milijardu evra (od čega se 285 miliona evra odnosi na prodaju, a 4,225 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 2023. godini. Sektor sredstava Raiffeisen banke ostvario je tržišno učešće od 21,64% u trgovanju sa pravnim licima, čime je učvrstio lidersku poziciju na tržištu.

Narodna banka Srbije je u cilju podrške finansijskom sistemu organizovala bilateralne svop transakcije sa bankama i na taj način 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 je nastavila da održava i dodatno unapređuje saradnju sa međunarodnim i domaćim finansijskim institucijama, u cilju negovanja dugoročnog partnerstva.

Uz podršku Raiffeisen Bank International, banka je uspela da bude značajan i pouzdan partner, kao i da izuzetno profesionalno ispunjava potrebe i zahteve klijenata.

Kao rezultat uspešne saradnje sa Evropskim investicionim fondom (EIF), krajem 2023. godine banka je potpisala novi WB EDIF Ugovor za garantnu šemu namenjenu ekonomskom oporavku malih i srednjih preduzeća u okviru Programa za razvoj i inovacije preduzeća Zapadnog Balkana, uz podršku EU. Ugovorom će omogućiti povećanje pristupa finansiranju malim i srednjim preduzećima u regionu kao odgovor na ekonomske probleme i izazove. Kroz garancijsku šemu, COSME i COSME digitalisation, finansiranu od strane EU, banka je nastavila da podržava mala i srednja preduzeća 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. Takođe, saradnja je nastavljena i sa Američkom razvojnom finansijskom korporacijom (DFC), koja je imala 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.

Banka je tokom 2023. godine nastavila da koristi raspoložive kreditne linije međunarodnih finansijskih institucija EIB i KfW kako bi pružila podršku poslovanju privrede, pre svega malih i srednjih preduzeća i podršku zelenim investicijama, unapređenju energetske efikasnosti i unapređenju efikasnosti korišćenja prirodnih resursa i smanjenju štetnih resursa u cilju smanjenja nivoa zagađivanja životne sredine. Ugovorena je nova kreditna linija u iznosu od 30 miliona evra sa Evropskom

activities, primarily those of small and medium-sized enterprises and support to green investments, improving energy efficiency and improving the efficiency of exploiting natural resources and reducing harmful resources with the aim of reducing the pollution level of the environment. The new credit facility was contracted with the European Investment Bank (EIB) in the amount of EUR 30 million for supporting small and medium-sized enterprises, as well as enterprises of medium market capitalization, by way of financing new investments, as well as recovery.

Brokerage Operations

The previous year brought stabilization in the market of state bonds. After the extremely restrictive monetary policy of central banks in 2022, investors were expecting that in 2023 there would be an end to this cycle of rate hikes. This proved to be a correct view: after the rate increase began in April 2022 from 1 per cent at the time, the NBS raised the rate to 6.5 per cent the last time in August 2023, before it began making use of other instruments, such as increasing the mandatory reserve rate.

Returns on bonds on the first auctions in January amounted to 5.95 per cent (2y bond, maturity January 2025) and 7.15 per cent (9y bond, maturity August 2032). At the end of the year, the bond with maturity January 2025 was traded around 5 per cent, while the maturity August 2032 was traded around 6.20 per cent due to considerable inflation decline and the expected lowering of key rates in 2024.

The Ministry of Finance also successfully issued bonds in the foreign market in January. Bonds in the value of 750 million USD with maturity May 2028 were sold with a return of 6.336 per cent, as well as one billion dollars of bonds with maturity September 2033 with a return of 6.808 per cent. At the end of the year, the dollar bond with maturity May 2028 was traded at 5.60 per cent, while the bond with maturity September 2033 was traded at 6.10 per cent. However, the greatest decline in returns in the past year was recorded with the international euro bond with maturity May 2027, which was traded at 6.75 per cent at the start of 2023, while the return was 4.50 per cent at the end of the year.

With regard to everyday business, we were offering assistance to Private Banking colleagues, whose clients expressed interest in buying bonds of the Republic of Serbia issued abroad and we were investing mutual efforts to offer services in sales of certificates issued by RBI, having in mind that our clients expressed interest in these instruments as well.

In the local market, changes occurred in the ownership structure of the Belgrade Stock Exchange. The Republic of Serbia sent bids for the purchase of shares to all existing shareholders and this way it became the owner of 51.7 per cent of shares, while together with shareholders under its direct control, the Republic of

Serbia now owns close to 75 per cent of shares of the Belgrade Stock Exchange.

Aiming to develop the capital market, the Ministry of Finance started a program for issuing corporate bonds. All market participants were invited to give their bids for services they can offer in the process of bond issuing. It is planned that all expenses should be covered by the Ministry of Finance, which provided funds in cooperation with the World Bank, as the sponsor of this project.

Custody Services

Having in mind that our Group devotes special attention to providing high-quality service in the markets of Central and Eastern Europe, we have begun the process of introducing a new software solution that will improve transparency and availability of information concerning our clients' assets. We plan to provide clients with the option of obtaining all information related to settlement of transactions and corporate events through an online service by the end of the following year.

Research

The "Raiffeisen Research" analyst network of Raiffeisen Group continued its work on improving the general understanding of economic trends in a period of great geopolitical crises and restrictive monetary policy, which resulted in significant growth of interest rates, both in the local market, as well as in Western financial markets, caused by inflation growth. We have been reporting regularly on the impact of these events on global financial markets, as well as providing a more comprehensive understanding of economic trends in publications "Research Alert" and the monthly "Economic Report". In both reports, we regularly monitored and analyzed the key indicators in Serbia and, in accordance with new tendencies, suitably adjusted models developed for the forecast of future economic trends.

investicionom bankom (EIB) za podršku razvoju malih i srednjih preduzeća, kao i preduzeća srednje tržišne kapitalizacije, putem finansiranja novih investicija, kao i oporavak.

Brokersko-dilerski poslovi

Prethodna godina donela je stabilizaciju na tržištu državnih obveznica. Nakon izrazito restriktivne monetarne politike centralnih banaka u 2022. godini, investitori su očekivali da će u 2023. biti kraj ovom ciklusu podizanja stopa. To se pokazalo kao ispravno predviđanje: nakon što je u aprilu 2022. započeto podizanje stope sa tadašnjih 1%, NBS je u avgustu 2023. poslednji put podigla stopu na 6,50%, pre nego što je počela da koristi druge instrumente kao što je povećanje stope obavezne rezerve.

Prinosi na obveznice na prvim aukcijama u januaru iznosili su 5,95% (2y obveznica, dospeće januar 2025) i 7,15% (9y obveznica, dospeće avgust 2032), da bi se na kraju godine usled znatnog pada inflacije i očekivanja spuštanja referentnih stopa u 2024. godini, obveznicom sa dospećem januara 2025. godine trgovalo oko 5%, dok se dospećem avgust 2032. trgovalo oko 6,20%.

Ministarstvo finansija je u januaru takođe imalo uspešnu emisiju obveznica na stranom tržištu. Prodato je 750 miliona dolara obveznica sa dospećem maja 2028. na prinosu 6,336%, kao i milijardu dolara obveznica sa dospećem septembar 2033. na prinosu 6,808%. Na kraju godine dolarskom obveznicom maj 2028. trgovalo se na 5,60%, dok se dospećem septembra 2033. trgovalo na 6,10%. Ipak, najveći pad prinosa u prošloj godini zabeležen je na međunarodnoj evro obveznici koja dospeva maja 2027, koja se početkom prošle godine trgovala na 6,75%, dok je na kraju godine prinos bio 4,50%.

Na svakodnevnom nivou pružali smo asistenciju kolegama iz segmenta Privatnog bankarstva, čiji su klijenti bili zainteresovani za kupovinu obveznica Republike Srbije izdatih u inostranstvu i uložili smo zajedničke napore za pružanje usluge u prodaji sertifikata, čiji je izdavalac RBI, budući da su i za ove instrumente naši klijenti pokazali interesovanje.

Na lokalnom tržištu, desile su se promene u vlasničkoj strukturi Beogradske berze. Republika Srbija poslala je ponude za kupovinu akcija svim postojećim akcionarima i na taj način su postali direktan vlasnik 51,7% akcija, dok sa akcionarima koje direktno kontroliše, Republika Srbija sada ima blizu 75% akcija Beogradske berze.

U cilju razvoja tržišta kapitala, Ministarstvo finansija pokrenulo je program za emitovanje korporativnih obveznica. Pozvani su svi tržišni učesnici da daju svoje ponude za usluge koje mogu da ponude u procesu emisije obveznica. Predviđeno je da svi troškovi budu pokriveni od strane Ministarstva finansija koje je obezbedilo sredstva u saradnji sa Svetskom bankom, kao sponzorom ovog projekta.

Kastodi usluge

Imajući u vidu značaj koji naša grupacija posvećuje obezbeđenju kvaliteta usluga na tržištu Centralne i Istočne Evrope, započeli smo proces uvođenja novog softverskog rešenja koje će unaprediti transparentnost i dostupnost informacija koje se odnose na imovinu naših klijenata. Plan je da se do kraja sledeće godine omogući klijentima da sve poslove u vezi sa saldირanjem transakcija i korporativnim događajima mogu dobiti preko onlajn servisa.

Istraživanja

Mreža analitičara Raiffeisen grupacije – „Raiffeisen Research“, nastavila je sa radom na unapređenju opšteg razumevanja ekonomskih tokova u periodu velikih geopolitičkih kriza i restriktivne monetarne politike koja je rezultirala značajnim rastom kamatnih stopa kako na domaćem, tako i na zapadnim finansijskim tržištima, uzrokovano rastom inflacije. Redovno smo izveštavali o uticaju oba dešavanja na globalna finansijska tržišta, kao i celishodnijem sagledavanju lokalnih ekonomskih trendova u okviru publikacija „Research Alert“ i mesečni „Ekonomski izveštaj“. Kroz oba izveštaja redovno smo pratili i analizirali ključne indikatore u zemlji i u skladu sa novim tendencijama, adekvatno prilagođavali modele razvijene za procenu budućih ekonomskih tokova.

> Raiffeisen Leasing

In 2023, 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 2023, the company realized new sales in the total value amounting to € 115.22 million.

In 2023, 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 especially focused on the further strengthening of partnerships with the network of the most important dealers, as well as on 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 2024.

➤ Raiffeisen Leasing

Lizing industrija je 2023. godine zabeležila 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 2023. godine postigao ukupnu vrednost novih plasmana u vrednosti od 115.22 miliona evra.

Raiffeisen Leasing je tokom 2023. 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 Raiffeisen Leasing 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 2024. godinu.

> Raiffeisen Future

Voluntary Pension Fund Management Company

Raiffeisen Future a.d. Beograd, VPFAMC 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 7.04 per cent on an annual basis. In 2023, the realized rate of return was 6.04 per cent. The value of the fund's investment unit as at Dec. 31, 2023, amounted to RSD 3.179,33. The net assets of the fund as at Dec. 31, 2023, amounted to RSD 6.4 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 deposits in the fund's account. In 2023, the fund realized a rate of return of 4.21 per cent in euros. The realized rate of return since inception as at Dec. 31, 2023, was 2.30 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 770 million on Dec. 31, 2023.

The strong growth trend of interest rates and bond yields that began in 2022, created a favourable market environment for investing into debt securities. At the beginning of 2023, assets of both funds were invested in Eurobonds of the Republic of Serbia in order to make use of this beneficial moment in the market. Both investments contributed significantly to returns realized in 2023, after a very challenging and difficult year 2022. The market share of net assets of both funds managed by the company amounts to 13.3. per cent.

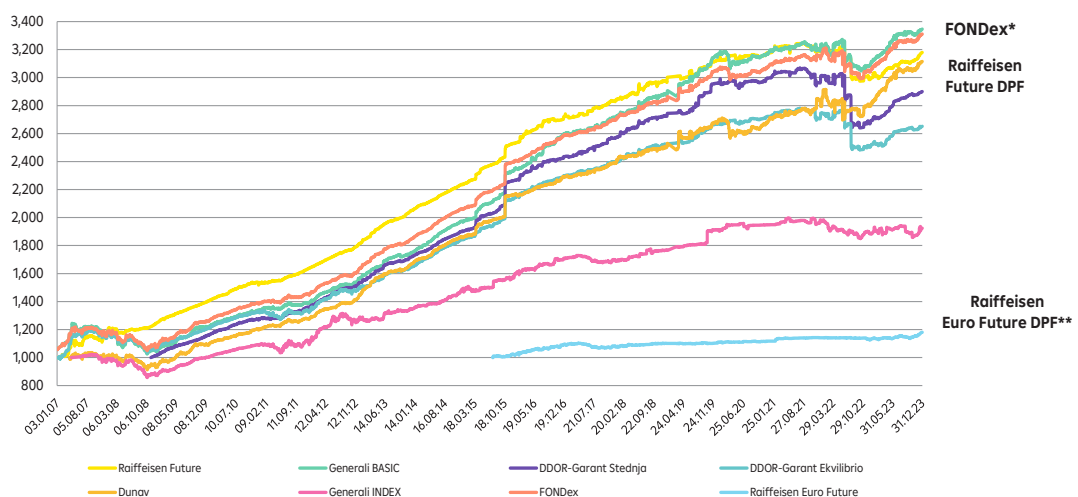
The total number of members saving in both funds is 48,607.

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.

The business model maintained the focus on growing sales through the branch network of Raiffeisen banka, as well as on increasing the share of individual payments.

After integration with RBA banka, there are 410 professionals licensed by the National Bank of Serbia at 139 Raiffeisen banka branches throughout Serbia at the members' disposal. This way, high service quality 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.

Movement of FONDex* index value and Investment Unit values of VPFs in the period of Jan. 03, 2007 - Dec. 31, 2023



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 7,04% na godišnjem nivou. U 2023. godini, ostvaren je prinos od 6,04%. Vrednost investicione jedinice fonda na dan 31. 12. 2023. godine iznosi 3.179,33 dinara. Neto imovina fonda na dan 31. 12. 2023. iznosi 6,4 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. U 2023. godini fond je ostvario prinos od 4,21% u evrima. Ostvareni prinos od početka poslovanja fonda na dan 31. 12. 2023. godine iznosi 2,30% 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 31.12.2023. iznosi 770 miliona dinara.

Trend snažnog rasta kamatnih stopa i prinosa koji je započeo 2022. godine, stvorio je povoljan tržišni ambijent za ulaganje u dužničke hartije od vrednosti. Sa ciljem da se iskoristi povoljan tržišni momenat, na početku 2023. godine imovina oba fonda investirana je u evroobveznice Republike Srbije. Ove investicije značajno su doprinele ostvarenim pozitivnim prinosima u 2023. godini, nakon veoma izazovne i teške 2022. godine. Tržišno učešće neto imovine oba fonda kojima društvo upravlja iznosi 13,3%.

Ukupan broj članova koji štedi u oba fonda je 48.607.

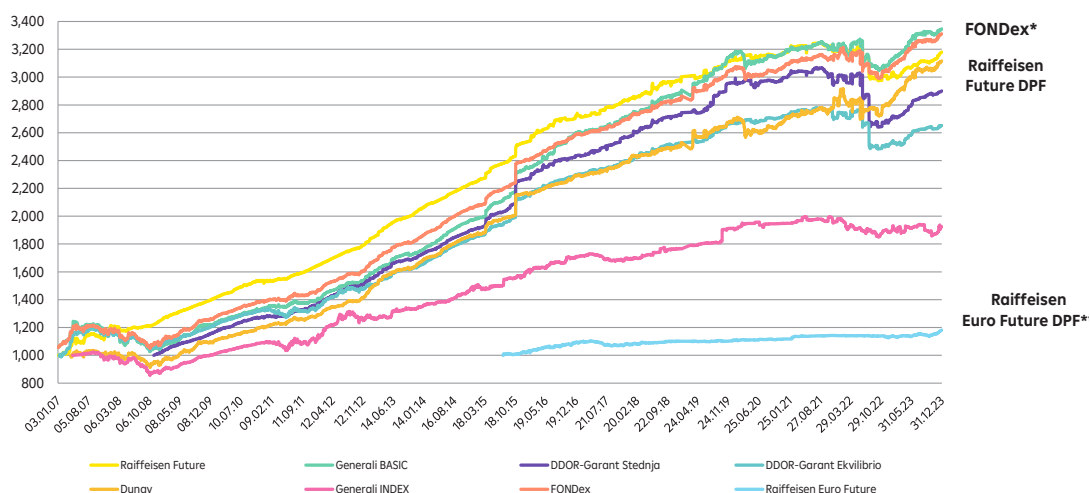
Članovi mogu birati između dva fonda sa različitim investicionom politikom u pogledu valutne strukture, ili mogu ulagati u oba fonda istovremeno.

Poslovni model društva zadržao je fokus na razvoju prodaje preko mreže filijala Raiffeisen banke, kao i na rastu učešća individualnih uplata.

Nakon integracije sa RBA bankom, članovima je na raspolaganju ukupno 410 profesionalaca, koje je licencirala Narodna banka Srbije, i to u mreži od 139 filijala Raiffeisen banke širom Srbije.

Na taj način se obezbeđuje visok kvalitet usluge članovima DPF Raiffeisen Future i Raiffeisen Euro Future, koji pruža tim profesionalaca sa dugogodišnjim iskustvom u ovoj industriji.

Kretanje vrednosti FONDEX-a* i investicionih jedinica fondova u periodu od 03.01.2007. - 31.12.2023.



Izvor podataka za vrednosti FONDEX-a i investicionih jedinica: 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 2023 as well. At the end of 2023, the value of assets under management grew impressively by more than 75 per cent and amounted to around € 575 million, with a market share of around 60 per cent compared to the total value of net assets of all funds in Serbia, which increased by more than 70 per cent and amounted to approx. € 935 million.

The UCITS fund Raiffeisen CASH — a money market fund, realized annual returns of 4.40 per cent (in dinars) for its members in 2023 by investing funds into cash deposits and short-term debt securities, while the fund's net assets amounted to the dinar countervalue of around € 115 million at the end of the year.

The UCITS fund Raiffeisen EURO CASH — a money market fund, realized annual returns in euros of 3.1 per cent by investing funds into money deposits with banks and short-term debt securities denominated in euros, while the fund's net assets increased by as much as around 80 per cent and amounted to approx. € 400 million at the end of 2023, 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 also by accepting moderate risk. In 2023, the returns of this UCITS fund were affected by positive market movements, so that this fund realized annual returns of around 3 per cent (in euros) and the fund's net asset value amounted to approx. € 10.2 million at the end of the year.

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 2023, this fund was affected by the expected ceasing of interest rate increase and the settling down of inflation, which had a positive impact on the bond market and increased the bonds' value, so in 2023, this fund realized positive returns of 9.5 per cent (in euros) for its members, and the fund's net asset value amounted approx. to € 6.2 million at the end of 2023.

The fund Raiffeisen GREEN, organized in June 2022 as the first ESG fund and the first accompanying UCITS fund in Serbia, with the investment goal to enable its members to realize positive returns of the main 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 meet ESG criteria. In 2023, this fund realized annual returns of 5.6 per cent (in euros) for its members, and the fund's net asset value amounted to around € 370 thousand at the end of 2023.

At the end of October, 2022, in accordance with the approval of the Securities Commission of the Republic of Serbia, Asset Management Company Raiffeisen Invest successfully completed the organizing of the first open alternative investment fund with public offer Raiffeisen ALTERNATIVE. According to its investment policy, this fund 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 meet ESG criteria), as well as through investing into other funds, which invest into commodities and real estate. In 2023, the fund continued its investment activities successfully and realized annual returns of 4.2 per cent (in euros) for its members, and the fund's net asset value grew considerably, amounting to around € 35 million at the end of 2023.

In the course 2023, as a result of successful business cooperation with the insurance company GRAWE INSURANCE ADO BEOGRAD, Raiffeisen INVEST organized two UCITS asset value growth funds, i.e. equity funds — GRAWE EQUITY GLOBAL 1 and GRAWE EQUITY GLOBAL 2, intended for selling GRAWE INSURANCE ADO BEOGRAD in the domain of life insurance related to investment fund units as life insurance products, where the investment part of the insurance is tied to the value of these UCITS funds' investment units. They are aimed at investors who wish to realize positive returns in the long term through life insurance products, by investing into shares of large and medium-sized companies of developed countries, with a focus on shares by issuers from the United States of America, the European Union and Japan, but who are also ready to accept a higher risk. The total net assets of these funds amounted to around € 10.7 million at the end of 2023.

Raiffeisen INVEST plans to continue its investing activities in 2024 as well, in order to make it possible for clients of Raiffeisen banka, through responsible and professional investing into investment funds, to realize returns corresponding to their investment goals, depending on their risk appetite and the investment horizon.

➤ Raiffeisen INVEST

Raiffeisen INVEST a.d. Beograd društvo za upravljanje je u 2023. godini potvrdilo snažnu leadersku poziciju na tržištu investicionih fondova u zemlji. Krajem 2023. godine vrednost imovine pod upravljanjem društva za upravljanje je uz impresivni porast od preko 75% iznosila oko 575 miliona evra, uz tržišno učešće od oko 60% u odnosu na ukupnu vrednost neto imovine svih fondova u zemlji koja je uz porast od preko 70% dostigla iznos od oko 935 miliona evra.

UCITS fond Raiffeisen CASH – novčani fond, ulaganjem u instrumente tržišta novca i dinarske novčane depozite je u 2023. godini ostvario godišnji prinos od 4,40% (u dinarima), a neto imovina fonda je na kraju godine iznosila oko 115 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 ostvario godišnji prinos u evrima od 3,1%, a neto imovina fonda je na kraju 2023. godine porasla čak za oko 80% i iznosila oko 400 miliona evra, a ovaj fond potvrdio poziciju najvećeg investicionog fonda u zemlji.

UCITS fond Raiffeisen WORLD organizovan je avgusta 2010. godine kao fond akcija, ali je u septembru 2015. godine promenjena vrsta fonda u balansirani fond, sa strategijom ulaganja u različite klase imovine, odnosno „multi-asset“ strategijom investiranja većinom u akcije i obveznice razvijenih zemalja i zemalja u razvoju, a u cilju ostvarivanja pozitivnog prinosa u dugom roku, ali i uz prihvatanje umerenog rizika. Prinos ovog UCITS fonda je tokom 2023. godine bio pod uticajem pozitivnih kretanja na tržištima ostvarivši godišnji prinos od oko 3% (u evrima), u najvećoj meri od ulaganja u obveznice i američke akcije, a vrednost neto imovine fonda je na kraju godine iznosila približno 10,2 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, i uz prihvatanje umerenog rizika, ostvare pozitivan prinos zaradom od kamata na novčane depozite i promene cena dužničkih hartija od vrednosti i instrumenata tržišta novca u koje je imovina fonda uložena. Fond je u 2023. godini bio pod uticajem očekivanog zaustavljanja podizanja kamatnih stopa i smirivanja inflacije što je pozitivno delovalo na tržište obveznica i dovelo do porasta njihove vrednosti, te je fond u 2023. godini za svoje članove ostvario pozitivan prinos od 9,5% (u evrima), a vrednost neto imovine fonda je na kraju 2023. godine iznosila približno 6,2 miliona evra.

Fond Raiffeisen GREEN, organizovan u junu 2022. godine, kao prvi ESG fond i prvi prateći UCITS fond u Srbiji, sa investicionim ciljem 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 od ulaganja 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, 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. Fond je u 2023. godini za svoje članove ostvario godišnji prinos od 5,6% (u evrima), a neto imovina fonda je na kraju 2023. godine iznosila oko 370 hiljada evra.

Krajem oktobra 2022. godine društvo za upravljanje je u skladu sa odobrenjem Komisije za hartije od vrednosti Republike Srbije uspešno završilo organizovanje prvog otvorenog alternativnog investicionog fonda sa javnom ponudom Raiffeisen ALTERNATIVE. Taj fond je, u skladu sa investicionom politikom, namenjen investitorima koji žele da ostvare pozitivan prinos kroz jedinstveni koncept alternativnog investiranja, izlaganjem globalnom tržištu akcija (koje uz finansijske kriterijume ispunjavaju i ESG kriterijume), kao i kroz investiranje u druge fondove koji ulažu u robe i nekretnine. Fond je u 2023. godini nastavio uspešno sa investicionim aktivnostima i za svoje članove ostvario godišnji prinos od 4,2% (u evrima), a neto imovina fonda je višestruko porasla i na kraju 2023. godine iznosila oko 35 miliona evra.

Tokom 2023. godine, Raiffeisen INVEST je kao rezultat uspešne poslovne saradnje sa osiguravajućom kompanijom GRAWE OSIGURANJE ADO BEOGRAD organizovalo dva UCITS fonda rasta vrednosti imovine, odnosno akcijska fonda – GRAWE EQUITY GLOBAL 1 i GRAWE EQUITY GLOBAL 2, koji su namenjeni prodaji GRAWE OSIGURANJE A.D.O BEOGRAD na području životnog osiguranja vezanog za jedinice investicionih fondova kao proizvoda životnog osiguranja, a kod koga je investicioni deo osiguranja vezan za vrednost investicionih jedinica ovih UCITS fondova. Namenjeni su investitorima koji žele da kroz proizvod životnog osiguranja ostvare pozitivan prinos u dugom roku kroz ulaganje u akcije velikih i srednjih kompanija razvijenih zemalja uz fokus na akcije izdavaoca iz Sjedinjenih Američkih Država, Evropske unije i Japana, ali koji su spremni i da prihvate viši rizik. Ukupna neto imovina ovih fondova je na kraju 2023. godine iznosila oko 10,7 miliona evra.

Raiffeisen INVEST planira da i u 2024. 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.

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SWIFT Code:RZBSRSBG

Region 1

Beograd

- > Cara Dušana 78
- > Terazije 27
- > Bulevar kralja Aleksandra 171
- > Vojvode Stepe 214
- > Bulevar oslobođenja 7-9
- > Ruzveltova 10
- > Mirijeovski venac 27
- > Marijane Gregoran 58
- > Ustanička 64a
- > Crnotravska 7-9
- > Makenzijeva 37
- > Vojvode Stepe 71

Jagodina

- > Kneginje Milice 16a

Kragujevac

- > Trg narodnih heroja 2
- > Kralja Petra I 7

Kruševac

- > Čolak Antina 1V

Svilajnac

- > Svetoga Save bb

Velika Plana

- > Miloša Velikog 79

Region 2

Beograd

- > Bulevar Zorana Đinđića 64a
- > Jurija Gagarina 151
- > Đorđa Stanojevića 16
- > Bulevar Umetnosti 4
- > Glavna 13m
- > Vudro Vilson 12
- > Prvomajska 101
- > Bulevar Mihajla Pupina 181
- > Patrijarha Dimitrija 14
- > Bulevar Mihajla Pupina 4
- > Vidikovački venac 80b
- > Partizanske avijacije 12
- > Milutina Milankovića 1ž
- > Jurija Gagarina 28
- > Vojvođanska 100

Arilje

- > Svetog Ahilija 20

Požega

- > Trg Slobode 3

Prijepolje

- > Valterova 20

Užice

- > Dimitrija Tucovića 91

Region 3

Beograd

- > Maksima Gorkog 75
- > Kursulina 41
- > Vojislava Ilića 114i
- > Ivana Milutinovića 54
- > Valjevskog odreda 45
- > Bulevar kralja Aleksandra 332
- > Bulevar kralja Aleksandra 518
- > Smederevski put bb

Indija

- > Novosadska 1

Loznica

- > Kneza Milosa 2

Pančevo

- > Generala Petra Aračića 4-6

Ruma

- > Orlovićeva 4

Šabac

- > Cara Dušana 1

Sremska Mitrovica

- > Kralja Petra I 20

Stara Pazova

- > Kralja Petra I 1

Vršac

- > Trg Svetog Teodora Vršačkog
37

Region 4

Beograd

- > Trgovačka 5
- > Radnička 9
- > Resavska 1
- > Vojvode Milenka 38
- > Požeška 81a
- > 27.marta 31
- > Kralja Petra 14

> Mreža filijala

Arandelovac

- > Knjaza Miloša 259

Čačak

- > Gradsko šatalište bb
- > Braće Spasića bb

Kraljevo

- > Cara Lazara 31

Lazarevac

- > Dimitrija Tucovica 1

Mladenovac

- > Kralja Petra I br 241a

Novi Pazar

- > AVNOJ-a 7/3

Obranovac

- > Kneza Mihajla 6

Požarevac

- > Moše Pijade 10

Smederevo

- > Vojvode Đuše 13-17

Smederevska Palanka

- > Prvog srpskog ustanka 89

Valjevo

- > Karadjordjeva 123

Region Jug

Niš

- > Balkanska 13
- > Vizantijski bulevar bb
- > Obrenovićeva 35
- > Bulevar Nemanjića 30

Aleksinac

- > Knjaza Miloša 153

Bor

- > Nikole Pašića 30

Čurpija

- > Kneza Miloša 44

Knjaževac

- > Knjaza Miloša 41

Leskovac

- > Bulevar oslobođenja bb

Paraćin

- > Vožda Karađorđa 31

Pirot

- > Pirotskih oslobodilaca bb

Prokuplje

- > Jug Bogdanova 100

Trstenik

- > Kneginje Milice bb

Vranje

- > Stefana Prvovenčanog 58

Zaječar

- > Nikole Pašića 1

Region Sever

Novi Sad

- > Bulevar oslobođenja 56a
- > Pozorišni Trg 3
- > Bulevar cara Lazara bb
- > Veselina Masleše 30
- > Braće Ribnikar 4-6
- > Futoški put 42-44
- > Narodnih heroja 3

Bačka Palanka

- > Kralja Petra I 11

Bečej

- > Zelena 52

Novi Bečej

- > Maršala Tita 11

Kikinda

- > Trg srpskih dobrovoljaca 28

Ada

- > Lenjinova 19

Šid

- > Karađorđeva 13

Sombor

- > Avrama Mrazovića 1

Subotica

- > Trg Slobode 5
- > Dimitrija Tucovića br. 2

Temerin

- > Novosadska 326a

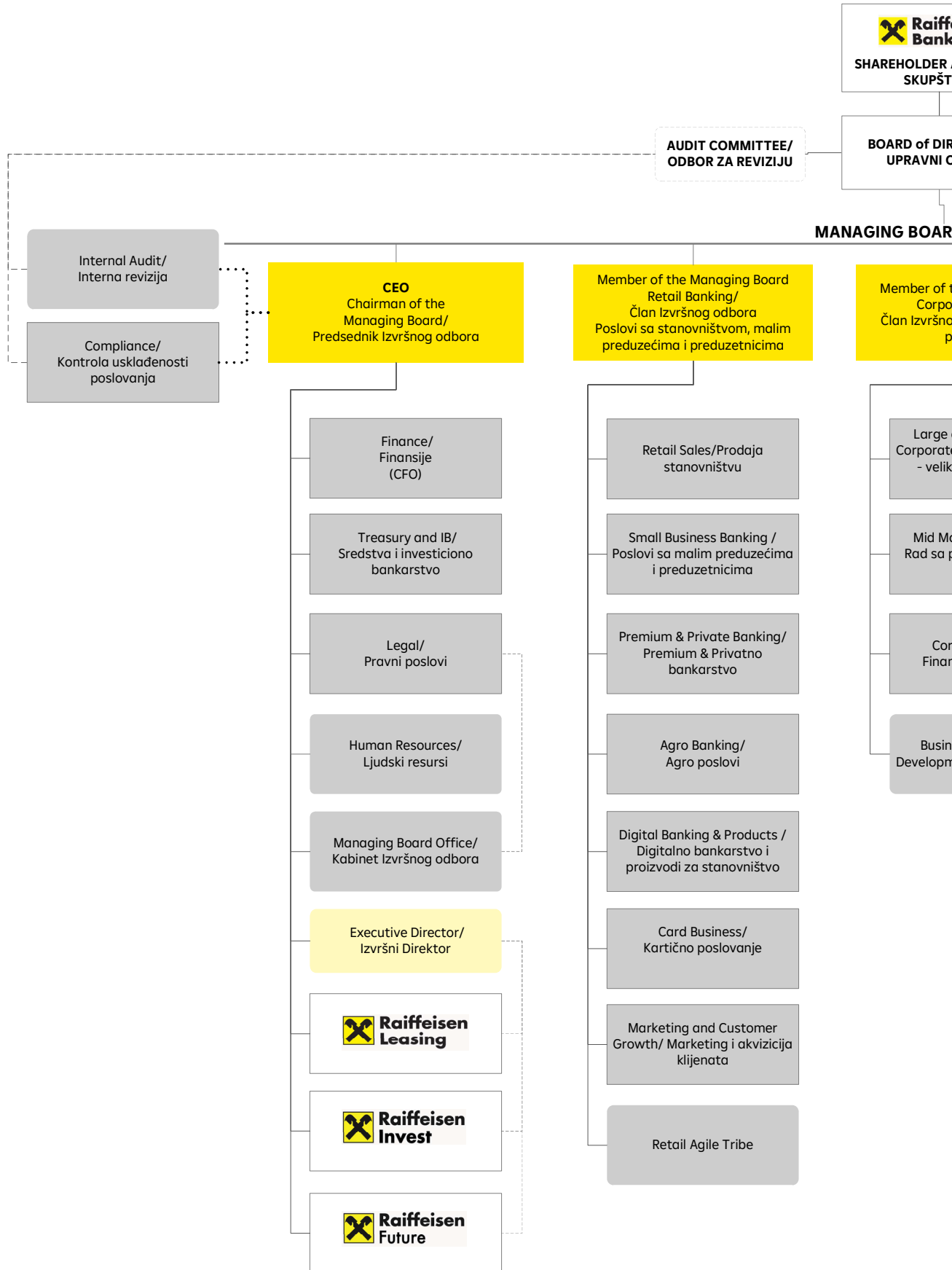
Vrbas

- > Maršala Tita 91

Zrenjanin

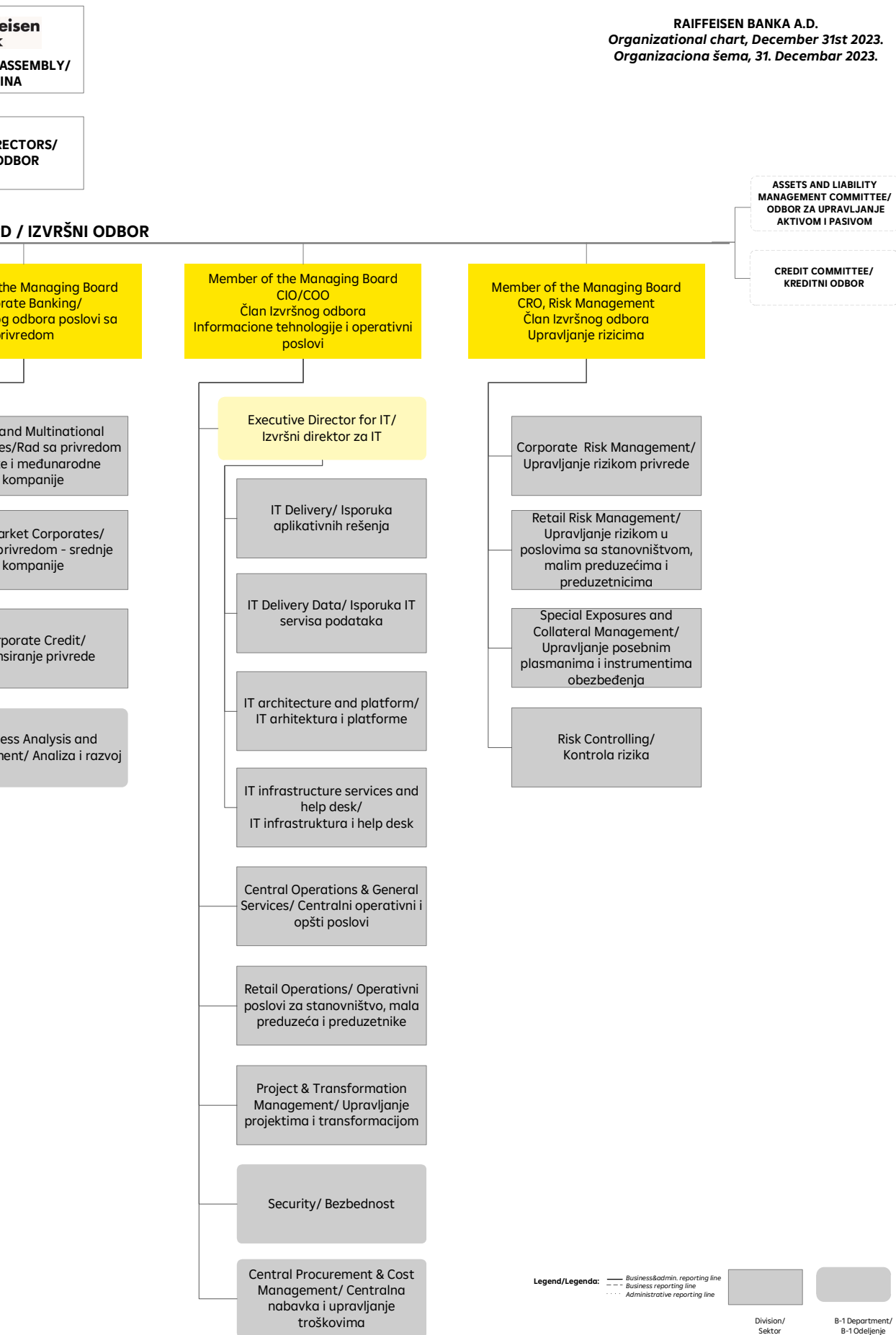
- > Kralja Aleksandra Karađorđevića 41

> Organizational Chart



Organizaciona struktura

RAIFFEISEN BANKA A.D.
Organizational chart, December 31st 2023.
Organizaciona šema, 31. Decembar 2023.



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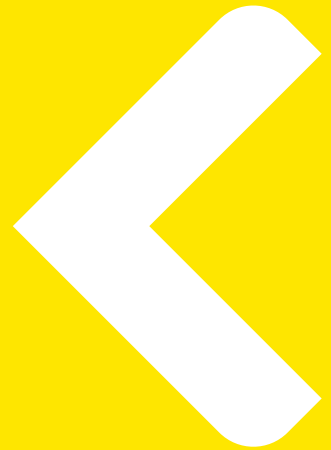
USA

RB International Markets (USA) LLC
1177 Avenue of the Americas, 5th Floor
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Financial Statements

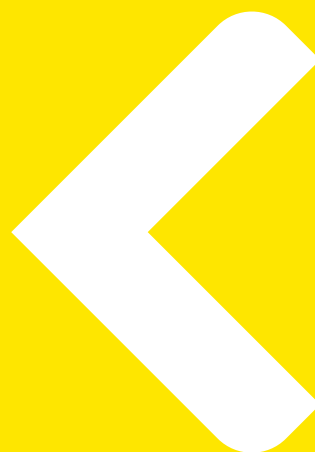
RAIFFEISEN BANKA A.D. BEOGRAD

Separate Financial Statements
for the year ended 31 December 2023
prepared in accordance with
International Financial Reporting Standards



Finansijski izveštaj

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INDEPENDENT AUDITORS' REPORT

TO THE OWNERS OF RAIFFEISEN BANKA A.D. BEOGRAD

Opinion

We have audited the separate financial statements of Raiffeisen banka a.d., Beograd (hereinafter: the "Bank"), which comprise the separate balance sheet as at December 31, 2023, 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 material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

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

Other 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 International Standards on Auditing 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 the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Belgrade, April 17, 2024

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




SEPARATE STATEMENT OF PROFIT OR LOSS

Year Ended December 31, 2023
(In thousands of RSD)

	Note	2023	2022
Interest income	6, 3(c)	30,824,781	13,419,501
Interest expenses	6, 3(c)	(2,284,669)	(1,043,894)
Net interest income		28,540,112	12,375,607
Fee and commission income	7, 3(d), 2(i)	18,806,564	14,161,166
Fee and commission expense	7, 3(d), 2(i)	(5,890,547)	(4,529,583)
Net fee and commission income		12,916,017	9,631,583
Net gains on changes in the fair value of financial instruments	5, 3(e)	242,543	2,318,560
Net losses on derecognition of financial assets measured at fair value	3(k)	(301,335)	(379,967)
Net (losses)/gains on risk hedging	3(f)	564,689	(1,847,238)
Net foreign exchange gains/(losses) and positive/(negative) currency clause effects	8, 3(b), 2(i)	111,065	61,139
Net losses on impairment of financial assets not measured at fair value through profit or loss	9, 3(k)	(2,158,923)	(734,444)
Net gains on derecognition of financial instruments measured at amortized cost	10	248,955	130,561
Other operating income	10	173,453	160,299
Total operating income, net		40,336,576	21,716,100
Salaries, salary compensations and other personnel expenses	11, 20, 21, 3(w)	(5,360,978)	(3,998,574)
Depreciation and amortization charge	3(q), (r)	(1,816,517)	(1,364,172)
Other income	12.1	404,776	512,258
Other expenses	12.2	(8,540,471)	(5,631,994)
Profit before taxes		25,023,386	11,233,618
Income tax expense	13, 3(j)	(3,665,818)	(1,540,006)
Profit after taxes		21,357,568	9,693,612

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

Belgrade, April 14, 2024



Zoran Petrović

Chairperson of the Managing Board





Goran Kesić

Member of the Managing Board

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2023

(In thousands of RSD)

	2023	2022
Profit for the year	21,357,568	9,693,612
Other comprehensive income		
Components of other comprehensive income that will not subsequently be reclassified to profit or loss		
Actuarial gains	(56,173)	39,341
Positive effects of changes in the fair value of equity instruments measured at fair value through other comprehensive income (FVtOCI)	18,017	830,132
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)	288,589	(1,654,514)
Gains on cash flow hedging instruments	(72,290)	194,915
Tax benefits arising on the other comprehensive income components	(24,019)	213,039
Total negative other comprehensive income for the year, net of tax	154,124	(377,087)
Total positive comprehensive income for the year	21,511,692	9,316,525

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

SEPARATE STATEMENT OF FINANCIAL POSITION

As of December 31, 2023
(In thousands of RSD)

	Note	December 31, 2023	December 31, 2022
Assets			
Cash and balances held with the central bank	14, 3(l)	134,518,611	112,486,004
Receivables under derivatives	15, 3(k)	57,591	52,048
Securities	16, 3(k), 3(p)	96,743,682	93,367,152
Loans and receivables due from banks and other financial institutions	17, 3(k), 3(o)	87,309,014	61,337,473
Loans and receivables due from customers	18, 3(k), 3(o)	330,352,592	237,489,395
Receivables under derivatives designated as hedging risk instruments	3(k), 3(n), 4(c)	596,925	160,189
Investments in subsidiaries	19	2,320,248	20,266,005
Intangible assets	21, 3(q)	1,670,336	1,084,261
Property, plant and equipment	20, 3(i), 3(r)	8,040,063	6,014,958
Investment property	22, 3(s)	52,453	
Deferred tax assets	23, 3(j)	668,984	704,047
Other assets	24	1,356,733	1,133,745
Total assets		663,687,232	534,095,277
Liabilities and equity			
Liabilities			
Liabilities under derivatives	3(k)	60,860	94,536
Deposits and other liabilities due to banks, other financial institutions and the central bank	25, 3(t)	13,415,628	17,482,064
Deposits and other liabilities due to customers	26, 3(t)	542,104,777	431,692,058
Liabilities under derivatives designated as risk hedging instruments	3(k), 3(n)	1,217,435	1,273,098
Subordinated liabilities	27	9,077,883	9,044,765
Provisions	28, 3(u)	3,192,513	2,529,806
Current tax liabilities	13, 3(j)	2,173,604	621,452
Other liabilities	29	5,279,762	3,569,427
Total liabilities		576,522,462	466,307,206
Equity			
Share capital	30, 3(x)	27,466,158	27,466,158
Retained earnings	30, 3(x)	21,357,568	9,693,612
Reserves	30, 3(x)	38,341,044	30,628,301
Total equity	30, 3(x)	87,164,770	67,788,071
Total liabilities and equity		663,687,232	534,095,277

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2023

(In thousands of RSD)

	Share and other capital	Reserves from profit and other reserves	Revaluation reserves	Retained earnings	Total
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
Opening balance at January 1, 2023	27,466,158	30,309,874	318,427	9,693,612	67,788,071
Profit for the year	-	-	-	21,357,568	21,357,568
Total negative other comprehensive income for the year	-	-	154,124	-	154,124
Total positive comprehensive income for the year	-	-	154,124	21,357,568	21,511,692
Prior year's profit distribution	-	7,558,619	-	(7,558,619)	-
Total transactions with owners	-	-	-	(2,134,993)	(2,134,993)
Dividend paid	-	-	-	(3,412,053)	(3,412,053)
Migration effect	-	-	-	1,277,060	1,277,060
Closing balance at December 31, 2023	27,466,158	37,868,493	472,551	21,357,568	87,164,770

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

SEPARATE STATEMENT OF CASH FLOWS

Year Ended December 31, 2023
(In thousands of RSD)

	2023	2022
OPERATING ACTIVITIES		
Cash inflows from operating activities	59,234,383	28,944,817
Interest receipts	30,575,617	13,200,262
Fee and commission receipts	18,759,544	14,162,371
Receipts of other operating income	9,899,222	1,582,184
Cash outflows from operating activities	(20,902,152)	(14,307,424)
Interest payments	(2,266,740)	(1,042,945)
Fee and commission payments	(5,889,430)	(4,525,278)
Payments to, and on behalf of employees	(5,412,676)	(3,843,268)
Taxes, contributions and other duties paid	(1,059,188)	(696,712)
Payments for other operating expenses	(6,274,118)	(4,199,221)
Net cash inflows from operating activities prior to increases/ decreases in financial assets and financial liabilities	38,332,231	14,637,393
Decrease in financial assets and increase in financial liabilities	15,707,239	100,578,693
Decrease in receivables from securities and other financial assets not held for investments	15,707,239	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
Increase in other financial liabilities	-	85,316
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	(10,895,543)	(66,559,328)
Increase in loans and receivables due from banks, other financial institutions, the central bank and customers	(6,655,252)	(66,559,328)
Increase in receivables from securities and other financial assets not held for investments	-	-
Increase in receivables under derivatives designated as hedging instruments and changes in the fair value of hedged items	(436,908)	-
Decrease of deposits and other financial obligations towards banks and other financial institutions, the central bank and customers	(3,714,044)	-
Decrease in other financial liabilities	(33,676)	-
Decrease in liabilities under derivatives designated as hedging instruments and changes in the fair value of hedged items	(55,663)	-
Net cash generated by operating activities before income tax	43,143,927	48,656,758
Income tax paid	(1,452,585)	(1,228,658)
Dividend paid	(3,241,450)	-
Net cash generated by operating activities	38,449,892	47,428,100

SEPARATE STATEMENT OF CASH FLOWS (Continued)

Year Ended December 31, 2023

(In thousands of RSD)

	2023	2022
INVESTING ACTIVITIES		
Cash inflows from investing activities	32,202,321	14,227,118
Proceeds from investing in investment securities	32,188,542	14,220,371
Proceeds from sales of intangible assets, property, plant and equipment	13,779	6,747
Cash outflows from investing activities	(53,212,886)	(57,531,945)
Outflows from investing in investment securities	(51,613,838)	(36,981,317)
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	(1,599,048)	(1,578,056)
Net cash used in investing activities	(21,010,565)	(43,304,827)
FINANCING ACTIVITIES		
Cash inflows from financing activities	-	8,832,023
Inflows from subordinated liabilities	-	8,832,023
Cash outflows from financing activities	(2,582,988)	(831,383)
Cash used in the repayment of borrowings	(2,582,988)	(831,383)
Net cash increase in financing activities	-	8,000,640
Net cash used in financing activities	(2,582,988)	-
TOTAL CASH INFLOWS	107,143,943	152,582,651
TOTAL CASH OUTFLOWS	(92,287,604)	(140,458,738)
NET CASH INCREASE	14,856,339	12,123,913
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (Note 14.2)	75,203,166	62,574,039
FOREIGN EXCHANGE GAINS, NET	39,338	505,214
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 14.2)	90,098,843	75,203,166

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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").

On August 5, 2021, the bank concluded with Crédit Agricole S.A. Share purchase agreement based on which the Bank became the owner of 100% of ordinary shares in Credit Agricole Banka Srbija a.d. Novi Sad and at the same time acquired indirect control over the company CA Leasing Srbija d.o.o. Belgrade (hereinafter: CA Leasing). After obtaining the consent of the National Bank of Serbia and the competent regulatory bodies, the bank, on April 1, 2022, successfully realized the acquisition of 100% of the shares of RBA Bank and CA Leasing. On September 2, 2022, Credit Agricole Banka Srbija a.d. Novi Sad changed its name to RBA banka a.d. Novi Sad (hereinafter: RBA banka). After obtaining the consent of the National Bank of Serbia based on Decision G. no. 4558 from 04.04.2023. year, the status change of the merger of RBA banka a.d. Novi Sad, as the transferring bank, Raiffaisen banka, as the acquiring bank, which was registered in the Register of Business Companies of the Agency for Business Registers on April 28, 2023. year, based on Decision no. BD 38766/2023. Due to the stated status change of the merger, all assets and liabilities of RBA Bank were, with the status change date of 04/28/2023. transferred to Raiffeisen Bank, as its universal legal successor, which continues to operate, while RBA Bank ceased to exist and was deleted from the Register of Business Entities without carrying out the liquidation procedure.

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 – Centers in Novi Sad, Braće Ribnikar street No 4-6, as well as center Belgrade (Savograd), at the address of No 5A, Milentija Popovića St. Regional Center Belgrade 1 (with 1 local branches, 13 branches and 3 outlets). Regional Center Belgrade 2 (1 regional branch, 1 local branch, 9 branches and 8 outlets). Regional Center Belgrade 3 (1 local branches, 13 branches and 7 outlets). and Regional Center Belgrade 4 (1 local branches, 13 branches and 2 outlets).Regional Center South (1 regional branch, 1 local branch, 11 branches and 2 outlets). Regional Center North (2 local branches, 15 branches and 1 outlet).

As of December 31, 2023, the Bank had 2,237 employees (December 31, 2022: 1,547 employees)

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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

a) Statement of Compliance

The Bank's financial statements for 2023 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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

(e) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Group/Company as of 1 January 2023:

The standards/amendments that are effective and they have been endorsed by the European Union

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretionary participation contracts. The Bank does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the Bank's financial performance, financial position or cash flows.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The amendments had no impact on the financial statements of the Bank.

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments had no impact on the financial statements of the Bank:

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendments had no impact on the financial statements of the Bank.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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

(e) Changes in accounting policy and disclosures (Continued)

The standards/amendments that are effective, but they have not yet been endorsed by the European Union

IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. The amendments have not yet been endorsed by the EU. The amendments had no impact on the financial statements of the Bank.

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

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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

(f) Standards issued but not yet effective and not early adopted (Continued)

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose as at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is 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 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

(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, 2023. The unreconciled receivables totaled RSD 13,838 thousand, whereas unreconciled liabilities amounted to RSD 50,751 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 2022.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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	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").

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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	31.12.2023	31.12.2022
CHF	125,5343	119.2543
USD	105,8671	110.1515
EUR	117,1737	117.3224

(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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
Year Ended December 31, 2023
All amounts expressed in thousand of RSD, unless otherwise stated.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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 2023, the Bank applied the statutory income tax rate of 15%. (2022: 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, 2023, the Bank's deferred tax assets and liabilities were calculated using the statutory tax rate of 15% (December 31, 2022: 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
Year Ended December 31, 2023
All amounts expressed in thousand of RSD, unless otherwise stated.

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).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Year Ended December 31, 2023

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

(k) Financial Instruments (Continued)

(ii) Classification (Continued)

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

Assets	Financial assets at amortized cost	Financial assets at FVtPL	Financial assets at FVtOCI	Non-financial assets and liabilities	Total as of December 31, 2023
Cash and balances held with the central bank	134,518,611				134,518,611
Receivables under derivatives		57,591			57,591
Securities	69,672,688	1,812,553	25,258,441		96,743,682
Loans and receivables due from banks and other financial institutions	87,309,014				87,309,014
Loans and receivables due from customers	330,352,592				330,352,592
Receivables under derivatives designated as hedging risk instruments		596,925			596,925
Investments in subsidiaries			2,320,248		2,320,248
Intangible assets				1,670,336	1,670,336
Property, plant and equipment				8,040,063	8,040,063
Investment property				52,453	52,453
Deferred tax assets				668,984	668,984
Other assets	751,054			605,679	1,356,733
Total assets	622,603,959	2,467,069	27,578,689	11,037,515	663,687,232

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
Year Ended December 31, 2023
All amounts expressed in thousand of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Year Ended December 31, 2023
(All amounts expressed in thousands of RSD, unless otherwise stated).

(k) Financial Instruments (Continued)

(ii) Classification (Continued)

Liabilities and equity	Financial liabilities at amortized cost	Financial assets at FVtPL	Non-financial assets and liabilities	Equity	Total as of December 31, 2023
Liabilities					
Liabilities under derivatives		60,860			60,860
Deposits and other liabilities due to banks, other financial institutions and the central bank	13,415,628				13,415,628
Deposits and other liabilities due to customers	542,104,777				542,104,777
Liabilities under derivatives designated as risk hedging instruments		1,217,435			1,217,435
Subordinated liabilities	9,077,883				9,077,883
Provisions			3,192,513		3,192,513
Current tax liabilities			2,173,604		2,173,604
Other liabilities	1,918,691		3,361,071		5,279,762
Total liabilities	566,516,979	1,278,295	8,727,188	-	576,522,462
Equity					
Share capital				27,466,158	27,466,158
Retained earnings				21,357,568	21,357,568
Reserves				38,341,044	38,341,044
Total equity	-	-	-	87,164,770	87,164,770
Total liabilities and equity	566,516,979	1,278,295	8,727,188	87,164,770	663,687,232

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Year Ended December 31, 2023

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

(k) Financial Instruments (Continued)

(ii) Classification (Continued)

Assets	Financial assets at amortized cost	Financial assets at FVtPL	Financial assets at FVtOCI	Non-financial assets and liabilities	Total as of Decem- ber 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 desig- nated 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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Year Ended December 31, 2023

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

(k) Financial Instruments (Continued)

(ii) Classification (Continued)

Liabilities and equity	Financial liabilities at amortized cost	Financial assets at FVtPL	Non-financial assets and liabilities	Equity	Total as of December 31, 2022
Liabilities		94,536			94,536
Liabilities under derivatives	17,482,064				17,482,064
Deposits and other liabilities due to banks, other financial institutions and the central bank	431,692,058				431,692,058
Deposits and other liabilities due to customers		1,273,098			1,273,098
Liabilities under derivatives designated as risk hedging instruments	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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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) 2023	Net gains/(losses) 2022
Financial assets measured at amortized cost	30,355,208	12,520,433
Financial assets measured at FVtPL	513,437	128,068
Financial assets measured at FVtOCI	610,697	821,997
Financial liabilities measured at amortized cost	(2,209,993)	(860,979)
Financial liabilities measured at FVtPL	(10,694)	(6,633)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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.

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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;

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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.

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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.

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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.

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

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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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")

The Bank account for forward-looking information in various ways. First macro-economic scenarios from Raiffeisen Research are translated via macro models to changes of PD and LGD. On top of this country specific view, The Bank use an industry-based differentiation to further modulate PD and LGD parameters. For special industry risk factors, where quantification goes beyond reach of current statistical models, we utilize expert input within a strict framework.

While the macro-economic scenarios capture the overall development on country level, different industries may be at a different stage of credit cycle or be impacted differently by distortions like epidemics, war, supply squeeze, climate risk and similar. Therefore, we add an industry specific module on top.

Should there be special risk factors in a country for a specific industry, then the forwards-looking information is extended by this knowledge. If this risk factor emerged on a short timescale or is of a temporary nature, it is likely not reflected in the current credit risk ratings.

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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)

Examples for special risk factors are:

- travel restrictions resulting in historical low occupancy of city hotels;
- supply chain squeezes leading to artificially reduced manufacturing output;
- commodity or energy price shocks on industries with reduced possibility to pass price increases to customers;
- global chip shortage leading to reduced or even stopped production output;
- epidemics/war countermeasures temporarily disrupting business models;
- approaching epidemics countermeasures like lockdowns;
- overshooting epidemics/war moratoria or governmental support measures temporarily covering very weak companies that will face increased default risk as soon as support ends (or with a delay for corporates);
- expected regulatory or governmental pressure on high greenhouse gas emitters like thermal coal;
- deterioration of business models in transformation towards green economy;
- occurrence of weather extremes affecting agricultural production;
- inflation risk for producers with fixed price agreements.

The analysis of this special risk factors has following dimensions:

- Scope: The selection is to be taken along the industry classification for corporates or alternatively along other criteria if industry classification is not available. The selected industry needs to be consistent with the Playbook Industry Matrix. Deviations are to be explained or review of the Playbook
- Industry Matrix for this country needs to be triggered.
- Link to risk management: Each special risk factor that is considered for impairment purpose needs to be linked to a risk management process or similar evidence in the risk area. To phrase it the other way round: there is no special risk factor for impairment consideration that is not reflected in risk otherwise.
- Impairment amount: The risk quantification is preferably based on historical data. If this is not fully available an increased level of expert input is to be accepted. The risk is to be classified either (1) as a fix Euro amount that is in the monthly RIO production distributed over the selected portfolio pro-rata to underlying impairments. (2) Or it is alternatively expressed as an impairment coverage ratio of the exposure.
- Stage 2 trigger: Basis is the initial assessment if the emergence of the special risk factor is so severe, that a significant increase in credit risk is evident. A guiding principle here is the increase of impairments. If this is of the order of magnitude of 250% like used for PD, then the credit risk increased at least on the same level as the increase of PD that is relevant for quantitative staging. With this the special risk factor is classified as a stage 2 trigger.

Recent European Supervisory Authorities guidelines requires from the financial institutions to:

- (1) Set the adequate level of provisioning as one of the layers in preparation for the challenges ahead.
- (2) Make appropriate adjustments and apply margins of conservatism to address possible lack of data representativeness as pandemic and post-pandemic support measures distorted IRB/IFRS9 modeling data artificially lowering default and loss rates.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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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)**

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:

- (a)** 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.)
- (b)** 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.

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).

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(viii) Impairment (Continued)

Post-Model Adjustments (Continued)

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.
- Clients using residential buildings which are located in areas increased with ecological risk (floods).
- Clients marked as post-model adaptation clients which are ex RBA Bank's clients.

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.
- Clients marked as post-model adaptation clients which are ex RBA Bank's clients.

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.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)**(viii) Impairment (Continued)****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.

(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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Derivatives Held for Risk Management Purpose and Hedge Accounting (Continued)

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.

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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 2023, 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 2023.

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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.

In 2023, The bank changed the methodology for determining the fair value of debt securities. The most important features of the new methodology are:

- the methodology uses transactions from primary (including re-opening of debt securities emissions and premature buyouts) and secondary market in the last 2 months, with greater weight given to transactions in the last month.
- if the number of transactions in a period of 2 months is less than 50, the last 50 transactions are used, with the extension of the time range.
- transactions are grouped by ISINs, which are viewed as points with the remaining number of days until maturity.
- in the case of the RSD curve, the BEONIA and BELIBOR curve rates are included, while the ESTER rate is added to the EUR curve.

The new methodology removes the shortcoming of the currently used methodology due to the fact that the rates are determined based on current data from the market whose age is no longer than 2 months in case the number of transactions is greater than 50, and therefore the fair value of government securities is closer to market prices than according to previous methodology.

The methodology is used to value the securities held in the FVTPL and FVTOCI portfolios.

(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.

As a result of the purchase and sale transaction with RBA Bank, goodwill arose that is tested for impairment on an annual basis and is not subject to amortization.

Additionally, based on the fair valuation of RBA Bank's assets and liabilities and the allocation of the purchase price, the following intangible assets were identified: brand (trade name), core retail deposits and retail client base.

Intangible assets identified as a result of a purchase transaction are amortized using the proportional method. The Credit Agricole brand is amortized over a period of 6 months, core retail deposits will be amortized over a period of 9 years, while the retail customer base will be amortized over a period of 8 years.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Property, Plant and Equipment (Continued)

(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.

(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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Property, Plant and Equipment (Continued)*(iii) Depreciation (Continued)*

Investment property

An investment property is a real estate asset or portion thereof held by the Bank for the purpose of generating rental income, capital appreciation, or both.

Initial recognition of investment property upon acquisition is done at cost value. At initial recognition, directly attributable acquisition costs are included in the cost.

After initial recognition, investment property is valued by the method of acquisition costs less accumulated amortization and impairment.

(r) Property, Plant and Equipment (Continued)

Amortization is calculated using rates that reflect the consumption of the economic benefits of investment properties over their useful life.

The difference between the fair value of the received property and the selling price of the investment property units upon sale is recognized in income statement in the period in which the sale occurred, and the receivable for the sold and exchanged investment property is initially valued at fair value.

If there are any indications of impairment of investment property, the Bank assesses recoverable amount as the higher value between value in use and fair value less costs to sell. The carrying amount of investment property is written down to its recoverable amount through income statement.

Impairment losses recognized in prior years are reversed if there has been a subsequent change in the assumptions used to determine the asset's recoverable amount.

Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Bank and can be reliably measured. All other maintenance costs are expensed in the period in which they are incurred.

When an investment property is used by the Bank as owner-occupied property, it is reclassified as property, plant, and equipment, and its carrying amount at the date of reclassification becomes its deemed cost, which is subsequently depreciated.

(s) Investment property

Investment property is property or part of property, which the Bank holds in order to generate income from the sale of real estate or to increase the value of the capital or both.

The initial measurement of investment real estate during the acquisition (procurement) is done at the purchase value. At initial measurement, dependent acquisition costs are included in the acquisition value.

After the initial recognition, the subsequent valuation of the investment property is carried out using the cost method less the total calculated depreciation and impairment.

Depreciation is calculated at rates that ensure the recovery of the value of investment properties during their useful life.

The difference between the fair value of the funds received and the sales value of investment real estate upon sale is recognized in the income statement in the period in which the sale was made, and the claim based on the sold and exchanged investment real estate is initially valued at the fair value.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Investment property (Continued)

If there are any indications that there has been a decrease in the value of the investment property, the Bank estimates the recoverable amount as the higher of the value in use and the fair value less costs of sale. The book value of the investment property is written down to its recoverable amount through the income statement.

An impairment loss recognized in previous years is reversed if there was a subsequent change in the assumptions used in determining the asset's recoverable amount.

Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with those expenditures will accrue to the Bank and can be reliably measured. All other ongoing maintenance costs are charged to the costs of the period in which they occur.

When the investment property is used by the Bank as the owner, it is reclassified to real estate, plant and equipment, and its book value on the date of reclassification becomes its found value, which will be further amortized.

(t) 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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Deposits and Subordinated Liabilities (Continued)

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.

(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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 of 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 7% in the Republic of Serbia;
- salary growth rate of 2% within the Bank; and
- discount rate of 6,2%, determined as the value of securities issued by the Republic of Serbia Ministry of Finance with maturities of 120 months.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Employee Benefits (Continued)

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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);

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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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 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Information on the Bank's overall credit exposure as of December 31, 2023 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	47,422,021	-	47,422,021	87,096,590	134,518,611
Receivables under derivatives	-	-	-	57,591	57,591
Securities	94,991,548	60,419	94,931,129	1,812,553	96,743,682
Loans and receivables due from banks and other financial institutions	27,285,440	46,627	27,238,813	60,070,201	87,309,014
Loans and receivables due from customers	340,951,321	10,280,946	330,670,375	317,783	330,352,592
Other assets	617,599	126,208	491,391	865,342	1,356,733
On-balance sheet exposure	511,267,929	10,514,200	500,753,729	149,584,494	650,338,223
Guarantees and sureties issued	90,047,667	486,199	89,561,468	1,084,159	90,645,627
Commitments and contingent liabilities	179,321,943	594,469	178,727,474	-	178,727,474
Off-balance sheet exposure	269,369,610	1,080,668	268,288,942	1,084,159	269,373,101
Total exposure	780,637,539	11,594,868	769,042,671	150,668,653	919,711,324

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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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 2023 were as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
December 31, 2022	378,586,333	44,520,895	5,279,560	180,684	428,567,472
New loans extended	196,616,094	50,490,429	3,289,107	1,058,977	251,454,607
Decrease/repayment	(152,378,710)	(14,562,647)	(1,782,113)	(30,680)	(168,754,150)
Transfer from Stage 1	(24,613,437)	23,771,371	842,066	-	-
Transfer from Stage 2	9,510,364	(10,525,756)	1,015,392	-	-
Transfer from Stage 3	67,027	436,732	(503,759)	-	-
December 31, 2023	407,787,671	94,131,024	8,140,253	1,208,981	511,267,929

Movements of the impairment allowances for loans and receivables due from customers per Stage during 2023 were as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
December 31, 2022	806,359	3,131,160	3,145,658	62,658	7,145,835
New loans extended	911,179	2,108,801	3,020,074	862,493	6,902,547
Decrease/repayment	(435,790)	(1,631,407)	(1,435,259)	(31,726)	(3,534,182)
Transfer from Stage 1	(86,964)	74,233	12,731	-	-
Transfer from Stage 2	33,080	(180,564)	147,484	-	-
Transfer from Stage 3	587	14,725	(15,312)	-	-
December 31, 2023	1,228,451	3,516,948	4,875,376	893,425	10,514,200

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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:

	December 31, 2023						Total gross receivables										
	Region Belgrade 1		Region Belgrade 2		South Serbia Region												
On-balance sheet receivables	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 impaired receivables (Stages 1 & 2)	Total impaired receivables (Stage 3)	POCI assets	Total unimpaired receivables (Stages 1 & 2)	Total impaired receivables (Stage 3)	Re-measured at FVPL					
Retail receivables	23,598,464	16,160,326	1,706,894	21,040,314	12,772,960	1,543,611	15,930,762	13,916,440	1,090,392	20,313,329	6,245,206	1,306,294	816,993	129,977,801	5,647,191	-	136,441,985
Housing loans	8,413,737	12,447,409	366,767	7,965,090	9,655,332	323,244	5,826,872	11,310,796	294,451	6,558,099	3,193,992	128,583	160,390	65,376,927	1,113,045	-	66,650,362
Consumer and cash loans	12,935,402	2,643,832	1,163,823	11,197,791	2,572,992	1,077,682	8,783,179	2,244,017	686,499	11,723,301	2,679,229	1,006,979	4,788,816	54,779,743	3,934,983	-	59,193,542
Transaction accounts and credit cards	2,022,036	773,840	143,470	1,728,886	370,470	131,626	1,180,146	245,270	93,900	1,803,559	303,597	149,554	27,780	8,427,804	518,550	-	8,974,134
Other receivables	227,289	295,245	32,834	149,547	174,166	11,059	140,565	116,357	15,542	228,370	62,788	2,178	150,007	1,393,327	80,613	-	1,623,947
Corporate receivables	49,287,182	6,409,201	295,495	124,911,239	6,095,847	797,813	43,162,936	13,620,223	637,318	19,296,025	4,251,915	762,436	390,223	267,034,568	2,493,062	-	269,917,853
Agriculture, forestry and fishing	2,123,318	11,964	1,614	2,365,410	412,646	2,587	3,953,772	719,814	40,777	812,989	39,143	1,091	3,242	10,439,056	46,069	-	10,488,367
Mining, Manufacturing, Water supply, sewerage, waste management and remediation activities	9,914,497	1,885,387	38,812	16,416,751	2,332,849	420,478	9,109,755	7,325,061	62,378	6,926,104	2,438,457	436,338	9,088	56,348,861	958,006	-	57,315,955
Electricity, gas, steam and air conditioning supply	103,025	272,615	20	1,189,291	2	35	210,737	1	10,092	3	33	-	-	1,775,707	10,147	-	1,785,854
Construction industry	1,435,151	118,345	7,190	2,653,375	315,611	70,159	903,367	174,475	10,381	770,816	135,212	10,213	1,288	6,506,352	97,943	-	6,605,583
Wholesale and retail trade, repair of motor vehicles and motorcycles	19,142,427	2,457,884	78,118	16,112,531	948,371	65,429	10,601,972	677,710	66,261	7,858,099	920,161	122,343	7,980	58,719,155	332,151	-	59,059,286
Transport and storage	706,496	881,335	32,121	6,958,325	768,613	53,237	720,134	137,153	34,721	645,053	115,383	35,302	8,804	10,932,492	155,381	-	11,096,677
Accommodation and food service activities, Information and communication	2,356,828	180,966	38,230	8,257,864	132,528	36,072	5,037,265	158,638	1,916	330,954	39,851	1,767	513	16,494,894	77,985	-	16,573,392
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	13,505,440	600,705	99,390	70,957,692	1,185,227	149,816	12,625,934	4,427,371	410,792	1,952,007	563,675	155,382	359,308	105,818,051	815,380	-	106,992,739
Receivables from other clients	67,710,698	34,999	-	22,536,697	14,623,907	-	16	-	7	2	-	-	1,765	104,906,326	-	-	104,908,091
Total exposure	140,596,344	22,604,526	2,002,389	168,488,250	33,492,714	2,341,424	59,093,714	27,536,663	1,727,710	39,609,361	10,497,123	2,068,730	1,208,981	501,918,695	8,140,253	-	511,267,929

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4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

	December 31, 2022																
	Region Belgrade 1			Region Belgrade 2			North Serbia Region			South Serbia Region							
	Unimpaired	paired, without significant deterioration of credit risk (Stage 2)	paired, with significant deterioration of credit risk (Stage 3)	Unimpaired	paired, without significant deterioration of credit risk (Stage 2)	paired, with significant deterioration of credit risk (Stage 3)	Unimpaired	paired, without significant deterioration of credit risk (Stage 2)	paired, with significant deterioration of credit risk (Stage 3)	Unimpaired	paired, without significant deterioration of credit risk (Stage 2)	paired, with significant deterioration of credit risk (Stage 3)					
Off-balance sheet receivables																	
Retail receivables	3,227,221	1,369,854	42,527	2,615,060	585,237	32,256	1,911,405	361,495	22,415	2,723,294	332,433	29,107	351	13,125,999	126,305	-	13,252,655
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	3,109,547	1,368,862	42,070	2,530,250	585,237	32,006	1,884,869	361,495	22,415	2,714,044	332,339	29,107	351	12,886,643	125,598	-	13,012,592
Other receivables	117,674	992	457	84,810	-	250	26,536	-	-	9,250	94	-	-	239,356	707	-	240,063
Corporate receivables	47,537,899	5,270,656	75,443	104,630,631	8,425,177	788,106	34,291,610	3,351,544	20,512	38,770,459	802,378	84,673	289	243,080,354	968,734	-	244,049,377
Agriculture, forestry and fishing	1,685,666	34,724	-	110,102	70,638	-	1,107,898	38,210	-	1,515,907	1,552	-	-	4,564,697	-	-	4,564,697
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	5,417,321	2,603,936	49,162	27,046,250	3,571,034	358,104	12,940,375	1,430,360	-	24,544,519	133,880	15,684	-	77,687,675	422,950	-	78,110,625
Electricity, gas, steam and air conditioning supply	82,023	-	-	30,265	-	-	-	-	7,023	5,614	372	-	-	118,274	7,023	-	125,297
Construction industry	7,662,488	224,614	-	17,896,588	701,743	8,202	3,297,339	202,756	551	7,196,871	17,118	-	-	37,199,517	8,753	-	37,208,270
Wholesale and retail trade, repair of motor vehicles and motorcycles	24,137,837	1,805,666	4,759	20,534,259	2,141,106	419,180	13,429,205	1,362,999	480	4,439,861	548,546	4,043	50	68,399,479	428,462	-	68,827,991
Transport and storage, Accommodation and food service activities, Information and communication	2,051,561	305,917	11,717	10,242,517	184,312	1,247	1,503,514	104,244	36	480,253	40,082	1,408	50	14,912,400	14,408	-	14,926,858
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	5,210,692	272,389	9,460	9,743,164	347,381	656	3,63,482	17,563	-	198,374	6,936	-	77	16,159,971	10,116	-	16,170,164
Other	1,290,311	23,410	345	19,027,486	1,408,963	717	1,649,797	195,422	12,422	389,060	53,892	63,538	112	24,038,341	77,022	-	24,115,475
Receivables from other clients	2,010,544	57,011	117,970	113,264,234	12,469,029	820,362	36,725,980	3,713,039	42,927	41,493,753	1,134,811	113,780	640	268,273,931	1,095,039	-	269,369,610
Total exposure	52,775,664	6,697,521	117,970	113,264,234	12,469,029	820,362	36,725,980	3,713,039	42,927	41,493,753	1,134,811	113,780	640	268,273,931	1,095,039	-	269,369,610

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4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

	Region Belgrade 1			Region Belgrade 2			North Serbia Region			South Serbia Region			Total Receivables measured at FVPL				
	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)	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)					
On-balance sheet 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	10,887,593	2,825,282	715,799	180,684	75,134,230	3,411,823	-	78,726,737
Housing loans	11,442,845	1,838,628	190,662	9,832,005	1,409,592	158,871	5,053,178	762,952	105,870	3,606,876	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	37,757,521	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	-	7,521,650	20,097	-	7,541,747
Mining, Manufacturing, Water supply, sewerage, waste management and remediation activities	7,955,449	861,949	379,28	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	1,878	-	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	1,089,146	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	269,705	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	1,122,944	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	11,806,059	1,141,976	25,631,725	10,938,642	1,286,175	180,684	423,107,228	5,279,560	-	428,567,472

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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)	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)	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)		
2,820,916	1,363,589	30,739	2,244,879	595,857	370,219	19,621	2,278,102	344,088	32,369	-	11,603,338	110,038	-	11,713,376
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,819,743	1,381,876	30,739	2,211,859	595,857	370,219	19,621	2,278,102	344,088	32,369	-	11,567,432	110,038	-	11,677,470
1,173	1,713	-	33,020	-	-	-	-	-	-	-	35,906	-	-	35,906
39,555,436	5,067,562	156,862	71,048,847	8,219,075	2,010,225	572,826	22,296,449	1,141,963	77,833	-	171,692,721	1,396,988	-	173,091,709
688,118	-	-	232,133	85,821	35,669	-	185,410	39,894	-	-	2,626,030	-	-	2,626,030
5,033,498	2,522,251	127,309	16,102,574	3,684,446	816,914	539,875	12,310,829	228,712	15,544	-	48,140,902	682,728	-	48,823,630
2	-	-	1,660,617	35,197	-	-	-	361	-	-	1,697,235	-	-	1,697,235
4,986,387	62,362	196	12,009,331	330,869	55,336	-	6,505,412	106,796	62,273	-	25,632,762	62,469	-	25,695,231
22,713,645	2,183,528	-	14,818,717	2,266,490	558,422	26,000	2,722,512	709,938	6	-	57,435,767	584,428	-	58,020,195
1,321,076	170,737	29,020	6,056,140	181,791	66,941	172	224,067	15,099	-	-	8,389,667	29,192	-	8,418,859
4,501,282	123,877	49	7,449,780	157,351	3,000	3,000	389,870	59,487	6,701	140,475	12,834,251	97,750	-	12,844,001
311,428	4,807	288	12,719,555	1,477,110	30,045	30,045	176,390	10,039	78	207,744	29,034	30,421	-	14,966,528
2,047,960	13,147	-	638,301	42,616	-	-	503,000	-	-	-	3,245,024	-	-	3,245,024
44,424,312	6,464,298	187,601	73,932,027	8,857,548	618,776	592,447	24,574,551	1,486,051	110,202	-	186,541,083	1,509,026	-	188,050,109

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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, 2023								
	1	2	3	4	5	6	7	8 = (3+5) / 1	9
Retail receivables	136,441,981	5,774,669	5,647,191	294,916	643,976	3,321,277	555,611	4,6	882,574
Housing loans	66,650,361	1,499,640	1,113,046	162,814	134,535	634,001	98,687	1,9	848,972
Consumer and cash loans	59,193,541	3,524,030	3,934,983	129,653	432,691	2,252,288	395,222	7,4	2,456
Transaction accounts and credit cards	8,974,132	601,141	518,550	-	27,113	371,974	25,346	6,1	-
Other receivables	1,623,947	149,858	80,612	2,449	49,637	63,014	36,356	8,0	31,146
Corporate receivables	269,917,852	4,629,478	2,493,062	598,625	382,914	1,554,101	328,263	1,1	606,836
Agriculture, forestry and fishing	10,488,365	67,289	46,069	6,516	2,734	25,252	2,519	0,5	12,497
Mining, Manufacturing, Water supply, sewerage; waste management and remediation activities	57,315,955	2,326,483	958,006	344,344	6,883	563,240	6,257	1,7	252,110
Electricity, gas, steam and air conditioning supply	1,785,855	20,767	10,147	7,936	-	7,602	-	0,6	1,595
Construction industry	6,605,582	134,568	97,943	2,154	1,288	64,676	1,210	1,5	23,087
Wholesale and retail trade, repair of motor vehicles and motorcycles	59,059,287	545,677	332,152	44,007	7,979	209,406	7,376	0,6	68,626
Transporting and storage, Accommodation and food service activities; Information and communication	11,096,675	169,039	155,380	69,987	8,803	86,700	8,328	1,5	31,860
Real estate activities, professional, scientific and technical activities; Administrative and support service activities, arts	16,573,393	143,100	77,986	26,179	489	53,081	465	0,5	6,271
Other	106,992,740	1,222,555	815,379	97,502	354,738	544,144	302,108	1,1	210,790
Receivables from other clients	104,908,096	110,053	-	-	-	-	-	0,0	-
Total	511,267,929	10,514,200	8,140,253	893,541	1,026,890	4,875,378	883,874	1,8	1,489,410

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

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4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Off-balance sheet items	December 31, 2023									Collateral value for impaired (stage 3) exposures *
	Total gross exposures	Accumulated impairment allowance	Gross carrying value of impaired (Stage 3) exposures			Poci	Accumulated impairment allowance of Stage 3 exposures	Accumulated impairment allowance (POCI)	Share (%) of impaired (Stage 3) exposures	
			Of which forborne	4	5					
	1	2	3	4	5	6	7	8 = (3+5)/1	9	
Retail receivables	13,252,657	151,180	126,305	-	180	64,472	140	1,0	626	
Housing loans	-	-	-	-	-	-	-	0,0	-	
Consumer and cash loans	-	-	-	-	-	-	-	0,0	-	
Transaction accounts and credit cards	13,012,594	139,962	125,598	-	180	64,070	140	1,0	-	
Other receivables	240,063	11,218	707	-	-	402	-	0,3	626	
Corporate receivables	244,049,378	881,284	968,734	600	-	390,561	-	0,4	165,559	
Agriculture, forestry and fishing	4,564,696	13,075	-	-	-	-	-	0,0	-	
Mining, Manufacturing, Water supply, sewerage; waste management and remediation activities	78,110,625	249,587	422,950	600	-	69,149	-	0,5	28,452	
Electricity, gas, steam and air conditioning supply	125,298	4,527	7,023	-	-	4,339	-	5,6	-	
Construction industry	37,208,272	60,712	8,754	-	-	4,124	-	0,0	4,595	
Wholesale and retail trade, repair of motor vehicles and motorcycles	68,827,989	393,029	428,461	-	-	240,221	-	0,6	127,879	
Transporting and storage, Accommodation and food service activities, Information and communication	14,926,858	34,657	14,408	-	-	3,900	-	0,1	949	
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	16,170,165	38,446	10,117	-	-	5,494	-	0,1	3,684	
Other	24,115,475	87,251	77,021	-	-	63,334	-	0,3	-	
Receivables from other clients	12,067,575	48,204	-	-	-	-	-	0,0	-	
Total	269,369,610	1,080,668	1,095,039	600	180	455,033	140	0,4	166,185	

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

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

On-balance sheet assets	December 31, 2022							Collateral value for impaired (stage 3) exposures *
	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	
			Of which forborne					
	1	2	3	4	5	6	7	
Retail receivables	78,726,735	3,613,665	3,411,822	219,102	1,825,235	4,3	436,381	
Housing loans	35,072,736	642,153	516,999	136,115	273,117	1,5	406,292	
Consumer and cash loans	33,991,555	2,244,931	2,433,935	82,070	1,231,009	7,2	3,346	
Transaction accounts and credit cards	7,824,405	458,905	396,993	-	276,109	5,1	871	
Other receivables	1,838,039	267,676	63,895	917	45,000	3,5	25,872	
Corporate receivables	255,451,143	3,479,324	1,867,738	972,036	1,320,423	0,7	338,997	
Agriculture, forestry and fishing	7,541,745	46,492	20,096	7,385	12,729	0,3	8,689	
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	52,270,412	1,877,951	774,111	584,576	539,858	1,5	86,791	
Electricity, gas, steam and air conditioning supply	173,142	8,287	10,076	7,946	8,064	5,8	-	
Construction industry	4,797,974	105,929	86,644	7,204	58,774	1,8	27,886	
Wholesale and retail trade, repair of motor vehicles and motorcycles	48,188,492	695,006	370,093	140,951	247,932	0,8	151,823	
Transporting and storage, Accommodation and food service activities, Information and communication	8,174,691	184,877	173,101	98,843	123,296	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	125,443	1,1	6,530	
Other	118,184,494	351,801	256,446	22,463	204,327	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	3,145,658	1,2	775,378	

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

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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 *
			1	2	3			
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

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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:

	2023	2022
Retail receivables	(164,126)	(441,849)
Corporate receivables	(322,813)	(244,789)
Total	(486,939)	(686,638)

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:

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

On-balance sheet assets	December 31, 2023										Collateral Value *									
	Unimpaired (Stages 1&2)					Accumulated impairment allowances					Total net exposures	Securing unimpaired exposures	Securing impaired exposures							
	Without significant deterioration of credit risk	With significant deterioration of credit risk	Impaired (Stage 3)	POCI	Measured at FvtPL	Total gross exposures	Individually assessed	Collectively assessed	Individually assessed	Collectively assessed										
Per segment																				
Retail receivables	80,882,867	49,094,930	5,647,191	816,993	-	136,441,981	3,876,888	1,897,781	130,667,312	48,035,195	994,871									
Housing loans	28,763,797	36,613,128	1,113,046	160,390	-	66,650,361	732,689	766,951	65,150,721	46,819,308	929,127									
Consumer and cash loans	44,639,673	10,140,070	3,934,983	478,816	-	59,193,542	2,647,509	876,521	55,669,512	54,068	2,456									
Transaction accounts and credit cards	6,734,626	1,693,176	518,550	27,780	-	8,974,132	397,320	203,821	8,372,991	-	-									
Other receivables	744,771	648,556	80,612	150,007	-	1,623,946	99,370	50,488	1,474,088	1,161,819	63,288									
Corporate receivables	236,657,382	30,377,185	2,493,062	390,222	-	269,917,851	1,882,362	2,747,116	265,288,373	116,736,947	882,490									
Large enterprises	139,158,441	21,022,755	733,160	252,700	-	161,167,056	672,841	2,094,482	158,399,733	57,782,916	415,368									
SMEs (SMB)	18,348,556	7,725,637	849,531	45,622	-	26,969,346	514,429	252,167	26,202,750	8,733,243	241,674									
Micro entities and sole entrepreneurs	13,573,688	1,626,905	910,371	91,900	-	16,202,864	695,092	399,137	15,108,635	2,795,000	225,448									
Financial institutions	65,576,697	1,888	-	-	-	65,578,585	-	1,330	65,577,255	47,425,788	-									
Other	-	-	-	-	-	-	-	-	-	-	-									
Receivables from other clients	90,247,422	14,658,909	-	1,766	-	104,908,097	-	110,053	104,798,044	-	-									
Total exposure	407,787,671	94,131,024	8,140,253	1,208,981	-	511,267,929	5,759,250	4,754,950	500,753,729	164,772,142	1,877,361									
Per category of receivables																				
Performing exposures	407,787,671	94,131,024	-	182,091	-	502,100,786	-	4,754,950	497,345,836	164,772,142	-									
Out of which: forborne	7,291	1,207,555	-	14,198	-	1,229,044	-	19,967	1,209,077	990,915	-									
Non-performing exposures	-	-	8,140,253	1,026,890	-	9,167,143	5,759,250	-	3,407,893	-	1,877,361									
Out of which: forborne	-	-	893,540	63,096	-	956,636	628,941	-	327,695	-	290,917									
Total exposure	407,787,671	94,131,024	8,140,253	1,208,981	-	511,267,929	5,759,250	4,754,950	500,753,729	164,772,142	1,877,361									

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Off-balance sheet assets	December 31, 2023										Collateral Value *							
	Unimpaired (Stages 1&2)					Accumulated impairment allowances					Total net exposures	Securing unimpaired exposures	Securing impaired exposures					
	Without significant deterioration of credit risk	With significant deterioration of credit risk	Impaired (Stage 3)	POCI	Measured at FVTPL	Total gross exposures	Individually assessed	Collectively assessed	Individually assessed	Collectively assessed								
Per segment																		
Retail receivables	10,476,982	2,649,019	126,305	351	-	13,252,657	64,611	86,568	13,101,478	208,974	626							
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	10,238,712	2,647,933	125,598	351	-	13,012,594	64,209	75,752	12,872,633	1,867	-							
Other receivables	238,270	1,086	707	-	-	240,063	402	10,816	228,845	207,107	626							
Corporate receivables	225,230,600	17,849,753	968,734	289	-	244,049,376	390,562	490,723	243,168,091	57,186,829	165,559							
Large enterprises	196,237,330	15,051,071	896,385	-	-	212,184,786	354,000	384,963	211,445,823	41,159,107	153,701							
SMEs (SMB)	9,074,184	1,199,673	22,254	-	-	10,296,111	7,607	30,210	10,258,294	1,341,498	631							
Micro entities and sole entrepreneurs	3,272,912	248,158	50,095	289	-	3,571,454	28,955	71,077	3,471,422	303,087	11,227							
Financial institutions	16,646,174	1,350,851	-	-	-	17,997,025	-	4,473	17,992,552	14,383,137	-							
Other	-	-	-	-	-	-	-	-	-	-	-							
Receivables from other clients	8,551,951	3,515,626	-	-	-	12,067,577	-	48,204	12,019,373	-	-							
Total exposure	244,259,533	24,014,398	1,095,039	640	-	269,369,610	455,173	625,495	268,288,942	57,395,803	166,185							
Per category of receivables																		
Performing exposures	244,259,533	24,014,398	-	460	-	268,274,391	-	625,495	267,648,896	57,395,803	-							
Out of which: forborne	-	176,221	-	-	-	176,221	-	3,097	173,124	11,603	-							
Non-performing exposures	-	-	1,095,039	180	-	1,095,219	455,173	-	640,046	-	166,185							
Out of which: forborne	-	-	600	-	-	600	70	-	530	-	-							
Total exposure	244,259,533	24,014,398	1,095,039	640	-	269,369,610	455,173	625,495	268,288,942	57,395,803	166,185							

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

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

On-balance sheet assets	December 31, 2022										Collateral Value *							
	Unimpaired (Stages 1&2)					POCI	Measured at FvtPL	Total gross exposures	Accumulated impairment allowances		Total net exposures	Securing unimpaired exposures	Securing impaired exposures					
	Without significant deterioration of credit risk	With significant deterioration of credit risk	Impaired (Stage 3)	With significant deterioration of credit risk	Without significant deterioration of credit risk				Individually assessed	Collectively assessed								
Per segment																		
Retail receivables	60,628,768	14,505,461	3,411,822	180,684	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	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	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	115,805	-	423,223,033	-	3,960,486	419,262,547	134,472,706	-						
Out of which: forborne	158,868	1,063,889	-	39,808	39,808	-	1,262,565	-	62,973	1,199,592	915,940	-						
Non-performing exposures	-	-	5,279,560	64,879	64,879	-	5,344,439	3,185,349	-	2,159,090	-	821,830						
Out of which: forborne	-	-	1,191,138	32,628	32,628	-	1,223,766	882,953	-	340,813	-	346,159						
Total exposure	378,586,333	44,520,895	5,279,560	180,684	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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Off-balance sheet assets	December 31, 2022										Collateral Value *							
	Unimpaired (Stages 1&2)					POCI	Impaired (Stage 3)	Accumulated impairment allowances			Total net exposures	Securing unimpaired exposures	Securing impaired exposures					
	Without significant deterioration of credit risk	With significant deterioration of credit risk	Measured at FvtPL	Total gross exposures	Individually assessed			Collectively assessed	Individually assessed	Collectively assessed								
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	588,764	-	-	-	-	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: forborne	-	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: forborne	-	-	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

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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, 2023 is presented in the following tables:

On-balance sheet items	December 31, 2023														Total gross exposures			
	Unimpaired exposures (Stages 1 & 2) – past due status							Impaired exposures (Stage 3) – past due status										
	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	POCI assets	Measured at FVTPL	Total unimpaired exposures (Stages 1&2)	Total impaired exposures (Stage 3)				
Per segment																		
Retail receivables	90,235,946	38,239,210	1,237,825	264,818	-	460,731	2,396,578	864,139	667,892	1,257,852	816,993	-	129,977,799	5,647,192	136,441,984			
Housing loans	47,043,329	17,822,561	397,310	113,725	-	219,163	604,228	217,300	33,678	38,677	160,390	-	65,376,925	1,113,046	66,650,361			
Consumer and cash loans	36,239,173	17,695,578	718,084	126,909	-	175,396	1,603,383	578,390	538,583	1,039,231	478,816	-	54,779,744	3,934,983	59,193,543			
Transaction accounts and credit cards	6,191,447	2,118,678	96,197	21,480	-	42,349	155,767	63,564	94,163	162,708	27,780	-	8,427,802	518,551	8,974,133			
Other receivables	761,997	602,393	26,234	2,704	-	23,823	33,200	4,885	1,468	17,236	150,007	-	1,393,328	80,612	1,623,947			
Corporate receivables	258,440,286	8,342,832	152,160	99,288	-	927,393	279,640	469,766	231,121	585,141	390,222	-	267,034,566	2,493,061	269,917,849			
Large enterprises	159,740,784	438,828	1,583	-	-	412,920	1,113	255,694	1,086	62,346	252,700	-	160,181,195	733,159	161,167,054			
SMEs (SMB)	24,910,829	1,110,196	53,087	80	-	388,474	113,058	63,384	66,404	218,210	45,622	-	26,074,192	849,530	26,969,344			
Micro entities and sole entrepreneurs	8,287,365	6,718,230	95,791	99,208	-	125,999	165,469	150,688	163,631	304,585	91,900	-	15,200,594	910,372	16,202,866			
Financial institutions	65,501,308	75,578	1,699	-	-	-	-	-	-	-	-	-	65,578,585	-	65,578,585			
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Receivables from other clients	104,906,330	-	-	-	-	-	-	-	-	-	1,766	-	104,906,330	-	104,908,096			
Total exposure	453,582,562	46,582,042	1,389,985	364,106	-	1,388,124	2,676,218	1,333,905	899,013	1,842,993	1,208,981	-	501,918,695	8,140,253	511,267,929			
Per category of receivables																		
Performing exposures	453,582,562	46,582,042	1,389,985	364,106	-	-	-	-	-	-	182,091	-	501,918,695	-	502,100,786			
Out of which: forborne	1,021,690	170,746	6,069	16,341	-	-	-	-	-	-	14,198	-	1,214,846	-	1,229,044			
Non-performing exposures	-	-	-	-	-	1,388,124	2,676,218	1,333,905	899,013	1,842,993	1,026,890	-	-	8,140,253	9,167,143			
Out of which: forborne	-	-	-	-	-	397,766	244,889	52,702	60,004	138,180	63,096	-	-	893,541	956,637			
Total exposure	453,582,562	46,582,042	1,389,985	364,106	-	1,388,124	2,676,218	1,333,905	899,013	1,842,993	1,208,981	-	501,918,695	8,140,253	511,267,929			

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Off-balance sheet items	December 31, 2023																Total gross exposures					
	Unimpaired exposures (Stages 1 & 2) – past due status								Impaired exposures (Stage 3) – past due status													
	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	POCI assets	Measured at FVPL	Total unimpaired exposures (Stages 1&2)	Total impaired exposures (Stage 3)								
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transaction accounts and credit cards	11,967,424	868,879	41,821	8,521	-	63,743	50,961	10,794	-	-	-	-	-	-	100	-	12,886,645	125,598	-	-	-	13,012,594
Other receivables	229,594	9,418	345	-	-	617	90	-	-	-	-	-	-	-	-	-	239,357	707	-	-	-	240,064
Corporate receivables	219,292,487	23,026,982	760,202	681	-	879,216	11,566	8,073	2,543	67,336	289	243,080,352	968,734	244,049,375								
Large enterprises	191,156,199	20,132,200	-	-	-	834,113	-	-	-	62,273	-	211,288,399	896,386	212,184,785								
SMEs (SMB)	10,097,262	175,442	1,153	-	-	20,900	354	1,000	-	-	-	10,273,857	22,254	10,296,111								
Micro entities and sole entrepreneurs	2,867,699	652,576	114	681	-	24,203	11,212	7,073	2,543	5,063	289	3,521,070	50,094	3,571,453								
Financial institutions	15,171,327	2,066,764	758,935	-	-	-	-	-	-	-	-	17,997,026	-	17,997,026								
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Receivables from other clients	12,067,577	-	-	-	-	-	-	-	-	-	-	12,067,577	-	12,067,577								
Total exposure	243,557,082	23,905,279	802,368	9,202	-	943,576	62,617	18,867	2,543	67,436	640	268,273,931	1,095,039	269,369,610								
Per category of receivables																						
Performing exposures	243,557,082	23,905,279	802,368	9,202	-	-	-	-	-	-	-	268,273,931	-	268,274,391								
Out of which: forborne	176,221	-	-	-	-	-	-	-	-	-	-	176,221	-	176,221								
Non-performing exposures	-	-	-	-	-	943,576	62,617	18,867	2,543	67,436	180	-	1,095,039	1,095,219								
Out of which: forborne	-	-	-	-	-	600	-	-	-	-	-	-	600	600								
Total exposure	243,557,082	23,905,279	802,368	9,202	-	943,576	62,617	18,867	2,543	67,436	640	268,273,931	1,095,039	269,369,610								

* 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, 2022 is presented in the following tables:

On-balance sheet items	December 31, 2022														Total gross exposures		
	Unimpaired exposures (Stages 1 & 2) – past due status				Impaired exposures (Stage 3) – past due status						Meas-ured 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				POCI assets			
																Up to 30 dpd	31 – 60 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	3,411,821	78,726,732		
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	516,999	35,072,735		
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	2,433,935	33,991,554		
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	396,993	7,824,405		
Other receivables	91,218	1,472,573	277,338	1,773	158	18,511	22,520	8,524	854	13,485	180,684	-	1,593,460	63,894	1,838,038		
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	1,867,739	255,451,144		
Large enterprises	140,261,843	368,182	78	-	-	782,007	103,466	6,842	21,573	13,622	-	-	140,630,103	927,510	141,557,613		
SMEs (SMB)	15,186,216	298,525	2,935	518	-	188,188	120,120	34,522	18,285	118,468	-	-	15,488,194	479,583	15,967,777		
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	-	-	785,730	46,046	8,317,376		
Financial institutions	89,602,055	5,030	1,293	-	-	-	-	-	-	-	-	-	89,608,378	-	89,608,378		
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Receivables from other clients	94,389,596	-	-	-	-	-	-	-	-	-	-	-	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	5,279,560	428,567,472		
Per category of receivables																	
Performing exposures	380,379,415	41,751,975	809,690	147,472	18,676	-	-	-	-	-	115,805	-	423,107,228	-	423,223,033		
Out of which: forborne	965,066	229,728	26,510	1,454	-	-	-	-	-	-	39,808	-	1,222,758	-	1,262,566		
Non-performing exposures	-	-	-	-	-	1,164,824	1,741,608	569,860	474,981	1,328,287	64,879	-	-	5,279,560	5,344,439		
Out of which: forborne	-	-	-	-	-	836,119	181,234	64,395	35,577	73,814	32,628	-	-	1,191,139	1,223,767		
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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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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;

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

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).

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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*	Total
Per segment									
Retail receivables	-	395,211	29	9,587	127,094	-	-	34,775	566,696
Housing loans	-	176,550	-	7,872	28,297	-	-	26,867	239,586
Consumer and cash loans	-	207,621	29	1,715	7,356	-	-	1,737	218,458
Transaction accounts and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	11,040	-	-	91,441	-	-	6,171	108,652
Corporate receivables	-	290,403	-	-	335,058	-	-	993,524	1,618,985
Large enterprises	-	143,545	-	-	193,667	-	-	774,662	1,111,874
SMEs (SMB)	-	81,079	-	-	94,943	-	-	204,978	381,000
Micro entities and sole entrepreneurs	-	65,779	-	-	46,448	-	-	13,884	126,111
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Total exposure	-	685,614	29	9,587	462,152	-	-	1,028,299	2,185,681

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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, 2023									
Off-balance sheet assets	Interest rate decrease	Repayment period extension	Moratorium	Past due amount capitalization	Refinancing	Partial write-off	Debt to equity conversion	Other measures*	Total
Per segment									
Retail receivables	-	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Corporate receivables	-	-	-	-	-	-	-	176,821	176,821
Large enterprises	-	-	-	-	-	-	-	176,153	176,153
SMEs (SMB)	-	-	-	-	-	-	-	668	668
Micro entities and sole entrepreneurs	-	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Total exposure	-	-	-	-	-	-	-	176,821	176,821

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

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

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*	Total
Per segment									
Retail receivables	-	313,619	48	10,356	179,448	-	-	34,677	538,148
Housing loans	-	182,066	-	8,513	21,273	-	-	21,949	233,801
Consumer and cash loans	-	122,432	48	1,843	1,115	-	-	3,842	129,280
Transaction accounts and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	9,121	-	-	157,060	-	-	8,886	175,067
Corporate receivables	-	348,821	-	-	275,461	-	-	1,323,903	1,948,185
Large enterprises	-	195,166	-	-	269,303	-	-	1,111,855	1,576,324
SMEs (SMB)	-	84,877	-	-	6,158	-	-	192,045	283,080
Micro entities and sole entrepreneurs	-	68,778	-	-	-	-	-	20,003	88,781
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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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 2023 were as follows:

On-balance sheet assets	Gross exposure as of January 1, 2023	Forborne during the year	Cured from forbearance during the year	Foreign exchange effects	Other movements*	Gross exposure as of December 31, 2022	Net exposure as of December 31, 2023
	1	2	3	4	5	6 (1+2-3+4+5)	7
Retail receivables	538,148	185,689	108,711	85	-48,515	566,696	302,111
Housing loans	233,801	54,776	25,512	245	-23,724	239,586	112,374
Consumer and cash loans	129,281	130,913	28,493	-	-13,243	218,458	105,927
Transaction accounts and credit cards	-	-	-	-	-	-	-
Other receivables	175,066	-	54,706	-160	-11,548	108,652	83,810
Corporate receivables	1,948,183	272,550	237,861	-1,016	-362,871	1,618,985	1,234,697
Large enterprises	1,576,324	22,729	194,146	-805	-292,228	1,111,874	965,293
SMEs (SMB)	283,079	172,153	11,469	-190	-62,573	381,000	203,514
Micro entities and sole entrepreneurs	88,780	77,668	32,246	-21	-8,070	126,111	65,890
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-
Total exposure	2,486,331	458,239	346,572	-931	-411,386	2,185,681	1,536,808

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Restructured Loans (Continued)

Off-balance sheet items	Gross exposure as of January 1, 2023	Forborne during the year	Cured from forbearance during the year	Foreign exchange effects	Other movements*	Gross exposure as of December 31, 2022	Net exposure as of December 31, 2023
	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	366,716	-	4	-	(189,891)	176,821	173,655
Large enterprises	366,092	-	-	-	(189,939)	176,153	173,066
SMEs (SMB)	624	-	4	-	48	668	589
Micro entities and sole entrepreneurs	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-
Total exposure	366,716	-	4	-	(189,891)	176,821	173,655

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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	1	2	3	4	5	6 (1+2-3+4+5)	7
	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
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	141,700	-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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
Year Ended December 31, 2023

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

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.

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, 2023 is provided below:

Stage 1	December 31, 2023									
	On-balance sheet assets									
	Deposits	Securities	Residential property	Other property	Pledge on goods and livestock	Other collateral	Government	Bank	Borrower's related party	Third party
Per segment										
Retail receivables	80,467	-	20,264,298	7,959	-	490	-	-	-	-
Housing loans	5,471	-	19,764,001	6,929	-	-	-	-	-	-
Consumer and cash loans	21,355	-	-	-	-	490	-	-	-	-
Transaction accounts and credit cards	-	-	-	-	-	-	-	-	-	-
Other receivables	53,641	-	500,297	1,030	-	-	-	-	-	-
Corporate receivables	590,818	-	1,347,274	29,343,728	-	1,304,309	5,373,345	47,740,675	18,200,262	1,984,771
Large enterprises	335,006	-	649,800	25,955,312	-	1,301,159	4,927,710	283,740	15,005,416	1,984,771
SMEs (SMB)	193,965	-	489,978	1,871,884	-	1,049	259,811	27,535	2,745,931	-
Micro entities and sole entrepreneurs	61,847	-	207,496	1,516,532	-	2,101	185,824	5,173	448,915	-
Financial institutions	-	-	-	-	-	-	-	47,424,227	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-
Per category of receivable										
Performing exposures	671,285	-	21,611,572	29,351,687	-	1,304,799	5,373,345	47,740,675	18,200,262	1,984,771
Out of which: forborne	-	-	3,014	-	-	-	-	-	-	-
Non-performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total	671,285	-	21,611,572	29,351,687	-	1,304,799	5,373,345	47,740,675	18,200,262	1,984,771

* Market or fair value maximum up to gross collateralized exposure amount

** Guarantee amount maximum up to gross collateralized exposure amount

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Collateral as an instrument of credit risk mitigation (Continued)

Stage 1

Off-balance sheet assets	December 31, 2023							
	Deposits	Securities	Residential property	Other property	Pledge on goods and livestock	Other collateral	Guarantees** issued by	
						Government	Bank Borrower's related party	Third party
Per segment								
Retail receivables	208,012	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	1,867	-	-	-	-	-	-	-
Other receivables	206,145	-	-	-	-	-	-	-
Corporate receivables	1,371,880	594,193	6,604,142	219,291	219,291	13,763,596	21,377,300	5,614,885
Large enterprises	806,905	-	345,099	6,116,068	-	-	697,311	21,272,009
SMEs (SMB)	343,298	-	239,272	429,501	-	-	-	102,791
Micro entities and sole entrepreneurs	221,677	-	9,822	58,573	-	-	-	2,500
Financial institutions	-	-	-	-	-	-	13,066,285	-
Public companies	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-
Per category of receivable								
Performing exposures	1,579,892	-	594,193	6,604,142	-	219,291	13,763,596	21,377,300
Out of which: forborne	-	-	-	-	-	-	-	-
Non-performing exposures	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-
Total	1,579,892	-	594,193	6,604,142	-	219,291	13,763,596	21,377,300

* Market or fair value maximum up to gross collateralized exposure amount

** Guarantee amount maximum up to gross collateralized exposure amount

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Collateral as an instrument of credit risk mitigation (Continued)

Stage 2	December 31, 2023									
	On-balance sheet assets					Collateral type *				
	Deposits	Securities	Residential property	Other property	Pledge on goods and livestock	Other collateral	Government	Bank	Borrower's related party	Third party
Per segment										
Retail receivables	47,199	-	27,603,448	31,333	-	-	-	-	-	-
Housing loans	14,099	-	27,001,566	27,241	-	-	-	-	-	-
Consumer and cash loans	32,223	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	-	-	-	-	-	-	-	-	-	-
Other receivables	877	-	601,882	4,092	-	-	-	-	-	-
Corporate receivables	173,504	-	425,399	5,517,342	-	699,500	215,600	190,576	3,594,991	34,854
Large enterprises	107,619	-	61,331	2,925,358	-	699,438	52,540	189,015	3,269,846	34,854
SMEs (SMB)	63,540	-	205,477	2,507,349	-	62	112,978	-	253,686	-
Micro entities and sole entrepreneurs	2,345	-	158,591	84,635	-	-	50,082	-	71,459	-
Financial institutions	-	-	-	-	-	-	-	1,561	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-
Per category of receivable										
Performing exposures	220,703	-	28,028,847	5,548,675	-	699,500	215,600	190,576	3,594,991	34,854
Out of which: forborne	562	-	86,577	832,926	-	-	722	-	67,114	-
Non-performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total	220,703	-	28,028,847	5,548,675	-	699,500	215,600	190,576	3,594,991	34,854

* Market or fair value maximum up to gross collateralized exposure amount

** Guarantee amount maximum up to gross collateralized exposure amount

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Collateral as an instrument of credit risk mitigation (Continued)

Stage 2

Off-balance sheet assets	December 31, 2023												
	Deposits	Securities	Residential property	Other property	Pledge on goods and livestock	Collateral type *				Guarantees** issued by			
						Government	Bank	Borrower's related party	Third party				
Per segment													
Retail receivables	962	-	-	-	-	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	962	-	-	-	-	-	-	-	-	-	-	-	-
Corporate receivables	191,278	-	18,655	961,539	-	57,820	-	1,316,852	3,461,005	1,634,393			
Large enterprises	125,809	-	-	819,733	-	54,810	-	-	3,452,794	1,634,393			
SMEs (SMB)	64,234	-	9,375	141,806	-	3,010	-	-	8,211	-			
Micro entities and sole entrepreneurs	1,235	-	9,280	-	-	-	-	-	-	-			
Financial institutions	-	-	-	-	-	-	-	1,316,852	-	-			
Public companies	-	-	-	-	-	-	-	-	-	-			
Receivables from other clients	-	-	-	-	-	-	-	-	-	-			
Per category of receivable													
Performing exposures	192,240	-	18,655	961,539	-	57,820	-	1,316,852	3,461,005	1,634,393			
Out of which: forborne	-	-	-	11,603	-	-	-	-	-	-			
Non-performing exposures	-	-	-	-	-	-	-	-	-	-			
Out of which: forborne	-	-	-	-	-	-	-	-	-	-			
Total	192,240	-	18,655	961,539	-	57,820	-	1,316,852	3,461,005	1,634,393			

* Market or fair value maximum up to gross collateralized exposure amount

** Guarantee amount maximum up to gross collateralized exposure amount

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Collateral as an instrument of credit risk mitigation (Continued)

Stage 3	December 31, 2023									
	On-balance sheet assets					Collateral type *				
	Deposits	Securities	Residential property	Other property	Pledge on goods and livestock	Other collaterals	Government	Bank	Borrower's related party	Third party
Per segment										
Retail receivables	2,606	-	987,039	5,227	-	-	-	-	-	-
Housing loans	1,555	-	922,346	5,227	-	-	-	-	-	-
Consumer and cash loans	-	-	2,456	-	-	-	-	-	-	-
Transaction accounts and credit cards	-	-	-	-	-	-	-	-	-	-
Other receivables	1,051	-	62,237	-	-	-	-	-	-	-
Corporate receivables	232,955	-	79,242	324,502	-	184	35,690	-	209,916	-
Large enterprises	225,545	-	-	38,013	-	-	5,857	-	145,954	-
SMEs (SMB)	2,508	-	58,941	125,457	-	184	16,250	-	38,332	-
Micro entities and sole entrepreneurs	4,902	-	20,301	161,032	-	-	13,583	-	25,630	-
Financial institutions	-	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-
Per category of receivable										
Performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	235,561	-	1,066,281	329,729	-	184	35,690	-	209,916	-
Out of which: forborne	-	-	178,497	84,532	-	184	3,972	-	23,732	-
Total	235,561	-	1,066,281	329,729	-	184	35,690	-	209,916	-

* Market or fair value maximum up to gross collateralized exposure amount

** Guarantee amount maximum up to gross collateralized exposure amount

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Collateral as an instrument of credit risk mitigation (Continued)

Stage 3

Off-balance sheet assets	December 31, 2023									
	Deposits	Securities	Residential property	Other property	Pledge on goods and livestock	Other collaterals	Government	Bank	Borrower's related party	Third party
Per segment										
Retail receivables	626	-	-	-	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	-	-	-	-	-	-	-	-	-	-
Other receivables	626	-	-	-	-	-	-	-	-	-
Corporate receivables	18,133	-	-	142,176	-	-	-	-	5,250	-
Large enterprises	10,870	-	-	137,581	-	-	-	-	5,250	-
SMEs (SMB)	631	-	-	-	-	-	-	-	-	-
Micro entities and sole entrepreneurs	6,632	-	-	4,595	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-
Per category of receivable										
Performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	18,759	-	-	142,176	-	-	-	-	5,250	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total	18,759	-	-	142,176	-	-	-	-	5,250	-

* 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, 2022 is provided below:

Stage 1

	December 31, 2022									
	Deposits	Securities	Residential property	Other property	Pledge on goods and livestock	Other collateral	Government	Bank	Borrower's related party	Third party
On-balance sheet assets										
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	-	8,48,118	8,064,834	45,403,538	-	17,961,487
Large enterprises	172,398	-	588,265	20,480,301	-	813,549	6,878,598	226	-	17,223,720
SMEs (SMB)	83,810	-	511,933	1,118,241	-	33,051	695,900	-	-	673,856
Micro entities and sole entrepreneurs	13,721	-	320,090	67,679	-	1,518	490,336	-	-	63,911
Financial institutions	-	-	-	-	-	-	-	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	-	17,961,487
Out of which: forborne	-	-	79,007	1,531	-	-	2,517	-	-	72
Non-performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Collateral as an instrument of credit risk mitigation (Continued)

Stage 1

Off-balance sheet assets	December 31, 2022									
	Deposits	Securities	Residential property	Other property	Pledge on goods and livestock	Other collateral	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
Financial institutions	-	-	-	-	-	-	-	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: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

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 property	Pledge on goods and livestock	Other collaterals	Government	Bank	Borrower's related party	
Per segment										
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
Financial institutions	-	-	-	-	-	-	-	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: forborne	-	-	95,863	731,697	-	-	2,524	-	-	2,729
Non-performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Collateral as an instrument of credit risk mitigation (Continued)

Stage 2

Off-balance sheet assets	December 31, 2022									
	Deposits	Securities	Residential property	Other property	Pledge on goods and livestock	Other collaterals	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	-	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	1,404,114	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-
Per category of receivable										
Performing exposures	142,626	-	80,168	612,834	-	31,782	-	1,805,847	-	4,308,983
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Collateral as an instrument of credit risk mitigation (Continued)

On-balance sheet assets	December 31, 2022									
	Deposits	Securities	Residential property	Other property	Pledge on goods and livestock	Other collaterals	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
Financial institutions	-	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-	-
Per category of receivable										
Performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	4,062	-	493,943	229,024	-	366	38,975	-	-	55,461
Out of which: forborne	-	-	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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Collateral as an instrument of credit risk mitigation (Continued)

Stage 3

Off-balance sheet assets	December 31, 2022								
	Deposits	Securities	Residential property	Other property	Pledge on goods and livestock	Other collateral	Guarantees** issued by		
							Bank	Borrower's related party	Third 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	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-
Receivables from other clients	-	-	-	-	-	-	-	-	-
Per category of receivable									
Performing exposures	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-
Non-performing exposures	5,175	-	-	750,087	-	19,246	-	30,000	-
Out of which: forborne	-	-	-	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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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, 2023	December 31, 2022
Below 50%	53,140,639	34,793,299
From 50% to 70%	33,706,408	18,220,239
From 70% to 90%	20,245,058	17,195,427
From 90% to 100%	2,594,792	2,928,412
From 100% to 120%	4,749,477	4,027,357
From 120% to 150%	4,494,364	2,351,709
Above 150%	6,324,141	3,368,110
Total	125,254,879	82,884,553
Average LTV ratio	29%	26%

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Investment securities (Continued)

During 2023 and 2022, 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 2023 and 2022 the Bank entered in reverse-repo transactions with the National Bank of Serbia (with NBS bills).

Derivative financial instruments

During 2023 and 2022, 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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:

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 Year Ended December 31, 2023
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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.

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

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.

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (Continued)

Derivative financial instruments (Continued)

Raiffeisen Bank's Hedging Strategy (Continued)

Hegde 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 2023.

Accounting principles and P/L results in 2023

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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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:

%	2023	2022
Daily liquidity ratio	2,37	2.04
Three-day liquidity ratio	2,33	2.07
Monthly liquidity ratio	2,43	2.04
Daily quick liquidity ratio	1,73	1.79
Three-day quick liquidity ratio	1,65	1.75
Monthly quick liquidity ratio	1,73	1.58
Liquidity coverage ratio (LCR)	165,67	146.77

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

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	134,518,611	134,518,611	134,518,611	-	-	-	-
Receivables under derivatives	57,591	57,591	57,591	-	-	-	-
Securities	96,743,682	96,804,101	11,887,859	3,068,647	5,585,503	63,620,191	12,641,901
Loans and receivables due from banks and other financial institutions	87,309,014	87,355,641	66,029,034	720,433	6,251,631	14,295,156	59,386
Loans and receivables due from customers	330,352,592	340,633,538	26,467,312	18,782,635	87,054,234	139,913,398	68,415,958
Receivables per derivatives held for risk hedging	596,925	596,925	596,925	-	-	-	-
Investments in subsidiaries	2,320,248	2,320,248	-	-	-	-	2,320,248
Total	651,898,662	662,286,654	239,557,333	22,571,715	98,891,368	217,828,745	83,437,493
Financial liabilities							
Liabilities under derivatives	60,860	60,860	60,860	-	-	-	-
Deposits and other liabilities due to banks, other financial institutions and the central bank	13,415,628	13,415,628	4,214,610	287,505	1,832,232	5,600,980	1,480,300
Deposits and other liabilities due to customers	542,104,777	542,104,777	529,889,638	1,330,079	5,109,250	5,149,831	625,978
Liabilities per derivatives held for risk hedging	1,217,435	1,217,435	1,217,435	-	-	-	-
Subordinated liabilities	9,077,883	9,077,883	289,855	-	-	-	8,788,028
Total	565,876,583	565,876,583	535,672,399	1,617,584	6,941,482	10,750,812	10,894,306
Net liquidity gap as of December 31, 2023	86,022,080	96,410,072	(296,115,066)	20,954,130	91,949,886	207,077,934	72,543,187
Net cumulative liquidity gap as of December 31, 2023	-	-	(296,115,066)	(275,160,936)	(183,211,049)	23,866,884	96,410,072

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

	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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

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:

	2023	2022
Financial assets		
Loans and receivables due from customers	122,023,235	88,582,110
Financial liabilities		
Deposits and other liabilities due to customers	536,328,968	427,263,738

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

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Cash and balances held with central bank	108,546,639	108,546,639	87,661,382	87,661,382
Other cash equivalents	25,971,972	25,971,972	24,824,622	24,824,662

The table below presents availability of the Bank's financial assets to support future funding as of December 31, 2023:

	Pledged		Non-pledged	
	Pledged as collateral	Other	Available as collateral	Other
Cash and balances held with central bank	-	-	-	134,518,611
Loans and receivables	-	-	-	417,661,605
Total assets	-	-	-	552,180,216

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

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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, 2023				
Assets exposed to market risks				
Cash and balances held with the central bank	14	134,518,611	-	134,518,611
Receivables under derivatives	15	57,591	57,591	-
Securities	16	96,743,682	1,812,553	94,931,129
Loans and receivables due from banks and other financial institutions	17	87,309,014	-	87,309,014
Loans and receivables due from customers	18	330,352,592	-	330,352,592
Receivables per derivatives held for risk hedging	-	596,925	-	596,925
Liabilities exposed to market risks				
Liabilities under derivatives	-	60,860	60,860	-
Liabilities per derivatives held for risk hedging	-	1,217,435	-	1,217,435
Deposits and other liabilities due to banks, other financial institutions and the central bank	24	13,415,628	-	13,415,628
Deposits and other liabilities due to customers	25	542,104,777	-	542,104,777
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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risks (Continued)

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, 2023 and December 31, 2022, 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risks

Interest Rate Risk (Continued)

	December 31, 2023		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	5,785,797	860,702	5,266,614	372,026
EUR	10,200,309	424,543	18,264,453	1,109,799
USD	7,782,285	2,999	10,337,958	309,945
CHF	8,211,455	215,773	5,453,098	101,493
Other currencies	1,428,913	5,667	2,083,522	642
Total effect		1,509,685		1,888,906

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 17.8 MEUR as of December 31, 2023, all at the interest rate equal to SOFR 3M. These loans all mature for repayment in March 2027.

Regarding CHF LIBOR benchmark rate, the Bank has in its portfolio CHF-indexed housing loans totaling 942 tEUR, 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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risks

Interest Rate Risk (Continued)

The interest rate sensitivity scenario as of December 31, 2023 is provided below:

	+200bp	-200bp	Flattener	Steepener	Short+	Short-	IRRBB+	IRRBB-
RSD	1,626,099	(2,251,204)	2,842,770	(3,207,364)	3,684,882	(5,227,666)	2,832,807	(3,951,311)
EUR	115,430	(2,051,376)	139,794	(1,541,978)	131,153	(2,458,717)	115,430	(2,051,376)
USD	175,357	(424,039)	113,979	(310,130)	172,526	(540,346)	175,357	(424,039)
CHF	169,414	(322,316)	72,606	(123,029)	102,839	(214,504)	85,829	(161,677)
Other	(46,707)	(33,330)	(67,074)	(25,033)	(81,725)	(43,118)	(54,295)	(40,037)
Total	2,039,594	(5,082,266)	3,102,076	(5,207,533)	4,009,674	(8,484,352)	3,155,128	(6,628,440)

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)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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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, 2023:

	Total carrying value	Within 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-inter-estbearing
Financial assets							
Cash and balances held with the central bank	134,518,611	47,421,925	-	-	-	-	87,096,686
Receivables under derivatives	57,591	-	-	-	-	-	57,591
Securities	96,743,682	11,827,440	3,068,647	5,585,503	63,620,191	12,641,901	-
Loans and receivables due from banks and other financial institutions	87,309,014	68,527,397	6,281,097	4,603,136	7,831,841	-	65,543
Loans and receivables due from customers	330,352,592	76,378,773	125,611,792	83,218,216	32,698,574	11,705,277	739,960
Receivables per derivatives held for risk hedging	596,925	-	-	-	-	-	596,925
Investments in subsidiaries	2,320,248	-	-	-	-	-	2,320,248
Total	651,898,663	204,155,536	134,961,536	93,406,855	104,150,606	24,347,178	90,876,953
Financial liabilities							
Liabilities under derivatives	60,860	-	-	-	-	-	60,860
Deposits and other liabilities due to banks, other financial institutions and the central bank	13,415,628	7,189,058	1,750,020	3,344,105	775,000	295,933	61,512
Deposits and other liabilities due to customers	542,104,777	527,246,017	3,696,585	4,520,574	3,188,922	624,548	2,828,130
Liabilities per derivatives held for risk hedging	1,217,435	-	-	-	-	-	1,217,435
Subordinated liabilities	9,077,883	9,077,883	-	-	-	-	-
Total	565,876,583	543,512,958	5,446,605	7,864,680	3,963,922	920,482	4,167,937
Off-balance sheet items							
Derivatives designated as risk hedging instruments	(785,432)	(1,630,162)	1,540,089	(79,105)	(532,550)	(83,705)	-
Net interest rate sensitivity gap as of December 31, 2022	85,236,648	(340,987,584)	131,055,020	85,463,071	99,654,134	23,342,991	86,709,016

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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-interestbearing
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	1,630,003	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

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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, 2023	180,117	295,727	2,846	9,260	-
The +10% effect (FCY appreciation)	18,012	29,573	285	926	48,795
The -5% effect (RSD appreciation)	(9,006)	(14,786)	(142)	(463)	(24,398)
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)

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.

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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, 2023:

RSD 000	USD	EUR*	CHF	Other	RSD	Total
Financial assets						
Cash and balances held with the central bank	1,072,708	60,511,568	2,590,201	1,018,157	69,325,977	134,518,611
Receivables under derivatives	-	-	23,984	-	33,607	57,591
Securities	19,075,669	14,853,890	-	-	62,814,123	96,743,682
Loans and receivables due from banks and other financial institutions	881,160	25,597,767	128,171	626,445	60,075,470	87,309,014
Loans and receivables due from customers	2,028,449	240,831,222	95,460	1,751	87,395,709	330,352,592
Receivables per derivatives held for risk hedging	-	87,845	-	-	509,080	596,925
Investments in subsidiaries	-	-	-	-	2,320,248	2,320,248
Total financial assets	23,057,987	341,882,292	2,837,816	1,646,353	282,474,215	651,898,663
Financial liabilities						
Liabilities under derivatives	-	45,276	-	-	15,584	60,860
Deposits and other liabilities due to banks, other financial institutions and the central bank	48,946	8,913,696	36,274	4,017	4,412,694	13,415,628
Deposits and other liabilities due to customers	47,823,173	273,021,096	18,261,681	5,535,038	197,463,789	542,104,777
Liabilities per derivatives held for risk hedging	-	-	-	-	1,217,435	1,217,435
Subordinated liabilities	-	9,077,883	-	-	-	9,077,883
Total financial liabilities	47,872,120	291,057,951	18,297,955	5,539,055	203,109,502	565,876,583
Off-balance sheet items - netted						
FX Spot	(756,263)	(422,271)	(21,969)	23,386	1,923,280	746,162
FX SWAP	25,737,284	(46,284,367)	15,484,838	3,881,041	432,219	(748,985)
FX Forward	-	(361,473)	-	-	364,295	2,822
Total	24,981,021	(47,068,111)	15,462,870	3,904,426	2,719,794	-
Foreign exchange position as of December 31, 2023	166,888	3,756,230	2,731	11,724	82,084,507	86,022,080

* The EUR column includes RSD amounts with currency clause index.

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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:

RSD 000	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
Total financial liabilities		9,044,765				9,044,765
Off-balance sheet items - netted	49,785,325	249,973,013	16,984,848	5,037,662	137,805,672	459,586,521
FX Spot						
FX SWAP	(1,485,416)	1,081,300	15,504	(40,500)	428,464	(649)
FX Forward	27,674,056	(39,908,104)	10,333,192	3,629,314	(1,761,152)	(32,695)
Total	(622,907)	(238,694)	-	-	894,945	33,344
Foreign exchange position as of December 31, 2022	25,565,732	(39,065,499)	10,348,695	3,588,814	(437,743)	-
	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.

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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.

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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 Bank's profit included in CET 1 capital comprises retained earnings from prior years unattached to any future liabilities.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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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;

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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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 agreed 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;

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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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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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, 2023 and 2022:

	2023	2022
Core Tier 1 capital instruments and the relating share premiums	27,466,158	27,466,158
Shareholder capital	5,363,891	
Revaluation reserves and other unrealized gains/losses	938,286	755,183
Reserves from profit, other reserves and reserves for banking risks	37,868,493	30,309,874
Regulatory adjustments	(103,641)	(180,443)
Other intangible assets decreased by deferred tax liabilities	(1,670,337)	(1,084,260)
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%	(1,222,763)	(1,551,324)
Gross amount of receivables due from borrowers with agreed maturities exceeding the defined duration	(234,869)	(273,394)
Equity Tier 1 capital	68,405,218	40,556,040
Additional Tier 1 capital	-	-
Total core Tier 1 capital	68,405,218	40,556,040
Supplementary Tier 2 capital	8,788,028	5,983,441
Total regulatory capital	77,193,246	46,539,481
Capital requirements		
Credit risk	25,937,877	20,347,171
Foreign currency risk	39,075	7,180
Pricing risk	47,288	53,002
Operational risk	4,805,807	2,768,392
Core capital adequacy ratio (T1 ratio)	17,77%	14,00%
Capital adequacy ratio (CAR)	20,06%	16,07%

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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, 2023 and 2022 is presented below:

	Prescribed	Achieved in 2023	Achieved in 2022
Common equity Tier 1 capital ratio (CET 1 ratio)	Min 4.5%	17,77%	14.00%
Core capital adequacy ratio (T1 ratio)	Min 6%	17,77%	14.00%
Capital adequacy ratio (CAR)	Min 8%	20,06%	16.07%
Regulatory capital amount	min. EUR 10 mil.	EUR 659 mil	EUR 397 mil
The Bank's investments in non-FSI entities and fixed assets relative to its capital	max. 60%	10,48%	12.92%
The sum of the Bank's large exposures relative to its capital	max. 400%	35,09%	118.62%
Quick liquidity ratio	min. 0.7	1,74	1.54
Liquidity ratio	min. 1	2,42	2.03
Foreign exchange risk ratio	max. 20%	0,63%	0.19%
Exposure to a single entity or a group of related entities*	max. 25%	13,76%	22.92%

* 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.

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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.

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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, 2023				
Receivables under derivatives	57,591	-	-	57,591
Securities	12,945,113	14,125,881	-	27,070,994
Loans and receivables due from customers	-	-	-	-
	13,002,704	14,125,881	-	27,128,585
Liabilities under derivatives	60,860	-	-	60,860
Liabilities per derivatives held for risk hedging	1,217,435	-	-	1,217,435
	1,278,295	-	-	1,278,295
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

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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:

	2023	2022
Gains on changes in the fair value of derivatives	16,968,891	32,646,582
Gains on changes in the fair value of financial assets measured at FVTPL	927,700	465,653
Total gains	17,896,591	33,112,235
Losses on changes in the fair value of derivatives	(17,235,591)	(30,657,379)
Losses on changes in the fair value of financial assets measured at FVTPL	(475,875)	(58,246)
Total losses	(17,711,466)	(30,715,625)
Net gains on changes in the fair value of financial instruments	185,125	2,396,610

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, 2023					
Cash and balances held with the central bank	-	134,518,611	-	134,518,611	134,518,611
Loans and receivables due from banks and other financial institutions	-	-	87,309,014	87,309,014	87,309,014
Loans and receivables due from customers	-	-	335,637,101	335,637,101	330,352,592
Securities at amortized costs	20,832,779	49,376,920	-	70,209,699	69,672,688
	20,832,779	183,895,531	422,946,115	627,674,425	621,852,905
Deposits and other liabilities to banks, other financial institutions and the central bank	-	-	13,415,628	13,415,628	13,415,628
Deposits and other liabilities due to customers	-	-	542,104,777	542,104,777	542,104,777
	-	-	555,520,405	555,520,405	555,520,405

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Year Ended December 31, 2023

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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	-	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

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

6. NET INTEREST INCOME

The Bank's net interest income comprises:

	2023	2022
Interest income		
The central bank (National Bank of Serbia)	2,308,859	284,383
Banks		
- domestic banks	327,722	251,406
- foreign banks	879,621	294,550
Corporate customers	13,733,018	5,149,262
Public sector	6	9
Retail customers	10,655,531	5,644,337
Securities	2,784,083	1,741,978
Non-residents	135,941	53,576
	30,824,781	13,419,501
Interest expenses		
Banks		
- domestic banks	(39,277)	(27,987)
- foreign banks	(1,262,423)	(811,771)
Corporate customers	(414,268)	(32,563)
Public sector	(113,594)	(17,736)
Retail customers	(55,360)	(25,122)
Securities	(111,717)	(105,924)
Non-residents	(288,030)	(22,791)
	(2,284,669)	(1,043,894)
Net interest income	28,540,112	12,375,607

Within the Bank's total interest income for 2023, RSD 80,218 thousand (2022: RSD 37,146 thousand) pertains to the interest income on impaired financial assets.

The Bank's interest income for 2023 also includes income from loan origination fees, which form an integral part of the effective interest rate, in the amount of RSD 569,247 thousand (2022: RSD 391,923 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

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:

	2023	2022
Fee and commission income		
Insurance agency fees	394,779	283,316
Card operation fees and current account maintenance fees	4,714,481	3,321,631
Payment transfer fees	1,601,281	1,231,089
Guarantee issuance fees	652,000	508,456
Nostro and loro payment fees	987,767	813,335
Loan processing and administration fees	137,111	94,097
POS terminal sales fees	1,337,332	795,108
Fees for costs of reminders sent to clients	122,613	97,822
Cash pay-in/pay-out fees	30,053	28,774
Agency fees for sales of leasing products and investment fund units	263,949	195,022
Security trade fees	50,100	36,064
Credit Bureau fees	56,666	45,989
Other fees and commissions	905,683	663,182
Foreign currency purchase and sale fees	7,552,749	6,047,281
	18,806,564	14,161,166
Fee and commission expenses		
Domestic payment transfer fees	(410,682)	(272,293)
Foreign payment transfer fees	(2,804,518)	(1,753,254)
Loan insurance fees	(194,435)	(111,786)
MIGA guarantee fees	(180,477)	(92,459)
Credit Bureau fees	(87,223)	(74,585)
Fees for client texting	(72,113)	(47,290)
Other fees and commissions	(134,358)	(53,902)
Fees per agency/brokerage contracts	(274,897)	(219,623)
Foreign currency purchase and sale fees	(1,731,844)	(1,904,391)
	(5,890,547)	(4,529,583)
Net fee and commission income	12,916,017	9,631,583

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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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:

	2023	2022
Foreign exchange gains and positive currency clause effects		
Derivatives	802	205
Spot transactions	-	-
Vault cash, foreign currency account balances	775,380	1,690,633
Mandatory reserves	30,039	48,515
Loans and other receivables in foreign currencies	2,237,709	6,772,638
Loans and other receivables with a currency clause index	203,348	301,792
Deposits and borrowings in foreign currencies	9,110,251	8,555,429
Securities	1,964,748	2,806,458
Other	6,482	7,363
Subordinated liabilities	17,737	34,757
	14,346,496	20,217,790
Foreign exchange losses and negative currency clause effects		
Derivatives	(398)	(338)
Vault cash, foreign currency account balances	(736,140)	(1,185,440)
Mandatory reserves	(85,699)	(126,939)
Loans and other receivables in foreign currencies	(2,413,570)	(7,168,641)
Loans and other receivables with a currency clause index	(501,073)	(734,702)
Deposits and borrowings in foreign currencies	(7,679,958)	(8,810,777)
Securities	(2,808,969)	(2,124,596)
Other	(2,988)	(3,557)
Subordinated liabilities	(6,636)	(1,661)
	(14,235,431)	(20,156,651)
Net foreign exchange gains/(losses) and positive/(negative) currency clause effects	111,065	61,139

*Note2(i)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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:

	2023	2022
Gains on reversal of impairment of financial assets and credit risk-weighted off-balance sheet items		
Reversal of impairment allowance for financial assets	12,903,210	10,750,815
Reversal of impairment allowance for credit risk-weighted off-balance sheet items	2,155,719	1,759,189
Collected interest receivable on impaired loans	80,218	37,146
Recovery of receivables previously written off	694,807	557,537
Gains on the modification of financial instruments	14,457	-
	15,848,411	13,104,684
Losses on impairment of financial assets and credit risk-weighted off-balance sheet items		
Impairment allowance for financial assets	(14,293,594)	(11,751,610)
Impairment allowance for credit risk-weighted off-balance sheet items	(2,102,065)	(2,027,476)
Impairment allowance for interest receivable on impaired loans	(131,080)	(52,273)
Write-off of irrecoverable receivables	(12,291)	(7,769)
Losses on the modification of financial instruments	(1,468,304)	-
	(18,007,334)	(13,839,128)
Net losses on impairment of financial assets not measured at fair value through profit or loss	(2,158,923)	(734,444)

National Bank of Serbia has issued Decision about temporary measures for banks indicating residential loans for individuals on September 11th, 2023, in order to achieve financial stability of the system. Decision defines temporary measures for nominal interest rates for residential loans with variable interest rate and withdrawn amount of EUR 200 thousand. Limited nominal interest rate will be in power for the period of 15 months, starting from October 2023 until December 31st, 2024. (15 months).

NBS (standing for National Bank of Serbia) limited nominal interest rates to:

a) For residential loans approved by July 30th, 2022: nominal interest rate is limited to 4.08%, which indicates average weighted interest rate for residential loans in Republic of Serbia dated July 31st 2022, by 30%.

b) For residential loans approved for the period of July 30th, 2022 and the date Decision was ruled for: If the initial nominal interest rate is higher than 4,08%, clients will pay the interest by the rate of the initial annuity until December 31st, 2024. The change of reference rate from July 31st 2024, will not be taken into account.

This temporary measure is in power only for clients using residential loans. In the case of nominal interest rate going below the defined limit by the NBS, the banks is obliged to set the interest rate in accordance with the provisions in the loan agreement.

For residential loans approved after the enrolment of the Decision the rules are:

a) residential loans with variable interest rates: margin can not be higher than 1,1% until December 31st, 2024.

b) residential loans with fixed interest rates: nominal interest rate can not be higher than 5,03%.

Following, NBS has defined the premature repayment of the residential loans can be done without paying the premature repayment fee. This measure is allocated to the residential loans with fixed and the residential loan with variable interest rates.

The temporary measure cause NBS to change cash flow of the current loans, and on that base, the Bank has calculated and booked modification in the amount of RSD 1,468,304 thousand. Calculated loss is going to the depreciated in the period of 15 months in accordance with the recommendation by the NBS.

In the 2022, the Bank did not have identified modifications due to change in the future flows in the loan repayment plans.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

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:

	2023	2022
Net gains on the sale of financial instruments	248,955	130,561
Net gains on derecognition of financial instruments measured at amortized costs	248,955	130,561

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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10. NET GAINS ON DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST AND OTHER OPERATING INCOME

10.2 Other operating income comprises:

	2023	2022
Rental income from the lease of premises	30,337	30,022
Loan insurance costs reimbursed	223	34
Gains on the sale of assets acquired in lieu of debt collection	767	22,874
Other operating income	142,126	107,369
Total	173,453	160,299

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 2023, the Bank earned rental income in the amount of RSD 39,505 thousand (2022: RSD 30,022 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, 2023
Rental income from the lease of premises	
Within a year	16,368
From one to two years	16,368
From two to three years	16,368
From three to four years	16,368
From four to five years	16,368
After five years	81,840
Total	163,680

11. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONNEL EXPENSES

Salaries, salary compensations and other personnel expenses include:

	2023	2022
Employee salaries and salary compensations	3,887,942	2,802,282
Payroll taxes payable on salaries and salary compensations	477,048	345,528
Payroll taxes and contributions payable on salaries and salary compensations	939,482	672,333
Provisioning charge for employee bonuses, retirement benefits, unused vacation days and other employee benefits	328,842	359,535
Reversal of provisions for employee retirement benefits	(1,150)	(51,005)
Reversal of provisions for employee unused vacations	(189,505)	(106,475)
Reversal of provisions for employee bonuses	(188,407)	(46,749)
Other personnel expenses	106,726	23,125
Total	5,360,978	3,998,574

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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12. OTHER INCOME AND OTHER EXPENSES

12.1. Other Income

	2023	2022
Reversal of unreleased provisions for contingent liabilities	5,721	249,063
Gains on the sale of property, plant and equipment and intangible assets	2,275	4,319
Write-off of liabilities	238	638
Surpluses	13,444	5,370
Costs of court and administrative fees reimbursed	98,154	68,411
Collected interest on receivables previously written off	188,548	163,153
Other income	96,396	21,304
Total	404,776	512,258

12.2. Other Expenses

	2023	2022
Rental costs	85,621	48,751
Indirect taxes and contributions payable	802,045	615,283
Marketing and advertising costs	264,199	224,668
Property and equipment maintenance costs	1,112,463	1,055,247
Other non-material costs	847,398	556,456
Employee training costs	19,144	35,475
Cost of offices supplies	48,286	39,927
Intellectual service costs and audit fees	792,373	675,817
Telecommunication services and lease of lines	223,341	144,224
Security service costs	185,662	131,862
Other material costs and services	210,786	134,246
Business travel costs – per diems and other business travel costs	47,097	22,334
Postage costs	25,016	19,594
Cost of other materials	299,532	194,195
Insurance premium costs	1,352,625	1,048,320
Tax expenses	84,869	81,472
Office space refurbishment costs	17,895	16,156
Entertainment costs	83,117	41,218
Membership fees	7,755	7,139
Other	283,343	201,259
Expenses based on valuation of fixed assets, investment real estate and intangible assets	1,263,875	
Provisioning charge for contingent liabilities	484,029	338,351
Total	8,540,471	5,631,994

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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12. OTHER INCOME AND OTHER EXPENSES (Continued)

12.2. Other Expenses (Continued)

Within the total provisioning charge for contingent liabilities, the amount of RSD 484,029 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 85,621 thousand (2022: RSD 48,751 thousand) within other expenses.

After the merger of RBA Bank, the bank recorded goodwill in the amount of RSD 1,131,459 thousand in its business books. By the end of the year, the amount of recorded goodwill was fully impaired, which was recorded as an expense based on the change in the value of intangible assets.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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13. INCOME TAXES

13.1 Components of the income tax expense for 2023:

	2023	2022
Current income tax expense	3,626,189	1,577,413
Gains on the creation of deferred tax assets and decrease in deferred tax liabilities	39,629	(37,407)
Total	3,665,818	1,540,006

13.2 Reconciliation of the effective tax rate is provided below:

	2023	2022
Profit for the year before tax	25,023,386	11,233,618
Income tax at the statutory tax rate of 15%	3,753,508	1,685,043
Reconciliation of the effective interest rate:		
Expenses non-deductible for the tax statement purposes	214,842	25,405
Transfer pricing adjustments	50,324	108,494
Non-taxable income	(392,485)	(273,640)
Temporary differences arising between the tax amounts of property and equipment and their carrying values reported in the financial statements	(122,446)	(63,789)
Provisions for employee benefits	93,608	57,067
Other	(10,791)	1,426
Income tax expense	3,665,818	1,540,006
Effective tax rate	14,65%	13.71%

13.3. Movements on deferred taxes, i.e., temporary differences, during 2023 were as follows:

	Balance at January 1, 2023	Migration effect	Recognized in profit or loss	Recognized in OCI	Balance at December 31, 2023
Property and equipment	333,597	28,586	(122,446)	-	239,738
Provisions for employee retirement benefits	50,946		25,626	-	76,573
Provisions for litigations	118,276		67,981	-	186,257
Tax (losses)/gains arising on OCI components	190,352			(24,019)	166,332
Other	10,876		(10,791)	-	85
Total	704,047	28,586	(39,629)	(24,019)	668,984

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13. INCOME TAXES (Continued)

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 components	(22,687)	-	213,039	190,352
Other	8,934	1,942	-	10,876
Total	453,601	37,407	213,039	704,047

Deferred taxes were calculated by applying the tax rate of 15% for both periods presented.

13.4. Taxes on OCI components

	2023	2022
Taxes on OCI components		
Debt instruments measured at FVtOCI – fair value change	(43,288)	248,177
Actuarial gains/(losses) per defined benefit plans	8,426	(5,901)
Cash flow hedging - valuation	10,843	(29,237)
Total tax benefits per OCI components	(24,019)	213,039

14. CASH AND BALANCES HELD WITH THE CENTRAL BANK

14.1 Cash and balances held with the central bank

	2023	2022
RSD cash funds		
Gyro account balances	61,124,713	42,259,751
Cash in hand	8,201,264	5,373,899
	69,325,977	47,633,650
Foreign currency cash funds		
Mandatory reserves held with the central bank	47,421,925	45,401,631
Cash in hand	17,770,613	19,454,914
Funds on the account held with the Central Securities Depository and Clearing House	96	8
	65,192,634	64,856,553
Less: Impairment allowance	-	(4,199)
Balance as of December 31	134,518,611	112,486,004

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Year Ended December 31, 2023

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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:

	2023	2022
Collective impairment allowance – Stage 1		
Balance as of January 1	4,199	6
Charge for the year	4,992	4,251
Reversal	(9,217)	(54)
Integration effect	26	
Foreign exchange effects	-	(4)
Balance as of December 31	-	4,199

In 2023, the Bank set aside the mandatory reserves in accordance with the Decision on Obligatory Reserves Held with the National Bank of Serbia.

In 2023, the required RSD reserve was calculated at the same rates that were applicable in 2022 until the September 18th, 2023:

- 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.

From September 18th, 2023 the required RSD reserve has been upped to 7% with agreed maturities of up to two years and 2% on the required RSD reserve with agreed maturities of more than two years.

Conversion rates from foreign currency in RSD mandatory reserve until September 18th, 2023 were 38% for foreign deposits up to two years and 30% for foreign deposits for more than two years. After September 18th, 2023 conversion rates were upped to 46% for foreign deposits up to two years and 38% for foreign deposits of more than 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. The NBS has from June 18th, 2022 up to the end of 2023, applied interest rate equaled to 0,75%, Exceptionally, in order to mitigate the economic consequences of the COVID-19 pandemic, the National Bank of Serbia pays interest of 1.25% p.a. (0.75% 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. Up to September 18th 2023, 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.

After the September 18th, 2023 the required foreign currency reserve were calculated at the following rates:

- 23% – applicable to the amount of FX liabilities per deposits with agreed maturities of up to two years;
- 16% – 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 were unchanged

For the separated foreign reserve National Bank of Serbia pays no interest. Up to September 18th, 2023 the NBS 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. In the September 2023, the obligation for banks to pay interest on the mandatory foreign currency reserve which is higher than calculated foreign mandatory reserve was overruled. The Bank held its mandatory foreign reserve during the 2023 in the allowed range relative to mandatory calculated foreign currency reserve.

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14. CASH AND BALANCES HELD WITH THE CENTRAL BANK (Continued)

14.2. Cash reported in the statement of cash of flows includes:

	2023	2022
Gyro account balances	61,124,713	42,259,751
Cash in hand in RSD	8,201,264	5,373,899
Cash in hand in foreign currencies	17,770,613	19,454,914
Foreign currency account balances	3,002,253	8,114,602
Balance as of December 31	90,098,843	75,203,166

14.3 Reconciliation between cash in the statement of cash flows and cash as a line item in the statement of financial position

	2023 statement of fin. position	2023 statement of cash flows
Gyro account balances	61,124,713	61,124,713
Cash in hand in RSD	8,201,264	8,201,264
Mandatory reserves held with the central bank	47,421,925	-
Cash in hand in foreign currencies	17,770,613	17,770,613
Deposit held with the Central Securities Depository and Clearing House	96	-
Less: Impairment allowance	-	-
Foreign currency account balances (Note 17)	-	3,002,253
Balance as of December 31	134,518,611	90,098,843

	2022 statement of fin. position	2022 statement 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

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15 RECEIVABLES UNDER DERIVATIVES

The Bank's financial assets at fair value through profit or loss (FVtPL) held for trading include:

	2023	2022
RSD receivables under derivatives	33,607	52,048
RSD liabilities under derivatives	(15,584)	(15,337)
Balance as of December 31	(18,023)	36,711

The remaining portion of the receivables not holding for trading is in amount RSD 23.984 ths. The remaining portion of the liabilities under derivative of RSD 45.276 thousand pertains to derivatives not held for trading.

The notional amounts of derivatives held for trading are provided below:

	2023				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	1,262,202	1,259,379	2,822	2,102	894,945	861,601	33,344	33,257
FX Swap	47,044,051	47,059,895	(15,844)	15,921	65,655,604	65,655,872	(268)	3,453
Total	48,306,253	48,319,274	(13,022)	18,023	66,550,549	66,517,473	33,076	36,711

16. SECURITIES

The Bank's securities include:

	2023	2022
Bonds of foreign financial institutions	19,395,894	19,348,244
Bonds of other banks	9,339,671	11,883,287
Bonds issued by the Republic of Serbia Ministry of Finance	67,274,121	61,375,018
Bonds issued by the Republic of Serbia Ministry of Finance – CHF to EUR conversion of housing loans	794,415	794,480
Less: Impairment allowance	(60,419)	(33,877)
Balance as of December 31	96,743,682	93,367,152

Movements on the impairment allowance for securities are presented below:

	2023	2022
Collective impairment allowance – Stage 1		
Balance as of January 1	33,877	12,384
Charge for the year	57,667	40,455
Reversal	(31,081)	(18,950)
Foreign exchange effects	(44)	(12)
Balance as of December 31	60,419	33,877

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16. SECURITIES (Continued)

	2023	2022
Securities measured at FVTPL	1,812,553	4,461,834
Securities measured at FVtOCI	25,274,243	38,286,111
Securities measured at amortized cost	69,717,305	50,653,084
Less: Impairment allowance	(60,419)	(33,877)
Balance as of December 31	96,743,682	93,367,152

The Bank incurred a loss of RSD 27,348 thousand on the sale of debt securities measured at FVtOCI in the 2022. In the 2023 the sale of debt securities was not made.

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:

	2023	2022
Foreign currency account - Raiffeisen Bank International AG	1,395,989	2,781,562
Foreign currency accounts – other banks	1,606,791	5,333,981
Repo transaction loans	60,000,000	10,004,634
Overnight loans and deposits	820,216	1,652,273
Liquidity and working capital loans	20,210,758	25,666,709
Investment loans	11,150	-
Other loans and receivables	1,668,481	5,502,719
Foreign currency earmarked deposits	1,642,256	10,421,506
	87,355,641	61,363,384
Less: Impairment allowance	(46,627)	(25,911)
Balance as of December 31	87,309,014	61,337,473

Movements on the impairment allowance for loans and receivables due from banks and other financial institutions are presented below:

	2023	2022
Collective impairment allowance – Stage 2		
Balance as of January 1	25,911	2,014
Charge for the year	46,627	25,911
Reversal	(25,911)	(2,014)
Foreign exchange effects	-	-
Balance as of December 31	46,627	25,911

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18. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

The Bank's loans and receivables due from customers consist of:

December 31, 2023	Gross exposure	Impairment allowance	Net exposure	December 31, 2022
Foreign currency accounts and checks	9,591	-	9,591	1,948
Current account overdrafts	7,442,940	349,508	7,093,432	5,751,543
Consumer loans	6,622,747	115,472	6,507,275	498,437
Liquidity and working capital loans	105,947,113	1,765,215	104,181,898	91,944,298
Investment loans	55,744,191	993,744	54,750,447	37,855,442
Housing loans	67,819,257	1,559,856	66,259,401	36,330,335
Cash loans	52,994,368	3,446,884	49,547,484	33,883,899
Other loans and credit cards	25,542,981	588,050	24,954,931	26,705,781
Non-recourse factoring receivables and reverse factoring receivables	4,991,539	3,342	4,988,197	1,576,550
Recourse factoring receivables	312,666	5,462	307,204	121,386
Other receivables, discounted bills of exchange	202,901	5,703	197,198	397,537
Loans for payment of imported goods and services	13,001,143	1,447,709	11,553,434	9,410,859
Deposits	2,101	1	2,100	2,103
	340,633,538	10,280,946	330,352,592	244,480,118
Less: Impairment allowance	(10,280,946)			(6,990,723)
Balance as of December 31	330,352,592			237,489,395

Movements on the impairment allowance for loans and receivables due from customers are presented below:

	2023	2022
Individual impairment allowance – Stage 3		
Balance as of January 1	3,130,826	3,751,067
Charge for the year	6,165,966	3,184,215
Reversal	(4,537,519)	(3,236,167)
Write-off and derecognition	(1,247,692)	(591,000)
Foreign exchange effects	(6,618)	(3,103)
Integration effect	2,299,608	
Other	(122,692)	25,814
	5,681,879	3,130,826
Collective impairment allowance – Stage 1		
Balance as of January 1	755,647	520,442
Charge for the year	1,819,407	1,664,637
Reversal	(2,198,911)	(1,393,538)
Foreign exchange effects	1,293	(2,137)
Write-off and derecognition	(46,413)	
Integration effect	789,722	
Other	-	(33,757)
	1,120,745	755,647
Collective impairment allowance – Stage 2		
Balance as of January 1	3,104,250	2,480,845
Charge for the year	5,996,584	6,725,333
Reversal	(5,960,979)	(6,037,047)
Write-off	(26)	(71)
Foreign exchange effects	-	-
Integration effect	338,493	
Other	-	(64,810)
	3,478,322	3,104,250
Balance as of December 31	10,280,946	6,990,723

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18. LOANS AND RECEIVABLES DUE FROM CUSTOMERS (Continued)

In 2023, 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 3,7% 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 4.6% p.a.

To the customer segment of SMB (small businesses and entrepreneurs), the Bank approved the following loans in 2022:

- Loans with monthly repayment installments depending on the customer credit rating range, at variable annual interest rates between 4,5% and 5,25% enlarged by BELIBOR
- Loans with currency risk clause rate ranged from 3,85% to 5,25% enlarged by EURIBOR
- Long-term loans for repayment periods of up to 10 years at prevailing interest rates ranging from EURIBOR plus 2.5% to EURIBOR plus 4,5% 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 6,5% and 11,5%, as well as at variable interest rates equal to BELIBOR. For loans with currency clause, rates were varying between variable interest rate from 5,25% to 8,75% plus EURIBOR. Foreign currency loans were also approved at floating interest rates ranging from 3-month BELIBOR plus 4,3% to 3-month BELIBOR plus 7,5% per annum;
- RSD loans were also approved at floating interest rates ranging from 3-month BELIBOR plus 3.5% to 3-month BELIBOR plus 5% per annum;
- For the better part of 2023, the Bank approved to all its SMB clients loans secured with the guarantees of the European Investment Fund and the United States International Development Finance Corporation (DFC) either as RSD or currency clause indexed loans due for repayment within 36 to 48 months.
- 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, loans were approved for repayment periods of up to 36 months in RSD and in indexed EUR at variable interest rates for RSD 3Mbelibor +5-8%, fixed between 10,6% and 14% RSD and variable interest rates for RSD 3Meuribor +4,75%-8% and fixed for EUR between 7,5% and 11%. Bank also approved investment loans for the 12 year period, in RSD and in indexed EUR, at variable rates for RSD 3Mbelibor +4,5%-9%, variable for indexed loans 3Meuribor +5-8% and fixed for EUR 7 and 10%. Following, Bank approved RSD loans with interest subsidized by the Ministry of Agriculture, Forestry and Water Management rates of 1% and 3% p.a. for the loans with the repayment period of 60 month for investment loans and 36 month for the permanent working capital.

During 2023, 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 5,50% to 10,2% p.a. for RSD loans;
- Short-term RSD loans at annual fixed interest rates ranging from 14,5% 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 3,5% to 8,90% for currency clause-indexed loans, and BELIBOR plus 3,6% to 10,20% for RSD loans;
- Long-term (housing) loans with floating annual interest rates equal to from EURIBOR plus 3,5% to 8,90% currency clause-indexed loans, and BELIBOR plus a margin from 3,6% to 10,20% for RSD loans;
- Long-term RSD loans at fixed annual interest rates ranging from 14,50% to 30%;
- Long-term (housing) loans at fixed annual interest rates ranging from 5,5% to 6,45% for EUR currency clause-indexed loans for the first 60 months (after this period floating annual interest is set in place with the applicable conditions regarding the residential loans) for the EUR loans with currency clause.
- Long-term residential loans with floating annual interest rate between 3.24% and 3,45% (1,1% until the end of 2024 in tune with Decision of NBS) plus EURIBOR on annual ground for loans with currency clause and from 5,10% (1,1% until the end of 2024 in tune with Decision of NBS) plus BELIBOR for long-term RSD loans

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19. INVESTMENTS IN SUBSIDIARIES

	2023	2022
Voluntary Pension Fund Management Company Raiffeisen Future a.d. Beograd	140,787	140,787
Open-End Investment Fund with Public Offering Management Company Raiffeisen Invest a.d. Beograd	445,260	422,361
Raiffeisen Leasing d.o.o. Beograd	1,734,171	1,560,387
RBA banka a.d., Novi Sad	-	18,142,440
"Budimir Kostić" Humanitarian Fund	30	30
Balance as of December 31	2,320,248	20,266,005

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 2023 revaluation of these investments was recognized in OCI in the amount of RSD 18,016 thousand (2022: positive revaluation effect of RSD 830,132 thousand).

The positive/(negative) revaluation effects for each of the entities are presented below:

	2023	2022
Raiffeisen Leasing d.o.o. Beograd	(4,883)	901,929
Raiffeisen Future a.d. Beograd	-	23,204
Raiffeisen Invest a.d. Beograd	22,899	(95,001)
	18,016	830,132

20. PROPERTY, PLANT AND EQUIPMENT

The Bank's property, plant and equipment consist of:

	2023	2022
Land and buildings	4,386,427	3,118,301
Equipment	1,709,690	1,415,503
Leasehold improvements	360,876	382,857
Investments in progress	28,217	33,965
	6,485,210	4,950,626
Right-of-use (ROU) assets	1,554,853	1,064,332
Balance as of December 31	8,040,063	6,014,958

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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, 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
Balance as of January 1, 2023	3,949,586	6,382,628	33,965	10,366,179
Additions	-	-	954,254	954,254
	1,569,549	1,515,850		3,085,399
Transfers from investments in progress	491,491	624,948	(1,116,439)	-
Retirement and disposal	(18,115)	(138,322)	156,437	-
Balance as of December 31, 2023	5,992,511	8,385,104	28,217	14,405,832
Accumulated depreciation				
Balance as of January 1, 2022	747,786	4,312,384	-	5,060,170
Depreciation charge for the year	83,499	535,873	-	619,372
Retirement and disposal	-	(263,989)	-	(263,989)
Balance as of December 31, 2022	831,285	4,584,268	-	5,415,553
Balance as of January 1, 2023	125,964	648,613	-	774,577
Depreciation charge for the year	645,515	1,212,641	-	1,858,156
Retirement and disposal	3,320	(130,984)	-	(127,664)
Balance as of December 31, 2023	1,606,084	6,314,538	-	7,920,622
Net book value				
as of January 1, 2022	3.193.208	1.713.079	-	4.906.287
as of December 31, 2021	3.118.301	1.798.360	33.965	4.950.626
as of December 31, 2022	4.386.427	2.070.566	28.217	6.485.210

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.

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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, 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
Balance as of January 1, 2023	71,144	1,855,051	1,926,195
Additions – lease contract renewal	-	-	-
Additions – new lease contracts	74,131	1,465,810	1,539,941
Lease termination, retirement and disposal	-	(780,522)	(780,522)
Balance as of December 31, 2023	145,275	2,540,339	2,685,614
Accumulated depreciation			
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
Balance as of January 1, 2023	49,265	812,598	861,863
Depreciation charge for the year	-	-	-
Additions – lease contract renewal	20,904	449,770	470,674
Additions – new lease contracts	43,374	(245,150)	(201,776)
Lease termination, retirement and disposal	-	-	-
Balance as of December 31, 2023	113,543	1,017,218	1,130,761
Net book value			
as of January 1, 2022	19,595	1,014,767	1,034,362
as of December 31, 2022	21,879	1,042,453	1,064,332
as of December 31, 2023	31,732	1,523,121	1,554,853

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 843,299 thousand RSD (2022: RSD 483,372 thousand).

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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:

	2023	2022
Depreciation charge for ROU assets	(470,674)	(364,769)
Interest expenses on lease liabilities	(14,055)	(11,326)
Rental costs for short-term leases	(32,084)	(9,854)
Service charges for premises leased	(24,779)	(18,542)
The Bank's rental income for premises leased out	39,505	30,022

21. INTANGIBLE ASSETS

The Bank's intangible assets comprise:

	2023	2022
Software, patents and licenses	1,182,354	1,084,261
Other intangible assets	487,982	-
Balance as of December 31, 2022	1,670,336	1,084,261

Movements on the Bank's property and equipment were as follows:

	Software. pat- ents and licenses	Goodwill	Other intangi- ble assets	Total
Cost				
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
Balance as of January 1, 2023	5,149,422	-	27,257	5,176,679
Additions	516,193	1,131,459	-	1,647,652
Integration effect	767,951	-	766,912	1,534,863
Retirement and disposal	(573,059)	-	-	(573,059)
Balance as of December 31, 2023	5,860,507	1,131,459	794,169	7,786,135
Accumulated amortization				
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
Balance as of January 1, 2023	4,065,161	-	27,257	4,092,418
Amortization charge for the year	482,636	-	87,309	569,945
Integration effect	674,416	-	65,482	739,898
Retirement and disposal	(544,060)	1,131,459	126,139	713,538
Balance as of December 31, 2023	4,678,153	1,131,459	306,187	6,115,799
Net book value				
as of January 1, 2022	951,433	-	-	951,433
as of December 31, 2022	1,084,261	-	-	1,084,261
as of December 31, 2023	1,182,354	-	487,982	1,670,336

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21. INTANGIBLE ASSETS (Continued)

As a result of transactions, the goodwill which was initially estimated in RSD 1,131,459 thousand. Until the end of the year, on the basis of testing the goodwill on impairment, it was established and recorded the amount of impairment of RSD 1,131,459 thousand.

Additionally, the fair value of assets and liabilities of the RBA Bank and done allocations of the purchase price identified these intangible assets: core residential deposits and client resident base were initially estimated in RSD 766,912 thousand. On December 31st 2023, following by the testing, impairment in RSD 278.931 thousand was recorded.

22. INVESTMENT PROPERTY

Cost	Investment property
Balance as of January 1, 2022	100.805
Retirement and disposal	(28.934)
Retirement and disposal	19.870
Balance as of December 31, 2022	91.741
Retirement and disposal	(10.752)
Retirement and disposal	-
Balance as of December 31, 2023	80.989
Accumulated amortization	
Balance as of January 1, 2022	26.299
Amortization charge for the year	2.477
Retirement and disposal	(3.864)
Balance as of December 31, 2022	24.912
Amortization charge for the year	2.077
Retirement and disposal	(4.730)
Valuation	6.277
Balance as of December 31, 2023	28.536
Net book value	
as of December 31, 2022	66.829
as of December 31, 2023	52.453

Investment property consists of residential and business premises that generated rental income in the amount of RSD 844 thousand (2022: RSD 3,619 thousand) in 2023. In the course of 2023, a new assessment of the value of investment property was made, and the effect of the decrease in the amount of RSD 6,277 thousand was booked.

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23. DEFERRED TAX ASSETS

Calculation of the Bank's deferred tax assets as of December 31, 2023 and 2022 is presented below:

	2023			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Differences arising between the property and equipment's tax amounts and carrying amounts	239,738	-	239,738	333,597	-	333,597
Provisions for litigations	186,257	-	186,257	118,276	-	118,276
Provisions for employee retirement benefits	76,573	-	76,573	50,946	-	50,946
Other	85	-	85	10,876	-	10,876
Deferred taxes per revaluation reserves relating to securities	166,332	-	166,332	190,352	-	190,352
Deferred tax assets/(liabilities), net	668,984	-	668,984	704,047	-	704,047

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 18,016 thousand (2022: positive revaluation effects of RSD 830,132 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.

24. OTHER ASSETS

The Bank's other assets include the following:

	2023	2022
Receivables for payment transfer fees and other non-lending services	112,504	72,723
Trade receivables	2,569	1,541
Receivables per advances paid for working capital	6,033	10,725
Receivables from employees	44,438	33,265
Receivables for sick/parental leave allowance refunds	27,513	22,118
Other accounts receivable	103,290	76,196
Suspense and temporary accounts	353,355	551,382
Receivables in settlement	11,159	
Deferred interest expenses	2	6
Deferred insurance expenses and rental costs	331,755	199,341
Other prepayments – accrued insurance agency income	344,359	253,855
Assets acquired in lieu of debt collection	150,718	5,890
Fixtures and inventories in use	2,017	2,017
	1,489,712	1,229,059
Less: Impairment allowance	(132,979)	(95,314)
Balance as of December 31	1,356,733	1,133,745

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24. OTHER ASSETS (Continued)

Movements on the impairment allowance for other assets are presented below:

	2023	2022
Individual impairment allowance – Stage 3		
Balance as of January 1	54,525	82,215
Charge for the year	70,580	27,642
Reversal	(15,506)	(9,372)
Write-off	(34,477)	(45,960)
Foreign exchange effects	(3)	-
Integration effect	6,767	
	81,886	54,525
Collective impairment allowance – Stage 1		
Balance as of January 1	4,426	2,153
Charge for the year	3,798	276
Reversal	(3,903)	(278)
Other	2,582	2,094
Foreign exchange effects	-	1
	6,903	4,246
Collective impairment allowance – Stage 2		
Balance as of January 1	36,543	11,048
Charge for the year	124,686	78,856
Reversal	(117,076)	(53,361)
Foreign exchange effects	1	-
Integration effect	36	
	44,190	36,543
Balance as of December 31	132,979	95,314

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24. OTHER ASSETS (Continued)

Assets acquired in lieu of debt collection (foreclosed assets) comprise:

	2023		2022	
	Area (m2)	Value	Area (m2)	Value
Smederevska Palanka. Neznalog junaka no.47 - commercial and residential building	275	5,890	274.52	5,890
Jagodina, Premises br, 62	65	2,406		
Borča, Njiva II class, lot 2980/2,	3,167	22,375		
Borca, Field II class, lot 2979,	4,917	34,739		
Jagodina, Lokal 12, Sarina medja 2	92	705		
Borča, Field II class, lot 2980/1,	4,007	23,550		
Jagodina, lokal 13, Vojvođanska bb2	94	1,176		
Subotica, field andi land under building	10,785	1,041		
Kovačica, Field I class 4198m2	4,198	4,468		
Kragujevac, family residential building br3, Luja Pastera br112	424	21,488		
Novi Sad, Tekelijina 14	83	4,563		
Arilje, residential building, lot 801/1	79	2,156		
Bački Monoštor, Residential building, Zagrebačka 104	144	823		
Paraćin, Premises,	2,000	4,222		
Bošnjane, residential building 168m2, subsidiary building 24m2	24	1,370		
Bošnjane, house, business building 223m2	223	825		
Bošnjane, land near the building 500m2 i field 1301m2	1,801	264		
Bošnjane, field 8030m2	8,030	588		
Paraćin, Vidovdanska 4, premises 594 i pasture 5232m2	5,826	7,779		
Paraćin, Vidovdanska 4, premises 674m2 i pasture 1702m2	2,376	8,183		
Ub, Kralja Petra I 58, premises	47	2,106		
	48,657	150,718	274,52	5,890

Movements on the impairment allowance for foreclosed assets are presented below:

	2023	2022
Impairment allowance		
Balance as of January 1	3	78
Charge for the year	2,582	2,094
Balance as of December 31	4,754	2,172

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24. 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.

25. 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:

	2023			2022		
	RSD	FCY	Total	RSD	FCY	Total
Demand/transaction deposits	2,951,185	521,172	3,472,357	1,639,841	840,206	2,480,047
Liabilities per given loans		295,933	295,933			
Earmarked deposits	10,000	8,310	18,310	10,000	103,281	113,281
Other deposits	1,446,157	1,465	1,447,622	5,356	6,787,809	6,793,165
Overnight deposits	-	-	-	-	2,328,073	2,328,073
Liabilities per repo transactions	-	-	-	5,362,089	-	5,362,089
Borrowings	-	8,051,391	8,051,391	-	47,740	47,740
Other financial liabilities	5,355	124,660	130,015	1,508	356,161	357,669
Balance as of December 31	4,412,697	9,002,931	13,415,628	7,018,794	10,463,270	17,482,064

The Bank's borrowings include:

	2023		2022	
	EUR '000	RSD '000	EUR '000	RSD '000
EIB	40,380	4,731,470	-	-
KfW	28,333	3,319,922	-	-
RAIFFEISEN BANK INTERNATIONAL AG	-	-	409	47,740
Balance as of December 31	68,713	8,051,392	409	47,740

Long-term loans withdrawn from EIB and KfW were taken over by the migration of RBA Bank. Loans were withdrawn with an agreed repayment term of 6-10 years with interest rates from 0.382% to 4.125%.

As of December 31, 2023, 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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26. DEPOSITS AND OTHER FINANCIAL LIABILITIES DUE TO CUSTOMERS

The Bank's deposits and other financial liabilities due to other customers comprise:

	2023			2022		
	RSD	FCY	Total	RSD	FCY	Total
Demand/transaction deposits	191,772,466	296,264,563	488,037,029	127,869,460	260,964,756	388,834,216
Savings deposits	606,024	33,018,444	33,624,468	274,279	28,933,991	29,208,270
Deposits placed as collaterals for loans approved	186,717	1,646,903	1,833,620	108,469	1,214,277	1,322,746
Earmarked deposits	430,345	6,318,038	6,748,383	326,179	6,052,184	6,378,363
Other deposits	4,363,745	1,682,793	6,046,538	1,018,689	413,007	1,431,696
Borrowings	-	2,950,893	2,950,893	-	3,258,433	3,258,433
Other financial liabilities	104,489	2,759,357	2,863,846	18,689	1,239,645	1,258,334
Balance as of December 31	197,463,786	344,640,991	542,104,777	129,615,765	302,076,293	431,692,058

Borrowings in the amount of RSD 2,934,868 thousand (2022: RSD 3,258,433 thousand) refer to loans approved to the Bank by the Republic of Serbia Ministry of Finance - APEX loans with due dates until 2030. 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. For one party loans fixed interest rate is set at 3,985%.

In 2023, to the medium-large corporate sector, the Bank generally paid interest in exceptional cases. 4,8% for RSD deposits and up to 3,9% for foreign current deposits, but optionally offered the services of Raiffeisen Invest Cash Fund, where average yields on RSD deposits were approximately 4,4%, and 3,1% to foreign currency deposits in EUR.

In 2023, 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 4,4% for RSD and 3,1% for EUR.

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%. In the savings week (October 31st until December 31st 2023) banked has arranged deposits of 12 months in RSD currency with interest rate up to 4,00% and in EUR with interest rate up to 2,5%. 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.

For residential RSD deposit which have migrated from the RBA bank, the Bank has calculated interest rate in currencies: RSD 0,6% up to 5% and 0,1% up to 1,9%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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

26. DEPOSITS AND OTHER FINANCIAL LIABILITIES DUE TO CUSTOMERS (Continued)

	Note	2023	2022
Opening 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
Opening balance at January 1		449,174,122	368,958,028
Net inflows - deposits		(3,714,044)	80,710,373
Net outflows - borrowings		(2,582,988)	(831,383)
Net outflows - interest		(2,266,740)	(1,042,945)
Net outflows - fees		(5,889,430)	(4,525,278)
Net inflows- integration		105,627,403	
Net inflows- credit integration		10,283,568	
Foreign exchange effects		(1,430,531)	256,141
Accrued interest and other non-cash transactions		6,319,045	5,649,186
Closing balance			
Deposits and other financial liabilities due to banks, other financial institutions and the central bank	24	13,415,628	17,482,064
Deposits and other financial liabilities due to other customers	25	542,104,777	431,692,058
Closing balance as of December 31		555,520,405	449,174,122

26.1 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
2023					
Borrowings	3,258,433	-	(314,553)	7,013	2,950,893
2022					
Borrowings	4,136,560	-	(831,383)	(46,744)	3,258,433

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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27. SUBORDINATED LIABILITIES

	2023	2022
Subordinated liabilities	9,077,883	9,044,765
Balance as of December 31	9,077,883	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.

28. PROVISIONS

28.1. Breakdown of the Bank's provisions:

	2023	2022
Provisions for employee benefits		
- for retirement benefits	409,428	251,215
- for other long-term employee benefits	101,057	88,429
- other provisions – short-term (for bonuses, annual leave allowances)	341,668	307,458
	852,153	647,102
Provisions for losses on off-balance sheet items (contingent liabilities)	1,080,668	1,075,857
Provisions for litigations	1,239,329	768,281
Other provisions	20,363	38,566
Balance as of December 31	3,192,513	2,529,806

28.2. Movements on the provisions for employee benefits were as follows:

	2023	2022
Balance at January 1	647,102	535,872
Provisioning charge for the year	328,842	359,535
Reversal of provisions	(379,062)	(204,229)
Actuarial gains	73,660	(39,341)
Release through payment	(10,736)	(4,735)
Integration effect	192,347	-
Balance as of December 31	852,153	647,102

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Year Ended December 31, 2023

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

28. PROVISIONS (Continued)

28.3. Movements on the provisions for losses on off-balance sheet items were as follows:

	2023	2022
Balance at January 1	1,075,857	808,521
Provisioning charge for the year	2,102,065	2,027,476
Reversal of provisions	(2,155,719)	(1,759,189)
Foreign exchange effects	(924)	(951)
Integration effect	59,389	-
Balance as of December 31	1,080,668	1,075,857

Provisions for contingent liabilities in the amount of RSD 1,080,668 thousand (December 31, 2022: RSD 1,075,857 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.

28.4. Movements on the provisions for litigations were as follows:

	2023	2022
Balance at January 1	768,281	951,981
Provisioning charge for the year	484,029	332,347
Other	(5,721)	(249,063)
Release through payment	(399,707)	(266,984)
Integration effect	392,447	-
Balance as of December 31	1,239,329	768,281

28.5. Movements on the other provisions were as follows:

	2023	2022
Balance at January 1	38,566	54,480
Provisioning charge for the year	-	6,004
Release through payment	(18,203)	(21,918)
Balance as of December 31	20,363	38,566

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29. OTHER LIABILITIES

The Bank's other liabilities consist of:

	2023	2022
Liabilities for fees and commissions	7,161	6,180
Trade payables	107,489	64,344
Liabilities per advances received	237,171	459,617
Lease liabilities (Note 20)	1,596,428	1,091,347
Other accounts payable	96,325	91,052
Liabilities in settlement	488,289	514,237
Suspense and temporary accounts	1,552,775	666,447
Liabilities for employee salaries and salary compensations		254
Value added tax liabilities	75,129	76,397
Liabilities for other taxes and contributions payable	3,360	3,422
Other accrued expenses	476,930	242,944
Deferred interest income	309,360	98,774
Deferred other income	322,263	251,982
Other accruals	7,082	2,430
Balance as of December 31	5,279,762	3,569,427

29. EQUITY

29.1. The Bank's equity consists of:

	2023	2022
Share capital	27,466,158	27,466,158
Reserves from profit	37,868,493	30,309,874
Revaluation reserves from the change in the fair value of equity instruments – investments in the subsidiaries	1,415,101	1,397,085
Actuarial gains	(14,307)	33,440
Hedging reserves	74,669	136,115
Revaluation reserves from the change in the fair value of equity instruments – bonds	(1,002,912)	(1,248,213)
Current year's profit	21,357,568	9,693,612
Balance as of December 31	87,164,770	67,788,071

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.

Under the relevant decision of the Bank's Shareholder Assembly dated March 20th 2023, from the total amount of RSD 9,693,612 thousand, a portion of the 2023 profit in the amount of RSD 6,281,559 thousand was allocated to the other reserves from profit. The remaining profit of RSD 3,412,053 was allocated on dividend payments which were paid off on November 30th, 2023. The remaining profit from previous years of RSD 1,277,060 thousands, the Bank also allocated to the other reserves from profit

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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29. EQUITY (Continued)

In 2023, under the relevant decision of the Bank's Shareholder Assembly dated April 28, 2022, the Bank paid a part from the 2021 profit of RSD 5,291,195 thousand was allocated into the reserve from profit. Under the decision of the Bank's Shareholder Assembly on September 26th, 2022, the remaining profit from 2021 in the amount of RSD 1,565,885, as well as remaining profit dated before 2021 in amount of RSD 99,329 the Bank allocated into the remaining profit reserve.

30.2. The Bank's reserves from profit include:

	2023	2022
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	14,515,028	6,956,409
Balance as of December 31	37,868,493	30,309,874

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.

30.3. The Bank is fully compliant with all the regulatory requirements in respect of its capital and capital adequacy ratios (Note 4(f)).

31. COMMITMENTS AND CONTINGENT LIABILITIES

31.1. The Bank's commitments and contingent liabilities as of December 31 were as follows:

	2023	2022
Guarantees and other sureties issued	89,845,073	72,584,683
Letters of credit	1,286,753	1,914,037
Irrevocable loan commitments	21,287,473	17,998,123
Revocable loan commitments	158,034,470	96,787,842
Balance as of December 31	270,453,769	189,284,685

For potential liabilities stated in off-balance assets, the Bank estimated and formed reserve at the expense of expenditure in the amount of RSD 1,080,668 thousand (2022: RSD 1,075,857 thousand). This has been recorded as the liability based on reservation in the Bank's balance.

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 (2022: RSD 868,217 thousand), recording them at the same time within liabilities in the statement of financial position.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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31. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

31.1. The Bank's commitments and contingent liabilities (Continued)

Breakdown of the Bank's irrevocable loan commitments:

	2023	2022
Framework loan facilities per corporate clients' account overdrafts	25,000	25,000
Framework loan facilities per short-term loans and guarantees	2,956,660	37,626
Framework loan facilities per long-term loans and guarantees	3,750,883	4,930,170
Framework facilities per factoring activities	-	284,057
Framework loan facilities per corporate clients' credit cards	1,326,443	1,027,549
Framework loan facilities per retail clients' account overdrafts	1,988,516	1,185,247
Framework loan facilities per retail clients' credit cards	11,239,971	10,508,474
Balance as of December 31	21,287,473	17,998,123

31.2. Litigation

As of December 31, 2022, there were 23,030 lawsuits (2022: 22,988 lawsuits) involving the Bank as a defendant with the claims totaling RSD 3,208,533 thousand (2022: RSD 3,820,439 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 1,239,329 thousand (2022: RSD 768,281 thousand).

Based on the assessment of the Legal Service, and on the basis of previous experience, in the course of 2023, the costs of the legal claim were calculated in the amount of EUR 500 in the dinar equivalent of the value of the legal claim.

On the other hand, the Bank filed a number of lawsuits against third parties mostly for debt collection.

32. 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 Osterreich 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.

The following tables summarize the total on-balance sheet exposures, i.e., receivable and payables due from and to the related parties affecting the Bank's operations:

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32. RELATED PARTY TRANSACTIONS (Continued)

STATEMENT OF FINANCIAL POSITION

	December 31, 2023	December 31, 2022
ASSETS		
Receivables under derivatives		
Raiffeisen Bank International AG Wien	54,723	18,791
	54,723	18,791
Loans and receivables due from banks and other financial institutions		
Raiffeisen Bank International AG Wien	2,198,199	2,804,841
The Bank's related parties fully consolidated	21,785,969	23,120,052
	23,984,168	25,924,893
Loans and receivables due form customers		
The Bank's related parties fully consolidated	1,400,649	18,424,891
	1,400,649	18,424,891
Receivables per derivatives held for risk hedging		
Raiffeisen Bank International AG Wien	596,925	160,189
	596,925	160,189
Property, plant and equipment		
The Bank's related parties fully consolidated	21,575	21,879
	21,575	21,879
Other assets		
Raiffeisen Bank International AG Wien	49,183	53,845
The Bank's related parties fully consolidated	4,005	2,207
Other related parties	32,289	21,203
	85,477	77,255
LIABILITIES		
Liabilities under derivatives		
Raiffeisen Bank International AG Wien	60,094	91,306
	60,094	91,306
Liabilities per derivatives held for risk hedging		
Raiffeisen Bank International AG Wien	1,217,435	1,273,098
	1,217,435	1,273,098
Deposits and other financial liabilities due to banks, other financial institutions and the central bank		
Raiffeisen Bank International AG Wien	180,671	52,610
The Bank's related parties fully consolidated	492,439	9,109,325
Other related parties	813,522	106,058
	1,486,632	9,267,993
Deposits and other financial liabilities due to customers		
The Bank's related parties fully consolidated	722,876	345,720
	722,876	345,720
Subordinated liabilities		
Raiffeisen Bank International AG Wien	9,077,883	9,044,765
	9,077,883	9,044,765
Provisions		
Raiffeisen Bank International AG Wien	103	47
The Bank's related parties fully consolidated	48,546	702
	48,649	749
Other liabilities		
Raiffeisen Bank International AG Wien	226,143	88,322
The Bank's related parties fully consolidated	103,897	397
	330,040	88,719

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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32. RELATED PARTY TRANSACTIONS (Continued)

STATEMENT OF PROFIT OR LOSS

	2023	2022
Interest income		
Raiffeisen Bank International AG. Wien	92,403	23,191
The Bank's related parties fully consolidated	824,003	452,683
	916,406	475,874
Interest expenses		
Raiffeisen Bank International AG. Wien	(1,248,853)	(701,889)
The Bank's related parties fully consolidated	(53,159)	(49,336)
	(1,302,012)	(751,225)
Fee and commission income		
Raiffeisen Bank International AG. Wien	1,365,359	1,416,790
The Bank's related parties fully consolidated	60,548	213,791
Other related parties	263,197	16,289
	1,689,104	1,646,870
Fee and commission expenses		
Raiffeisen Bank International AG. Wien	(1,744,256)	(1,672,336)
The Bank's related parties fully consolidated	(465,980)	(514,748)
Other related parties	(1)	(1,108)
	(2,210,237)	(2,188,192)
Net gains/(losses) on fair value changes of financial instruments		
Raiffeisen Bank International AG. Wien	(255,129)	1,964,030
The Bank's related parties fully consolidated	-	-
	(255,129)	1,964,030
Net (losses)/gains on risk hedging		
Raiffeisen Bank International AG. Wien	564,689	(1,847,238)
	564,689	(1,847,238)
Other operating income		
Raiffeisen Bank International AG. Wien	2,391	2,164
The Bank's related parties fully consolidated	121,897	20,411
Other related parties	8,051	8,393
	132,339	30,973
Net losses on impairment of financial assets measured at FVtPL		
Raiffeisen Bank International AG. Wien	(112)	(381)
The Bank's related parties fully consolidated	(72,903)	(16,595)
	(73,015)	(16,976)
Other income		
Raiffeisen Bank International AG. Wien	47,214	10
The Bank's related parties fully consolidated	181	805
	47,395	815
Other expenses		
Raiffeisen Bank International AG. Wien	(658,897)	(499,019)
The Bank's related parties fully consolidated	(175,299)	(86,099)
	(834,196)	(585,118)
Expenses, net	(1,324,656)	(1,270,187)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Year Ended December 31, 2023

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32. RELATED PARTY TRANSACTIONS (Continued)

In 2023, the total gross salaries paid to the members of the Bank's Managing Board and other key management personnel amounted to RSD 1,088,320 thousand (2022: RSD 816,991 thousand). Other than the said gross salaries, no remunerations were paid to the Bank's key management personnel in 2023 or 2022.

33. 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 2023.

Belgrade, March 26, 2024



Zoran Petrović

Chairperson of the Managing Board



Goran Kesić

Member of the Managing Board

