

OTP BANK SERBIA A.D., NOVI SAD

**Consolidated Financial Statements of the Banking Group and
Independent Auditors' Report**

December 31, 2021

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*This is English translation of the Report
originally issued in Serbian language
(For management purposes only)*

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF OTP BANKA SRBIJA A.D. NOVI SAD

Opinion

We have audited the consolidated financial statements of OTP banka Srbija a.d. Novi Sad (the Banking group), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated income statement and consolidated statement of comprehensive income.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Banking group as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, in terms of the Law on Banks and bylaws of the National Bank of Serbia regulating financial reporting of banks.

Basis for opinion

We conducted our audit in accordance with Standards on Auditing applicable in the Republic of Serbia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Banking group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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 Matters

The consolidated financial statements of the Banking group for the year ended on 31 December 2020 were audited by another auditor who expressed unmodified opinion on those statements on 17 March 2021.

Responsibilities of management and Audit Committee for the consolidated financial statements

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

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

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



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Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Banking group'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 Banking group'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 consolidated 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 Banking group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Banking group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Banking group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

Belgrade, 15 March 2022



Nikola Ribar
Authorized Auditor
Ernst & Young d.o.o. Beograd



CONSOLIDATED INCOME STATEMENT OF THE BANKING GROUP

	RSD000	December 31, 2021	December 31, 2020
Interest income		18,059,693	8,196,543
Interest expenses		(2,064,368)	(821,481)
Net interest income		15,995,325	7,375,062
Fee and commission income		8,050,352	3,281,954
Fee and commission expenses		(2,349,156)	(619,487)
Net fee and commission income		5,701,196	2,662,467
Net (losses)/gains on changes in the fair value of financial instruments		898,918	(108,713)
Net losses on derecognition of the financial instruments measured at fair value		(6,961)	(1,092)
Net gains/(losses) on risk hedging		1,881	7,334
Net foreign exchange gains/(losses) and positive currency clause effects		(845,978)	526,548
Net losses on impairment of financial assets not measured at fair value through profit or loss		(325,903)	(3,404,380)
Net gains/(losses) on derecognition of the financial assets measured at amortized cost		169,167	138,640
Net profit arising from investments in associated entities and joint ventures		127,739	
Other operating income		206,272	439,067
TOTAL OPERATING INCOME, NET		21,921,656	7,634,933
Salaries, salary compensations and other personnel expenses		(5,482,196)	(3,386,132)
Depreciation and amortization charge		(1,403,186)	(991,972)
Other income		729,139	230,916
Other expenses		(8,788,350)	(4,627,492)
(LOSS)/PROFIT BEFORE TAX		6,977,065	(1,139,747)
Current income tax expenses		(506,773)	(24,605)
Deferred tax gains/(loss)		(68,878)	46,921
(LOSS)/PROFIT AFTER TAX		6,401,414	(1,117,431)
RESULT FOR THE YEAR - (LOSS)/PROFIT		6,401,414	(1,117,431)
Profit belonging to the parent entity		6,320,811	
Profit belonging to owners without control rights		80,603	
Loss belonging to the parent entity		-	(1,040,647)
Loss belonging to owners without control rights		-	(76,784)

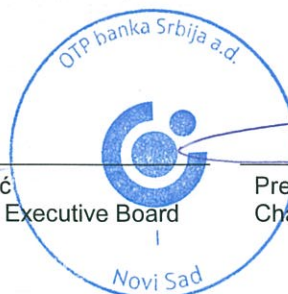
These Consolidated financial statements of the Banking Group were approved by the Executive Board of OTP bank Serbia a.d., Novi Sad on March 15, 2022.



Vladimir Pejčić
Director of the Accounting
Directorate



Branimir Spasić
Member of the Executive Board

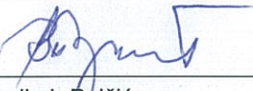



Predrag Mihajlović
Chairman of the Executive Board

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE BANKING GROUP

RSD000	December 31, 2021	December 31, 2020
RESULT FOR THE YEAR - (LOSS)/PROFIT	6,401,414	(1,117,431)
<i>Components of other comprehensive income that cannot be reclassified to the profit or loss:</i>		
Actuarial gains / (losses)	(834)	1,727
<i>Components of other comprehensive income that can be reclassified to the profit or loss:</i>		
Positive effect of changes in fair value on debt instruments measured at fair value through other comprehensive income (FVtOCI)	(1,511,061)	1,541
Positive effect of changes in fair value on equity instruments measured at fair value through other comprehensive income (FVtOCI)	2,894	-
Profit / (loss) based on taxes related to other results of the period	224,523	(482)
Total positive / (negative) other comprehensive income for the year	(1,284,478)	2,786
TOTAL POSITIVE COMPREHENSIVE INCOME FOR THE YEAR	5,116,936	(1,114,645)
Total positive / (negative) comprehensive income for the year, attributable to the parent entity	5,036,333	(1,188,429)
Total positive / (negative) comprehensive income for the year, attributable to the non-controlling interest	80,603	73,784

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 Vladimir Pejčić
 Director of the Accounting
 Directorate



 Branimir Spasić
 Member of the Executive Board






 Predrag Mihajlović
 Chairman of the Executive Board




CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE BANKING GROUP

	RSD000	December 31, 2021	December 31, 2020
ASSETS			
Cash and balances held with the central bank		90,624,576	33,251,589
Pledged financial assets		463,080	1,494,796
Receivables under derivative financial instruments		257,848	29,921
Securities		53,814,367	17,228,522
Loans and receivables due from banks and other financial institutions		6,558,468	4,955,845
Loans and receivables due from customers		519,109,915	169,993,155
Investments in associates and joint ventures		332,076	107
Investments in subsidiaries		-	40
Intangible assets		1,312,961	736,417
Property, plant and equipment		12,373,339	9,364,523
Investment property		116,421	166,457
Current tax assets		190,978	40,464
Deferred tax assets		-	400,644
Non-current assets held for sale and discontinued operations		79,266	114,524
Other assets		3,649,073	8,798,081
TOTAL ASSETS		688,882,368	246,575,085
LIABILITIES AND EQUITY			
Liabilities under derivative financial instruments		206,738	160,724
Deposits and other liabilities due to banks, other financial institutions and the central bank		188,319,323	56,769,830
Deposits and other liabilities due to customers		382,573,400	153,111,844
Subordinated liabilities		14,724,802	1,177,041
Provisions		3,753,739	1,545,223
Current tax liabilities		52,830	24,605
Deferred tax liabilities		27,373	516,350
Other liabilities		6,653,070	2,386,503
TOTAL LIABILITIES		596,311,275	215,692,120
Share capital		59,395,644	34,171,370
Profit		6,898,081	98,080
Loss		1,451,822	(3,777,742)
Reserves		27,462,102	204,771
Non-controlling interest		267,088	186,485
TOTAL EQUITY		92,571,093	30,882,964
TOTAL LIABILITIES AND EQUITY		688,882,368	246,575,085

These Consolidated financial statements of the Banking Group were approved by the Executive Board of OTP bank Serbia a.d., Novi Sad on March 15, 2022.


 Vladimir Pejčić
 Director of the Accounting
 Directorate


 Branimir Spasić
 Member of the Executive Board


 Predrag Mihajlović
 Chairman of the Executive Board

