OTP BANKA SRBIJA A.D. NOVI SAD

Separate Financial Statements and Independent Auditors' Report

December 31, 2022

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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 financial statements of **OTP banka Srbija a.d. Novi Sad** (the Bank), which comprise the balance sheet as at **31 December 2022**, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with 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 financial statements section of our report. We are independent of the Bank 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 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 information included in the Bank's Annual Business Report

Other information consists of the information included in the Annual business report other than the financial statements and our auditor's report thereon. Management is responsible for the preparation of other information in accordance with the legal requirements of the Republic of Serbia.
Our opinion on the financial statements does not cover the Other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with Law on Accounting of Republic of Serbia, in particular, whether the other information complies with the Law on Accounting of Republic of Serbia in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

PIB: 101824091 • Matični broj: 17155270 • Upisan i unet osnovni kapital: 15.075,01 EUR
Registarski broj 47839 kod Agencije za privredne registre
Poslovni račun 160-0000000399176-13 kod Banca Intesa a.d. Beograd

Other information included in the Bank's Annual Business Report (continued)

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and

2. the other information is prepared in accordance with requirements of the Law on Accounting of Republic of Serbia.

In addition, our responsibility is to report, based on the knowledge and understanding of the Bank obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management and Audit Committee for the financial statements

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

In preparing the 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.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

As part of an audit in accordance with Standards on Auditing applicable in the 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 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 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 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, 16 March 2023

PREDUZEĆE ZA REVIZIJU
Ernst & Young
II
d.o.o. BEOGRAD

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

SEPARATE INCOME STATEMENT

RSD 000	Note	December 31, 2022	December 31, 2021
Interest income	4	27,175,122	17,368,324
Interest expenses	4	(6,037,982)	(2,004,712)
Net interest income		**21,137,140**	**15,363,612**
Fee and commission income	5	11,735,442	7,992,911
Fee and commission expenses	5	(3,464,537)	(2,286,076)
Net fee and commission income		**8,270,905**	**5,706,835**
Net (losses)/gains on changes in the fair value of financial instruments	6	483,020	898,918
Net losses on derecognition of the financial instruments measured at fair value	7	(3,526)	(6,961)
Net gains/(losses) on risk hedging	8	3,342	1,881
Net foreign exchange gains/(losses) and positive currency clause effects	9	(254,052)	(846,018)
Net losses on impairment of financial assets not measured at fair value through profit or loss	10	(4,174,554)	(530,738)
Net gains/(losses) on derecognition of the financial assets measured at amortized cost	11	406,162	169,167
Other operating income	12	706,682	325,040
TOTAL OPERATING INCOME, NET		**26,575,119**	**21,081,736**
Salaries, salary compensations and other personnel expenses	13	(5,726,934)	(5,350,221)
Depreciation and amortization charge	14	(1,475,602)	(1,394,255)
Other income	15	689,840	471,206
Other expenses	16	(7,556,607)	(8,605,313)
PROFIT BEFORE TAX		**12,505,816**	**6,203,153**
Current income tax expenses	17	(1,452,570)	(377,582)
Deferred tax gains/(loss)	17	(191,557)	(68,910)
PROFIT AFTER TAX		**10,861,689**	**5,756,661**
RESULT FOR THE YEAR - PROFIT		**10,861,689**	**5,756,661**

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

These Separate financial statements were approved by the Executive Board of OTP banka Srbija a.d. Novi Sad on March 16, 2023.

OTP banka Srbija a.d.
Novi Sad

Vladimir Pejčić
Director of the Accounting Directorate

Branimir Spasić
Member of the Executive Board

Predrag Mihajlović
Chairman of the Executive Board

SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

RSD 000	December 31, 2022	December 31, 2021
RESULT FOR THE YEAR - PROFIT	**10,861,689**	**5,756,661**
Components of other comprehensive income that cannot be reclassified to the profit or loss:		
Actuarial gains / (losses)	41,735	(698)
Components of other comprehensive income that can be reclassified to the profit or loss:		
Positive/ (negative) effect of changes in fair value on debt instruments measured at fair value through other comprehensive income (FVtOCI)	(1,838,846)	(1,511,061)
Positive effect of changes in fair value on equity instruments measured at fair value through other comprehensive income (FVtOCI)	3,151	2,894
Profit / (loss) based on taxes related to other results of the period	276,356	224,523
Total positive / (negative) other comprehensive income for the year	(1,517,604)	(1,284,342)
TOTAL POSITIVE COMPREHENSIVE INCOME FOR THE YEAR	**9,344,085**	**4,472,319**

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OTP banka Srbija a.d. Novi Sad

Vladimir Pejčić Director of the Accounting Directorate	Branimir Spasić Member of the Executive Board	Predrag Mihajlović Chairman of the Executive Board

SEPARATE STATEMENT OF FINANCIAL POSITION

RSD 000	Note	December 31, 2022	December 31, 2021
ASSETS			
Cash and balances held with the central bank	18	140,512,381	90,624,576
Pledged financial assets	19	445,087	463,080
Receivables under derivative financial instruments	20	448,484	257,848
Securities	21	41,472,668	53,814,367
Loans and receivables due from banks and other financial institutions	22	11,214,878	8,761,581
Loans and receivables due from customers	23	532,490,294	493,442,622
Investments in associates and joint ventures	24	149,650	149,650
Investments in subsidiaries	25	755,514	755,514
Intangible assets	26	1,254,606	1,214,245
Property, plant and equipment	27	11,507,553	12,329,180
Investment property	28	370,153	119,268
Current tax assets	29	-	190,978
Deferred tax assets	29	57,199	-
Non-current assets held for sale and discontinued operations	30	6,248	6,164
Other assets	31	3,327,230	3,469,875
TOTAL ASSETS		**744,011,945**	**665,598,948**
LIABILITIES AND EQUITY			
Liabilities under derivative financial instruments	33	398,327	206,738
Deposits and other liabilities due to banks, other financial institutions and the central bank	34	170,000,624	166,985,806
Deposits and other liabilities due to customers	35	448,758,309	382,573,400
Subordinated liabilities	36	14,748,628	14,724,802
Provisions	37	3,772,895	3,787,232
Current tax liabilities	29	1,042,563	-
Deferred tax liabilities	29	-	27,600
Other liabilities	38	4,932,613	6,279,469
TOTAL LIABILITIES		**643,653,959**	**574,585,047**
Share capital	39	59,395,644	59,395,644
Profit	39	10,861,689	5,756,661
Loss	39	-	(1,451,822)
Reserves	39	30,100,653	27,313,418
TOTAL EQUITY		**100,357,986**	**91,013,901**
TOTAL LIABILITIES AND EQUITY		**744,011,945**	**665,598,948**

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of these Separate financial statements.

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OTP banka Srbija a.d.
Novi Sad

Vladimir Pejčić Director of the Accounting Directorate	Branimir Spasić Member of the Executive Board	Predrag Mihajlović Chairman of the Executive Board

SEPARATE STATEMENT OF CASH FLOWS

RSD 000	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from operating activities	**39,649,268**	**26,273,389**
Interest receipts	26,750,886	18,009,653
Fee and commission receipts	11,276,813	5,955,242
Receipts of other operating income	1,206,617	2,233,250
Dividend receipts and profit sharing	414,952	75,244
Cash outflows from operating activities	**(22,693,470)**	**(17,872,149)**
Interest payments	(4,405,497)	(1,918,467)
Fee and commission payments	(3,683,387)	(1,936,102)
Payments to, and on behalf of employees	(5,970,094)	(5,444,971)
Taxes, contributions and other duties paid	(1,509,402)	(1,322,221)
Payments for other operating expenses	(7,125,090)	(7,250,388)
Net cash inflows from operating activities prior to increases/decreases in financial assets and financial liabilities	**16,955,798**	**8,401,240**
Decrease in financial assets and increase in financial liabilities	**78,648,704**	**41,146,970**
Decrease in receivables per securities and other financial assets not held for investment	9,873,862	3,548,902
Increase in deposits and other liabilities due to banks, other financial institutions, the central bank and customers	68,774,842	37,598,068
Increase in financial assets and decrease in financial liabilities	**(91,092,188)**	**(71,110,083)**
Increase in loans and other receivables due to banks	(91,092,188)	(71,110,083)
Net cash used in operating activities before income taxes	**4,512,314**	**(21,561,873)**
Income tax paid	(219,029)	(18,393)
Net cash used in operating activities	**4,293,285**	**(21,580,266)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows from investing activities	**313,845**	**17,685,862**
Proceeds from the sales of intangible assets, property, plant and equipment	299,792	478,353
Proceeds from the sales of investment property	14,053	41,880
Other inflows from investing activities	-	17,165,629
Cash outflows from investing activities	**(911,317)**	**(801,451)**
Cash used for the purchases of intangible assets, property, plant and equipment	(911,317)	(801,451)
Net cash generated/(used in) by investing activities	**(597,472)**	**16,884,411**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities	**20,647,238**	**36,134,113**
Capital inflows	-	1,500,000
Inflows per subordinated liabilities	-	4,115,272
Borrowings, inflows	20,647,238	30,518,841
Cash inflows from financing activities	**(20,618,595)**	**(18,802,877)**
Borrowings, outflows	(20,102,424)	(18,017,080)
Other outflows from financing activities	(516,171)	(785,797)
Net cash generated by financing activities	**28,643**	**17,331,236**
TOTAL CASH INFLOWS	139,259,055	121,240,334
TOTAL CASH OUTFLOWS	(135,534,599)	(108,604,953)
NET CASH INCREASE	**3,724,456**	**12,635,381**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**28,456,195**	**15,628,727**
FOREIGN EXCHANGE GAINS	757,531	404,883
FOREIGN EXCHANGE LOSSES	(639,229)	(212,796)
CASH AND CASH EQUIVALENTS, END OF YEAR	**32,298,953**	**28,456,195**

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

These Separate financial statements were approved by the Executive Board of OTP banka Srbija a.d. Novi Sad on March 16, 2023.

OTP banka Srbija a.d. Novi Sad

Vladimir Pejčić Director of the Accounting Directorate	Branimir Spasić Member of the Executive Board	Predrag Mihajlović Chairman of the Executive Board

SEPARATE STATEMENT OF CHANGES IN EQUITY

RSD 000	Share and Other Capital	Share Premium	Reserves from Profit and Other Reserves	Revaluation Reserves	Profit	Loss	Total Equity and Reserves
Opening balance at January 1, 2021	**31,607,808**	**2,563,562**	**-**	**188,995**	**-**	**(3,694,657)**	**30,665,708**
Total positive other comprehensive income for the year	-	-	-	727,869	-	-	727,869
Profit for the current year	-	-	-	-	5,756,661	-	5,756,661
Transactions with owners recognized directly in equity – increase	1,499,972	28	-	-	-	-	1,500,000
Profit distribution, loss coverage - decrease	-	-	-	-	(2,242,835)	2,242,835	-
Other - increase	23,723,021	1,302	26,396,554	-	2,242,835	-	52,363,712
Other - decrease	(49)	-	-	-	-	-	(49)
Balance at December 31, 2021	**56,830,752**	**2,564,892**	**26,396,554**	**916,864**	**5,756,661**	**(1,451,822)**	**91,013,901**
Opening balance at January 1, 2022	**56,830,752**	**2,564,892**	**26,396,554**	**916,864**	**5,756,661**	**(1,451,822)**	**91,013,901**
Total negative other comprehensive income for the year	-	-	-	(1,517,604)	-	-	(1,517,604)
Profit for the current year	-	-	-	-	10,861,689	-	10,861,689
Profit distribution, loss coverage - decrease	-	-	4,304,839	-	(5,756,661)	1,451,822	-
Balance at December 31, 2022	**56,830,752**	**2,564,892**	**30,701,393**	**(600,740)**	**10,861,689**	**-**	**100,357,986**

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

These Separate financial statements were approved by the Executive Board of OTP banka Srbija a.d. Novi Sad on March 16, 2023.

OTP banka Srbija a.d. Novi Sad

Vladimir Pejčić
Director of the Accounting Directorate

Branimir Spasić
Member of the Executive Board

Predrag Mihajlović
Chairman of the Executive Board

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

1. BANK'S ESTABLISHMENT AND ACTIVITY

OTP Bank Serbia ad Novi Sad (hereinafter: the “Bank”) is new name for Vojvođanska banka a.d. Novi Sad, which changed its name to OTP banka Srbija a.d. Novi Sad on April 29, 2021 and is the legal successor of OTP banka Srbija a.d. Beograd.

Vojvođanska banka a.d. Novi Sad (hereinafter: the “Bank”) is also a legal successor OTP Banka Srbija a.d. Novi Sad. Under Decision of the Serbian Business Registers Agency no. BD 41337/2019 dated April 25, 2019, the Bank changed its legal name from OTP Banka Srbija a.d. Novi Sad to Vojvođanska banka a.d. Novi Sad.

OTP banka a.d. Belgrade was founded on December 14, 1990 and entered in the Register at the Commercial Court on February 14, 1991. The founder of the bank is Societe Generale S.A. Paris. On September 24, 2019, OTP Bank Nyrt Budapest became the 100% owner of the Bank and as of September 25, 2019, the Bank is a member of the OTP Group. By the Decision of the Business Registers Agency number BD 98932/2019 dated September 25, 2019, the Bank changed its name to OTP banka a.d. Beograd, in the register of business entities. Prior to that, the name of the bank was Societe Generale Banka Srbija a.d. Beograd.

The Decision on the merger of OTP banka a.d. Belgrade to Vojvodjanska banka a.d. Novi Sad was made at the session of the Bank's Assembly held on January 26, 2021. By the Decision number BD 36878/2021 dated April 29, 2021, the status change of the merger of the company Vojvodjanska banka a.d. Novi Sad, as the acquirer company and OTP banka a.d. Belgrade as a transferring company that was deleted from the Register of Companies due to a change in status.

OTP Banka Srbija a.d., Novi Sad is a direct legal successor of Kulska banka a.d., Novi Sad. Kulska banka a.d., Novi Sad was registered as a shareholding company with the Commercial Court of Sombor, in accordance with May 17, 1995 Decision No. Fi 488/95. Pursuant to the Serbian Business Registers Agency Decision number BD 32735/2007 as of May 18, 2007, the name Kulska banka a.d., Novi Sad was changed into OTP banka Srbija a.d., Novi Sad. Simultaneously, the status change of merger and acquisition was registered, whereby Zepter banka a.d. Beograd and Niška banka a.d. Niš were merged with and acquired by Kulska banka a.d. Novi Sad as the Acquirer; through the aforesaid status change Zepter banka a.d. Beograd and Niška banka a.d. Niš ceased to exist and were deleted from the Business Entity Register.

At its session held on January 28, 2019, the Assembly of OTP Banka Srbija a.d., Novi Sad enacted the Decision on Accepting the Merger of Vojvođanska banka a.d., Novi Sad. Under Decision no. BD 41344/2019 dated April 25, 2019, the status change of merger by acquisition was registered, with OTP Banka Srbija a.d. Novi Sad, as the Acquirer and Vojvođanska banka a.d. Novi Sad as the Acquiree, i.e., the entity deleted from the Business Entity Register due to the said status change. The status change of merger by acquisition was conducted as of April 26, 2019, when the said merger was recorded within the Business Entity Register.

The Bank is registered in the Republic of Serbia to provide banking services of payment transfers, lending and depositary and other activities in accordance with the Law on Banks. The Bank's registered Head Office address is Novi Sad, at no. 5, Trg slobode.

The Bank is a member of OTP Group. OTP Bank Plc. Budapest is the sole owner of the Bank, holding 100% of its share capital.

On December 31, 2022 The Bank consisted of Headquarter in Novi Sad at Trg Slobode 5, Trg Slobode 7, Bulevar oslobođenja 80, Bulevar oslobođenja 82, and Belgrade at the address Bulevar Mihajla Pupina 111, Bulevar Zorana Đinđića 48v,Bulevar Zorana Đinđića 50 a/b, 1 Region for business dealing with corporate clients Belgrade, 1 Region for retail affairs Belgrade, and 5 regions for business with the retail and corporate, 19 branches and 155 branch offices (2021: headquarters in Novi Sad and Belgrade, 19 brancges and 190 branch offices).

The Bank on December 31, 2022 has 2,692 employees while on December 31, 2021 the number of empoyees was 2,789.

The Bank's tax identification number is 100584604.

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

2.1 Basis of Preparation and Presentation of the Separate Financial Statements

Separate financial statements of the Bank (hereinafter "financial statements") for 2022, were complied in accordance with International financial reporting standards ("IFRS).

The accompanying Separate financial statements are separate financial statements. In particular, the Bank complies and displays consolidated financial statements in accordance with International financial reporting standards.

The accompanying Separate financial statements are stand-alone statements in the sense that they include unconsolidated receivables, liabilities, operating result, changes in equity and cash flows of the Bank without the inclusion of subsidiaries.

As of December 31, 2022, the Bank was the sole (100%) owner of OTP Investments d.o.o., Novi Sad, OTP Leasing Srbija d.o.o. Beograd and OTP Factoring d.o.o., Novi Sad and held a 60% equity interest in OTP Lizing d.o.o., Beograd (Note 25) and 49% equity interest in OTP Osiguranje a.d.o. Drustvo za zivotno osiguranje Beograd (Note 24) which are financial sector entities.

These Separate financial statements have been prepared at historical cost principle, except where otherwise stated in the accounting policies set out in the following note.

Amounts in the Bank's Separate financial statements are stated in thousands of dinars unless it is otherwise stated. Dinar (RSD) is the official presentation currency in the Republic of Serbia.

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

The issued standards, amendments to the standards and relating interpretations that became effective in the current period and the standards, amendments to the standards and relating interpretations in issue but not yet in effect are presented in Notes 2.2 and 2.3, respectively.

In the preparation of the accompanying Separate financial statements, the Bank adhered to the accounting policies described in Note 3.

2. BASIS OF PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (continued)

2.2 Amendments to IFRS Effective and Mandatorily Applicable in the Current Year

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2022:

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

The amendments had no significant impact on the financial statements of the Bank.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendments had no significant impact on the financial statements of the Bank.

2. BASIS OF PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (continued)

2.3 New Standards and Amendments to the Existing Standards in Issue not yet Adopted

- **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 requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- **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 requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- **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 requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- **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.

2. BASIS OF PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (continued)

2.3. New Standards and Amendments to the Existing Standards in Issue not yet Adopted (continued)

- **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 recognize 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 recognizing, 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.

- **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.

2. BASIS OF PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (continued)

2.4 Comparative information

The Bank's accounting policies and estimates relating to the recognition and measurement of the assets and liabilities used upon preparation of the accompanying Separate financial statements are consistent with the accounting policies and estimates used in preparation of the Bank's Separate financial statements for FY 2021.

2.5 Use of Estimates

Preparation of the Separate financial statements in accordance with IFRS requires the Bank's management to make the best possible estimates and reasonable assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, as well as income and expenses arising during the accounting period. These estimations and assumptions are based on information available at the Separate financial statements' preparation date.

Actual amounts of assets and liabilities may vary from these estimates.

These estimations and underlying assumptions are subject to regular review. The revised accounting estimates are presented for the period in which they are revised as well as for the ensuing periods.

If, upon review, it is determined that there have been changes to the estimated values, the effect of such changes are recognized in the Bank's Separate financial statements in the periods in which such changes occurred.

2. BASIS OF PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (continued)

2.6 Going Concern

The Bank’s Separate financial statements have been prepared on a going concern basis, which entails that the Bank will continue to operate in the foreseeable future.

2.7 Statement of Compliance

The Bank's accompanying Separate financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) in keeping with the Law on Banks and the by laws by laws of the National Bank of Serbia governing the financial reporting of banks.

2.8 Key Accounting Estimates and Assumptions

Preparation of the Separate financial statements in accordance with IFRS requires the Bank’s management to make the best possible estimates and reasonable assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, as well as income and expenses arising during the accounting period.

These estimations and assumptions are based on information available, as of the date of preparation of the financial statements. Actual results may vary from these estimates. Estimates and assumptions are subject to constant review and when adjustments become necessary they are stated within the income statement for periods in which they became known.

The critical estimates and judgements as the key sources of estimate uncertainty that pose a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below.

i. Impairment of Financial Assets

The estimation of impairment losses in the Bank’s credit-risk exposed portfolio represents the major source of estimation uncertainty.

The Bank recognizes provisions for expected credit losses (ECL) per financial assets measured at amortized cost (AC) and debt instruments, i.e., financial assets measured at fair value through other comprehensive income (FVtOCI) as well as per borrowings and issued guarantees. The carrying values of the financial assets measured at AC are reduced by the amount of provisions for expected credit losses. Estimates and assumptions used by the Bank as inputs to the model for ECL measurement as well as the assessment of the significant increase in credit risk are disclosed in Note 43.4 Credit Risk.

ii. Impairment of Non-Financial Assets

At each reporting date, the Bank’s management reviews the carrying amounts of the Bank’s intangible assets, property and equipment. If there is any indication that such assets have been impaired, the recoverable amount of each asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of the asset is estimated to be below its carrying value, the carrying amount of the asset is reduced to its recoverable amount. Impairment assessment requires the management to make subjective judgments in respect to the cash flows, growth rates and discounting rates for cash-generating units subject to assessment.

iii. Useful Life of Intangible Assets, Property, Plant and Equipment

Determining the useful lives of intangible assets, property and equipment is based on historical experience with similar assets, as well as the anticipated technical development and changes affected by numerous economic and industrial factors (Note 3.14).

Adequacy of useful lives of assets is reviewed annually or whenever there are indications of significant changes in the factors underlying the estimates of useful lives.

2. BASIS OF PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (continued)

2.8. Key Accounting Estimates and Assumptions (continued)

iv. Provisions for Litigations

The Bank is involved in a number of lawsuits arising in the everyday business operations relating to the commercial and contractual issues, as well as labor issues, which are resolved or considered in the regular course of business. The Bank routinely estimates the probability of negative outcomes of these issues, as well as the amounts of likely or reasonable loss assessments.

Reasonable assessment encompasses judgments made by the management upon consideration of information provided in reports, settlements, assessment made by the Legal Department, facts available, identification of potentially responsible parties and their ability to contribute to the resolution of the matter, as well as historical experience.

Provisions for litigations are recognized when the Bank has an obligation whose reliable estimate can be made by way of a careful analysis. The amount of provisions is subject to changes contingent on new events or new information coming to light. The Bank reviews the estimated provisions on a quarterly basis.

The matters that either constitute a contingent liability or do not meet the criteria for provisioning are disclosed unless the probability of an outflow of resources embodying economic benefits is rather remote.

v. Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses and/or tax credits to the extent that it is probable that future taxable profits will be available, against which the tax loss/credit carryforwards can be utilized. The Bank’s management needs to make prudent assessments of deferred tax assets that may be recognized based on the period when these arise, expected future profit and the amount of future taxable income (Note 29).

vi. Retirement Benefits and Other Post-Employment Benefits

The cost of defined post-employment benefits to employees and/or retirement benefits upon fulfillment of all the legally prescribed criteria, are determined in an actuarial assessment. An actuarial assessment includes the assessment of a discount rate, future movements in salaries, mortality rates and employee turnover rates. Due to the long-term nature of these plans, significant uncertainties influence the outcome of such assessments.

Actuarial assumptions used in the calculation of the retirement and termination benefits are disclosed in Note 37 to the Separate financial statements.

vii. Fair Value of Financial Instruments

Fair value of the financial instruments traded in an active market is based on quoted market prices at the reporting date. Fair value of the financial instruments that are not quoted in an active market is determined using certain valuation techniques, which entail using judgement in fair value assessment. Valuation models reflect the current market conditions at the fair value measurement date and do not have to represent the market conditions prevailing before or after the measurement date. Therefore, valuation techniques are periodically reviewed so as to adequately reflect the market conditions.

Those entail the use of the present value method and other methods and models based on the observable and, to a less extent, unobservable inputs.

Valuation models are primarily used for measurement of derivatives in the stock exchange market and government bonds and debt securities not traded in active markets. These models take into account the credit risk impact if it is material. All valuation models are validated before they are used as the basis for financial reporting and they are subject to periodic review by qualified staff members, independent of those that created the model.

2. BASIS OF PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (continued)

2.8. Key Accounting Estimates and Assumptions (continued)

vii. Fair Value of Financial Instruments (continued)

Wherever possible, the Bank compares the measurement resulting from the model applied to the quoted prices of the similar financial instruments and the actual prices achieved in actual transactions in order to validate calibrate its models. Various factors are incorporated into the Bank's models, including the actual and estimated market values and rates, as well as the time factor and changes in the market depth, liquidity and changes in the credit risk of financial liabilities.

The Bank applies models consistently from one period to another, thus ensuring comparability and continuity of valuation during time. However, fair value assessment inevitably entails significant extent of judgement. Therefore, the management sets up valuation adjustments to cover the differences relating to the estimates of unobservable parameters and assumptions within the models.

Although in some instances substantial judgement is required for fair value assessment, the management believes that the fair values presented in the statement of financial position and changes in the fair values reported in the income statement are prudent and reflect the actual economic conditions, based on the executed controls and protection procedures.

Valuation methods, assumptions and techniques used in fair value assessment are explained in greater detail in Note 45.

viii. Climate risk impact on accounting estimates and judgements

The Bank, like its clients, is exposed to a certain degree of risk arising from climate change, both physical risks and the risk of transition to a "net-zero" or decarbonized economy.
For the majority of climate physical risks, it is estimated that they could be manifested during a period that is generally longer than the contractual maturity of the Bank's portfolio.

The following items that are subject to accounting estimates and judgments may be affected by physical and transition risks:

Expected credit losses - the Bank's client may be significantly exposed to climate risks either directly, through reduced profitability of companies or asset devaluation, or indirectly through non-compliance with legal requirements or increased reputational risk due to negative impact on the environment. Such risks can lead to a deterioration of the client's creditworthiness, which would consequently result in an increase in expected credit losses.

Determining fair value - The Bank currently has no financial exposures in its portfolio that are recorded at fair value, and which are exposed to the risk of climate change. If such exposures existed, their fair value would include the climate change variable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank has consistently applied the adopted accounting policies to all periods presented in these Separate financial statements. The basic accounting policies applied by the Bank in preparation of the Separate financial statements are provided hereunder.

3.1 Income and Expense Recognition

i. Interest Income and Expenses

Interest income and expenses, including other income and expenses from interest-bearing assets and liabilities, are calculated on an accrual basis of accounting (the matching principle) and the relevant terms defined by the contracts executed by and between the Bank and its customers.

Interest income and expenses are recognized in the income statement (profit or loss) using the effective interest method. The effective interest rate is the rate that precisely discounts the estimated future cash disbursements or payments through the expected duration of the financial instrument to:

- the gross carrying value of a financial asset (amortized cost before adjustment for the expected credit losses) or
- the amortized cost of a financial liability.

Interest income includes interest on loans and other receivables from customers, coupons from debt securities as well as discount and premiums on treasury bills. Fees based on approved loans, as part of the effective interest rate, are recognized in the income statement as interest income, i.e. as a part of the effective yield from the loan in proportion to the elapsed time of using the loan.

The effective interest rate is calculated taking into account transaction costs and all discounts and premiums for the acquisition of a financial asset, as well as fees and costs that are an integral part of the effective interest rate.

In the case of credit impaired financial assets (Stage 3), expected credit losses are recognized during the lifetime of the financial asset, and interest is recognized using the effective interest rate method on the net book value of the financial asset.

In the case of a modification of a financial instrument with an effect on the income statement, there is a change in the effective interest rate. After the posted modification, the effect of the modification itself is included in the effective interest rate for the remaining lifetime of the financial instrument.

For POCI assets (purchased or originated credit-impaired assets) the credit-adjusted effective interest rate is calculated using the estimated future cash flows that include the expected credit losses, using estimated future cash flows that include expected credit losses. Interest expenses are recognized on financial liabilities that are valued at amortized value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1. Income and Expense Recognition (continued)

ii. Fee and Commission Income

Fee and commission income arise from banking services (payment transactions, issuance of guaranties and other sureties, letters of credit, purchase and sale of foreign currencies and other banking services) when such services are invoiced and rendered.

Fees and commission charged for guarantees, sureties and letters of credit issued are deferred and recognized as income proportionately over their maturity periods.

Fee and commission income that are integral part of the effective interest rate of a financial asset or liability are recognized within interest income.

iii. Net Gains/(Losses) on Changes in the Fair Value of Financial Instruments

Net gains/(losses) on changes in the fair value of the financial instruments comprise all gains and losses arising on the changes in fair values of derivatives.

iv. Net Gains/(Losses) from Hedging

Net gains/(losses) from hedging include all gains and losses on changes in fair values of derivatives designated as risk hedging instruments.

v. Dividend Income

Dividend income from investments in shares of and equity interest held in other legal entities is recognized when the Bank's entitlement to dividend receipt is established. Such income is recorded within the income statement.

3.2 Foreign Currency Translation

Assets and liabilities denominated in foreign currencies at the reporting date are translated into dinars at official middle exchange rates of the National Bank of Serbia effective at that date. Gains or losses arising on the translation of receivables and payables are credited or charged to income statement.

Transactions denominated in foreign currencies are translated into dinars at official exchange rates effective at the date of each transaction. Net foreign exchange positive or negative effects arising upon the translation of transactions, and the assets and liabilities denominated in foreign currencies are credited or charged to the income statement as net foreign exchange gains or losses and positive/negative currency clause effects.

Commitments and contingent liabilities in foreign currencies are translated into dinars at official middle exchange rates of the National Bank of Serbia effective as at the reporting date.

3.3 Financial Instruments

i. Recognition and Initial Measurement

A financial instrument is each contract based on which a financial asset of one entity and a financial liability or an equity instrument of another entity arise.

A financial asset or liability is measured initially at fair value plus transaction costs (except for financial assets and liabilities measured at fair value through profit or loss) directly attributable to the acquisition or issue of a financial asset or a liability.

The Bank initially recognizes financial instruments at the settlement date.

The Bank recognizes a financial asset or a financial liability from the moment it becomes a party to the contractual terms of an instrument.

In order to determine adequate classification and measurement, all financial assets except derivatives and equity instruments are analyzed according to the combination of the business model for financial asset management on one end and the characteristics of the contractual cash flows of the asset on the other end.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Financial instruments (continued)

ii. Classification

IFRS 9 requires the Bank to make a distinction between the financial assets with high cash flow volatility, or those held for trading, and the financial assets that have nominal values and are held to collect the contractual cash flows rather than for sale or third party settlement.

The Bank classified its financial assets into three categories based on: (1) the manner in which the Bank manages the financial assets and (2) characteristic of the contractual cash flows of the financial assets, as follows:

- financial assets subsequently measured at amortized cost (AC) (within the Bank's hold-to-collect business model and giving rise to the cash flows that are solely payments of principal and interest on the principal outstanding – SPPI);
- financial assets subsequently measured at fair value through other comprehensive income (FVtOCI) (within the Bank's hold-to-collect-or sell business model and giving rise to the cash flows that are solely payments of principal and interest on the principal outstanding – SPPI);
- financial assets subsequently measured at fair value through profit or loss (FVtPL) – all other instruments, held within the business model whose objective is to collect cash flows from trading in these instruments.

IFRS 9 requires that all recognized financial assets be subsequently measured at either amortized cost or fair value (through OCI or through PL), depending on their classification and the business model for management of the financial assets and the characteristics of the financial assets' cash flows.

The Bank classifies all of its financial liabilities as subsequently measured at amortized cost except for:

- financial liabilities at FVtPL;
- financial liabilities arising when the transfer of financial assets does not meet the derecognition criteria or when there is continuing involvement; and
- financial guarantee contracts.

The Bank may, at initial recognition, irrevocably designate a financial liability to be measured at fair value through profit or loss when it results in more significant information because either:

- doing so would eliminate or significantly reduce a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or a group of both financial assets and financial liabilities is managed and its performance assessed on the fair value basis in accordance with the documented risk management or investment strategies and if the information about the group is internally available to the Bank's key managerial team.

iii. Purchased or Originated Credit Impaired Assets ("POCI Assets")

IFRS 9 introduced another model for measurement of financial assets – purchased or originated credit-impaired assets (POCI assets). These are financial assets impaired at initial recognition. A financial asset may be classified as POCI if:

1. it is credit-impaired at the moment of origination;
2. it has undergone significant modification as credit-impaired; and
3. it was purchased as credit impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Financial instruments (continued)

iv. Reclassification of Financial Assets

The Bank reclassifies financial assets only when it changes the business model. If the Bank changes the business model for management of the financial assets, it will reclassify the assets prospectively, as form the reclassification date. The Bank will make no changes to the already recognized gains, losses (including impairment gains and losses) or interest.

The Bank does not make reclassifications of its financial liabilities.

In 2022, the Bank made no reclassification of its financial assets.

v. Offsetting

Assets and liabilities are not offset except when offsetting is required or permitted under provisions of certain IAS/IFRS. Income and expenses are presented separately, as their offsetting is not permitted.

The Bank applies the following exemptions from the aforesaid rules:

- Presentation of assets decreased by impairment allowance is not deemed to be offsetting;
- Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to offset the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously;
- Offsetting of income and expenses reflecting the substance of a transaction or event (e.g., foreign exchange gains and losses or gains and losses arising from financial instruments held for trading). However, such income and expenses are reported separately if, due to their volume, nature and frequency, separate disclosure is required.

vi. Derecognition

Financial Assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risk and rewards of ownership and it does not retain control of the financial asset. Any interest in a transferred financial asset that qualifies for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position.

In accordance with IFRS 9, there are additional criteria that lead to the derecognition of financial assets. A financial asset is derecognized when the receivable is written off.

Receivables are written off only when all available sources of collection have been exhausted (e.g. bankruptcy proceedings have been completed, enforcement proceedings have been completed, all available collaterals have been realized, a check has been made on the personal property of clients or guarantors and it has been established that they do not own property on the territory of the Republic of Serbia), that is, when the client can no longer pay the obligations or the income from the collateral will not be sufficient to repay the entire exposure.

Receivable write-off is also possible in accordance with the signed Agreements on debt settlement with the client/guarantor/mortgagor, if it is established that the claim under the terms of the Agreement ensures a better payment than in the case of the sale of any property. In such cases, a write-off of the remaining claim remaining after the settlement of the obligations under the Agreement can be agreed.

Uncollectible receivables are written off based on the decisions of the Court, or the competent body of the Bank in accordance with the Rulebook on levels of decision-making, when there is no real possibility of collection and when all instruments for securing loan collection are activated, or in case of fulfillment of obligations under the Agreement.

The Bank directly reduces the gross book value of financial assets if there are no reasonable expectations regarding collection and return of cash flows in whole or in part. A write-off is an event that leads to derecognition.

The Bank's internal acts define the criteria and conditions for writing off receivables in more detail, in accordance with the legislation in the Republic of Serbia, the existing practice in the Bank and the banking sector, as well as the rules of the OTP Group. In accordance with the legal regulations in force in the Republic of Serbia, the Bank also implements partial write-offs in accordance with the rules of the OTP Group. The internal act defines the partial write-off procedures in more detail.

In the procedure of write-off of loans from corporate and retail clients, the prerequisites and criteria for carrying out the write-off are prescribed, namely:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Financial instruments (continued)

vi. Derecognition (continued)

Financial Assets (continued)

• accounting write-off and transfer to off-balance sheet records,
• partial write-off
• definitive write-off.

Accounting write-off implies the write-off and transfer of unpaid receivables to the Bank's off-balance sheet records, thus derecognizing problematic placements or part of placements from balance sheet (accounting write-off). With the transfer to off-balance sheet records, collection procedures continue with full attention. In all cases of write-off, the tax treatment of the write-off is also defined, if it was not previously considered.

According to the Decision of the National Bank of Serbia on the accounting write-off of Bank's balance sheet assets (Official Gazette of the RS No. 77/2017), the Bank is obliged to carry out the accounting write-off of the balance sheet assets with a low level of collectability.

By balance sheet asset is meant a problematic loan, as defined in the Decision regulating the classification of balance sheet assets and off-balance sheet items of the Bank.

The Bank is obliged to carry out an accounting write-off of a problematic loan, in the case when the calculated amount of impairment of that loan recorded by the Bank is 100% of its gross book value, which means that an accounting write-off is carried out expected credit loss of 100% has been formed for balance exposure of loans and receivables.

A partial write-off means the write-off of a part of the claim for which an impairment has been made and for which collection is not expected either from the contracted cash flow of the debtor, or by collection of collateral, i.e. means of securing the loan. The maximum expected amount based on the sale of collateral would continue to be kept in the Bank's balance sheet until the final sale of the collateral, with an unchanged net exposure after partial write-off and transfer to the off-balance sheet.

Definitive write-off is a write-off from the Bank's records in the event that all means of collection have been exhausted and the claim cannot be collected in any way, that is, the claims are considered uncollectible.

Also, the derecognition of a financial asset occurs if there have been subsequent changes to the contractual terms of the financial asset, which lead to significant modifications of the financial asset's cash flows. The difference between the fair value of the new financial asset and the book value of the old one is recognized in the income statement as derecognition gain or loss.

Financial Liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or have expired.

In accordance with IFRS 9 the Bank derecognize financial liabilities when the contractual terms of the liability are modified and the cash flows of the modified liability significantly altered. In such a case, a new financial liability, based on the altered terms, will be recognized at fair value. The difference between the carrying value of the previous financial liability and the new financial liability with modified terms is recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Financial instruments (continued)

vii. Modification of the contractual cash flows

When possible, the Bank prefers to modify the contracted conditions rather than realize the collateral. This may mean an extension of the repayment term, as well as new credit terms. Management continuously monitors modified financial instruments to ensure compliance with all criteria, as well as future payments.

When the modification is not considered substantial in the sense that it leads to derecognition, the gain or loss arising from the modification is calculated as the difference between the present value of the new contracted cash flows (based on the modified terms) discounted by the original effective interest rate of the loan and the gross book value and is recognized in the income statement. The Bank continuously evaluates the effects of modifications at the level of the loan facility and their impact on the Bank's financial position.

When the modification is considered substantial, financial instrument is derecognized. The most common case is restructuring due to a currency change, when the initially contracted rights to cash flows are considered to have expired, and the new asset is recognized at fair value.

viii. Impairment of Financial Assets

Impairment requirements of IFRS 9 are based on the model of expected credit losses (ECL). This model of impairment allowance identifies impairment losses before they are incurred. The leading principle of ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of a financial instrument.

At each reporting date, the Bank measures impairment allowances of the financial instruments in the amount equal to the expected impairment during the life (lifetime ECL) of the instrument if the instrument’s credit risk has significantly increased since its initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Financial instruments (continued)

viii. Impairment of Financial Assets (continued)

If at the reporting date there is no significant increase in the credit risk of the asset since its initial recognition, the Bank measures impairment allowance of that financial asset in the amount of 12-month ECL. The Bank recognizes in its income statement as gain or loss on the impairment the amount of ECL (or reversal thereof) required to adjusts the impairment allowance at the reporting date to the amount that is to be recognized in accordance with IFRS 9.

At each reporting date, the Bank assesses whether there has been a significant increase in the credit risk of a financial instrument since its initial recognition. When making the assessment, the Bank uses changes in the risk of default occurring over the expected life of the instrument instead of the change in the amount of ECL. In order to make the assessment, the Bank compares the risk of default occurring at the reporting date to the risk of default occurring at the date of the initial recognition of the asset and considers reasonable and supportable forward-looking information if it is available without undue cost or effort.

Based on the aforementioned assessment, IFRS 9 requires the classification of financial assets into three stages:

- Stage 1 - non-problematic assets without a significant increase in credit risk from initial recognition,
- Stage 2 - non-problematic assets with a significant increase in credit risk from initial recognition, but not credit impaired,
- Stage 3 - problematic, credit impaired assets.

More detailed criteria for classifying financial assets into stages are disclosed in Note 43.4. Credit risk.

The amount of ECL recognized as the impairment allowance depends on the credit risk increase since the initial recognition. Within the general approach, there are two options for measurement:

- 12-month ECL (Stage 1), applicable to all items without a significant increase in the credit risk; and
- Lifetime (LT) ECL for Stage 2 and Stage 3, applicable in instances of a significant increase in the credit risk on either individual or collective basis.

The Bank can assume that the credit risk of the financial instrument has not significantly increased since the initial recognition if, on the reporting date, it is determined that the financial instrument has a low credit risk. This can occur if the financial asset has a low risk of default status, the borrower has the capacity to meet its contractual cash flow obligations in the near future, and negative changes in economic and business conditions in the long term may, but not necessarily, reduce the borrower's ability to meet its contractual cash flow obligations.

When calculating expected loss as an unbiased neutral estimate of a range of possible outcomes, it is necessary to include available forward-looking information in the estimate. This includes general information such as the macroeconomic environment, as well as information about the future of individual financial assets. Methodology of general information related to the future, i.e. macroeconomic expectations and scenarios should be consistent across the entire Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Loans and Receivables form Banks, Financial Institutions and Customers

Loans and receivables include:

- loans and receivables measured at amortized cost (AC); such loans and receivables are initially recognized at fair value increased by direct transaction costs, and subsequently measured at amortized cost using the effective interest method; and
- loans and receivables measured at fair value through profit or loss (FVtPL) in accordance with the business model and characteristic of the cash flows.

As of December 31, 2022, the Bank had no loans and receivables in its portfolio meeting the criteria for measurement at FVtPL.

3.5 Securities

i. Financial Assets Measured at Fair Value through Other Comprehensive Income (FVtOCI)

Debt Instruments

Financial assets classified as measured at FVtOCI are measured at fair value both initially and subsequently. Changes in their carrying amounts are recorded within the other comprehensive income except for recognition of the expected impairment gains and losses, interest income and foreign exchange gains and losses, which are recognized within the income statement. In the event of derecognition before maturity, cumulative gains or losses on such securities are reclassified from equity and may have effects that will be reflected in the profit or loss statement (income statement).

Equity Instruments

All equity instruments within the scope of IFRS 9 are to be measured at fair value in the statement of financial position with effects of fair value changes recognized in the profit or loss except for the equity investments for which the Bank has elected the FVtOCI option for the fair value changes. Equity instruments not quoted in active markets are no exception.

Changes in the fair value of an investment in an equity instrument initially classified as measured at FVtOCI are presented within the other comprehensive income. Such amounts recognized in the other comprehensive income cannot be subsequently reclassified to the profit or loss account. Cumulative gains or losses are presented within equity. Dividend income from such equity investments is recognized in the profit or loss (income) statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Securities (continued)

i. Financial Assets Measured at Fair Value through Other Comprehensive Income (FVtOCI) (continued)

Equity Instruments (continued)

According to IAS 32, interest, dividends, gains or losses pertaining to a financial instrument or a component thereof classified as a financial liability are recognized in the profit or loss statement as income or expenses. Distributions to the holders of the equity instruments are recognized within (charged to) the Bank's equity. Transaction costs incurred in equity transactions are accounted for as equity deductibles.

ii. Financial Assets Measured at Fair Value through Profit or Loss (FVtPL)

Financial assets are classified as measured at FVtPL if they do not meet the criteria for recognition at FVtOCI or at AC, i.e., if not measured at FVtOCI or at AC.

Gains and losses on fair market value adjustments of debt securities measured at FVtPL are recognized within the profit or loss statement and they are not subject to impairment.

3.6 Financial Derivatives

The Bank uses financial derivative instruments such as currency forwards, currency swaps and interest rate swaps as risk hedges and for trading purposes. Derivatives are presented in the statement of financial position at fair value. The Bank has elected to account for such transactions at the trading date.

Upon execution of forwards, the Bank records transactions per such contracts at the time of their occurrence and recognizes financial assets and financial liabilities in respect of forward transactions to be realized in the ensuing period. The Bank performs daily valuation of the unrealized forward transactions by crediting/debiting the deferral/accrual accounts and the income (profit or loss) statement as of the reporting date.

Bank primarily used currency swap derivatives for short-term balancing of its foreign currency position and ensuring the required currency structure of funds held on accounts with foreign banks.

As of the reporting date, the Bank had in its portfolio only derivatives held for trading. The Bank initially recognizes financial derivatives at the contractually agreed value (cost) within the off-balance sheet items. The cost of derivatives represents the fair value of the consideration paid or received, with any fair value adjustment as of the reporting date recorded within the statement of financial position and profit or loss. Derivatives held for trading consist of currency swaps, interest rate swaps and currency forward transactions and interest option (Note 40).

3.7 Borrowings and Deposits

Issued financial instruments and other financial liabilities are initially recognized at fair value less directly attributable transaction costs. They are subsequently measured at amortized cost (AC) (unless measured at FVtPL), with any difference between the proceeds and the repaid amounts thereof recognized in the profit or loss statement over the period of the loan usage under the effective interest method.

Deposits due to banks and customers and other interest-bearing financial liabilities are measured upon initial recognition at fair value less directly attributable transaction costs, except for the financial liabilities measured at FVtPL. Subsequent to initial recognition, liabilities per deposits are measured at amortized cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7. Borrowings and Deposits (continued)

Liabilities arising from borrowings are initially recognized at fair value less directly attributable transaction costs. Subsequent to initial recognition, borrowings are measured at amortized cost.

3.8 Trade Payables and Other Current Liabilities

Trade payables and other current liabilities are measured at amortized cost (AC), which, due to the short-term nature of these liabilities, corresponds to their nominal value.

3.9 Cash and Balances Held with the Central Bank

Cash and balances held with the central bank include cash on hand in local and in foreign currencies, and balances on the current accounts held with the National Bank of Serbia, including the obligatory RSD and foreign currency reserves.

This item also includes gold and other precious metals initially measured at cost and subsequently carried at their market value. The market value is determined based on the price of precious metals quoted on the global market. The increase in the market value is recognized as income while the decrease is included in expenses on the income statement.

Cash and cash equivalents as presented in the statement of the cash flows include cash on hand, balances on the current accounts held with the National Bank of Serbia, gold and other precious metal and funds held on the foreign currency accounts (Note 47).

3.10 Repo Transactions

Repo transactions are transactions of selling securities up to the value of which the contract stipulates that they will be repurchased on a specific day in the future.

Cash received on that basis, including accrued interest, is recognized in the balance sheet. The difference between the sale price and the repurchase price is treated as interest expense using the effective interest rate and is accrued over the life of the contract.

3.11 Investments in Subsidiaries

Investments in the Bank's subsidiaries are recorded in these Separate financial statements at cost and subsequently cost less impairment, if any. The Bank recognizes income from the equity investments in subsidiaries only if the subsidiaries have distributed profit, i.e., enacted respective decisions on profit distribution. Such income is recorded within the income statement.

A subsidiary is an entity where the reporting entity holds an equity (ownership) interest of over 50% or more than half of the voting power and the right to govern the subsidiary's financial and operating policies.

3.12 Intangible Assets

An intangible asset is a non-monetary asset without physical substance for which there are expectations that the future economic benefits embodied in the asset will flow to the Bank. An asset is identifiable as an intangible asset if the following criteria are met:

- it is identifiable;
- there is control over the asset; and
- there are future economic benefits embodied in the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Intangible Assets (continued)

If the above listed criteria are not met, the costs of the item acquisition or generation are recognized as expenses when incurred.

The Bank's intangible assets include licenses, software and similar rights and other intangible assets.

Intangible assets are stated at cost less accumulated amortization and aggregate impairment losses, if any (Note 26).

Investments in intangible assets for a period of over a year are recognized as intangible assets in the statement of financial position, while such investments made for a period shorter than a year are presented as the current period's expenses.

The cost of a purchased intangible asset consists of:

- its purchase price, including import duties and non-refundable purchase taxes; and
- any directly attributable cost of preparing the asset for its intended use (costs of employee benefits arising directly from bringing the asset to its working condition; professional fees and costs of testing whether the asset is functioning properly).

Expenditure for maintenance of the computer software applications are recognized as expenses when incurred. Examples of the expenditures that do not meet the criteria for recognition as intangible assets are:

- expenditure on training activities;
- costs of commissioning and repairs;
- expenditure on relocating or reorganizing;
- expenditure on internally generated brands; and
- quality control and marketing and advertising costs.

Testing of intangible assets for impairment is carried out by comparing the recoverable amounts of such assets to their carrying amounts whenever there is indication that the Bank's intangible assets may have suffered impairment.

In order to test the intangible assets (with both definite and indefinite useful lives) for impairment the Bank is required to assess the recoverable amount of each asset, which is the higher of the asset's fair value less costs to sell and its value in use.

An intangible asset is not impaired if one of the above said two values exceeds its carrying amount. IAS 36 "Impairment of Assets" stipulates measurement of an impairment loss under the assumption that the Bank will elect to recover the asset's carrying value in the manner that provides the most benefits. If the asset's recoverable amount is below its carrying value, the carrying value is reduced to the recoverable amount. This decrease represents an impairment loss, which is immediately recognized in the income statement.

If it is not possible to assess the recoverable amount of an individual intangible asset, the Bank determines the recoverable amount of cash-generating unit the asset belongs to. In instances of new intangible assets recognized during the reporting period, the Bank must test those assets for impairment at the end of that period.

A loss incurred on impairment of an asset recognized in prior years is reversed only if the estimates used in determining the recoverable amount of the asset have changed, after the impairment loss was last recognized. Such a reversal of an impairment loss is immediately recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Property, Plant and Equipment ("Fixed Assets")

The Bank's property, plant and equipment mostly comprise buildings, equipment and leasehold improvements.

The Bank's property, plant and equipment (fixed assets) are stated at cost (historical cost) less any accumulated depreciation and impairment, if any. Such items are subsequently carried at cost less any accumulated depreciation and aggregate impairment losses.

Costs incurred after acquisition of an asset classified within property and equipment are capitalized only when it is probable that the Bank will have future economic benefits from the asset in excess of those originally assessed. Otherwise, such costs are recognized within expenses as incurred.

Property is assessed for impairment in order to determine whether there is any indication of losses incurred on impairment of property items. If any such indication exists, the Bank test the assets for impairment by calculating the recoverable amounts of such assets and comparing those to the carrying values of the assets. When such an asset is partially impaired and still has some value for the Bank, the Bank still conducts the impairment test by comparing the asset's recoverable amount to its carrying value. The recoverable amount is the higher of the asset's value in use and its fair value less costs to sell. The impairment loss is recognized in the amount equal to the difference between the carrying value and the recoverable amount within expenses in accordance with IAS 36 "Impairment of Assets".

Gains or losses arising on the sale, disposal and retirement are recognized within the profit or loss (income) statement, as part of the other income and other expenses.

3.14 Amortization of Intangible Assets and Depreciation of Property, Plant and Equipment

Intangible assets with a definite useful life are depreciated by a proportionate method within a period of no more than 12 years.

Amortization/depreciation of assets commences when the assets are available for use and ceases when the assets are derecognized.

Amortization/depreciation is calculated on a straight-line basis over the remaining useful lives of intangible assets, property, plant and equipment in order to fully write off the assets until the end of their useful lives. For depreciation of property, the Bank has elected to use the residual value and the estimated useful life of 50 years. The residual value of an asset is an estimated amount the asset's owner would receive (earn) by disposing of an asset, less any estimated disposal costs, assuming that the asset as at the end of its useful life and in the condition it is expected to be in at the end of its useful life. Since January 1, 2018, the Bank has been using the residual value for its properties in the amount of 25% of their carrying value. The residual value is a percentage of the carrying value of buildings and the difference between these two values is the base for calculation of the depreciation charge. Since December 31, 2020 the Bank has been using the residual value for certain categories of IT equipment, namely 10% for computers, printers, monitors, scanners, projectors, etc. and 5% for servers, ATMs, routers, switches etc.

For real estate and certain categories of IT equipment for which the residual value of each new purchase is the basis for depreciation calculation is the cost of the investment minus the residual value.

The Bank has defined the following estimated useful lives:

- Land	indefinite
- Buildings	up to 100 years
- Leasehold improvements	According to the contract
- Furniture and the relevant office equipment	up to 12 years
- Motor vehicles	up to 10 years
- Hardware and other equipment	up to 10 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Investment Property

The Bank's investment property is property held to earn rental income and/or for capital appreciation.

Upon initial recognition, an item of investment property is measured at cost less accumulated depreciation and aggregate impairment losses, if any (Note 28).

Since January 1, 2018, the Bank has been calculating depreciation of investment property on a straight-line basis to the carrying value of the assets less the residual value (25% of the cost) using the annual depreciation rate of 2%. The difference between the carrying value and the residual value of the asset is the base for calculation of the depreciation charge.

Investment property is assessed for impairment in order to identify whether there is any indication that there may be a loss due to impairment of the Bank's investment property.

In 2022, the Bank reclassified certain properties that it leases from owned properties to investment properties, taking into account the square footage that is the subject of leasing in relation to the total square footage of the real estate.

3.16 Non-Current Assets Held for Sale

In accordance with IFRS 5 "Non-Current Assets held for Sale and Discontinued Operations" the Bank classifies a non-current asset as an asset held for sale if its carrying value can be recovered primarily through a sale transaction rather than permanent use. Assets classified as non-current assets held for sale must available for immediate sale in their current condition and the sale must be highly probable.

Upon reclassification of a portion of assets into non-current assets held for sale, assets are measured at the lower of their carrying value and fair value less costs to sell. If the carrying value is lower, the asset is stated at its carrying value whereas in the case of the lower fair value, revaluation surplus accrued for that particular asset is reversed, and the amount in excess of such surplus is charged to expenses of the given period as impairment of assets. In order to reclassify and asset from investment property to non-current assets held for sale, not only a relevant decision on the sale is to be made but also the capital expenditure of reclassification of such an asset.

When a non-current asset is no longer classified as held for sale, it is measured at the lower of the following two amounts:

- Its carrying value before classification as an asset held for sale, adjusted for depreciation that would have been recognized had the asset not been classified as held for sale; and
- Its recoverable amount at the date when it was subsequently decided that the asset will no longer be held for sale.

The recoverable amount of the asset is the higher of the asset's fair value less costs to sell and the value in use. The value in use is the present value of the estimated future cash flows expected to arise from the continuing use of the asset and its disposal at the end of its useful life.

Properties recorded with the class of assets held for sale are carried at the present value. Upon reclassification, it is necessary to calculate the depreciation charge for the period over which the assets were not depreciated and record it.

Non-current assets held for sale are not depreciated.

3.17 Assets Acquired in Lieu of Debt Collection and Held for Sale

Tangible assets received/ on the basis of collection of receivables are classified as assets held for sale and presented within the line item of other assets. Assets held for sale are measured at the lower of cost and net realizable value in accordance with IAS 2 "Inventories".

If a property acquired through the collection of receivables is not sold within 5 (five) years from acquisition, the Bank records its impairment in the amount of 90% irrespective of the appraisal performed by an external independent appraiser.

If assets other than property, acquired through the collection of receivables is not sold within 3 (three) years from acquisition, the Bank records its impairment in full (100%).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Finance and Operating Lease Arrangements

A contract or a part of a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The control is transferred when the customer has both the right to direct the use of the identified assets and realize economic benefits from that asset.

Lessee Accounting

As the lessee, the Bank performs analyses of the lease contracts and determines whether they meet the requirements of IFRS 16. The Bank assesses whether there is an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the lease term, whether it has the right to direct how and for what purpose the asset is used throughout the period of use, and whether it has the right to use the asset over the entire lease term. The Bank also considers whether it complies with all the criteria prescribed by the Standard for recognition of the right-of-use assets and the relating lease liabilities in the statement of financial position.

At the commencement date, a lessee measures the right-of-use asset at cost.

The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee as a result of the lease contract execution;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, or restoring the site where it is located.

At the commencement date, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term:

- fixed lease payments less any lease incentives receivable;
- variable lease payments that depend on a market index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

In addition to recognizing the right-of-use assets and the relating lease liabilities within the statement of the financial position, under the lease contracts the Bank also recognizes and records the following expenses in its books:

- amortization/depreciation charge;
- interest on the lease liability;
- costs of changes in variable lease payments; and
- foreign exchange losses.

As the lessee, the Bank will not apply the general rules for lease recognition under IFRS 16 for the following:

- short-term leases, and
- leases with low-value underlying assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18. Finance and Operating Lease Arrangements (continued)

A short-term lease is a lease contract executed with a lessor for a period of 12 months or less. In this case, the Bank recognizes all the lease payments under such contracts as the lease expenses on a straight-line basis within the income statement over the lease term.

A lease contract that includes a purchase option cannot be considered a short-term lease irrespective of the lease term defined.

The assessment whether the value of a specific underlying asset is low is performed based on the absolute value and per each individual asset. The low value assets are considered to be those with values of up to USD 5,000. Such lease payments are recognized as expenses using on a straight-line basis over the lease term.

As of the date of IFRS 16 initial adoption, the Bank recognized lease liabilities pertaining to the lease previously classified as operating leases in accordance with the stipulations of IAS 17 “Leases”. Such liabilities represent the present value of the future lease payments as at the date of IFRS 16 initial adoption. The lease payments were discounted using an adequate discount rate.

Lessor Accounting

A lessor classifies leases into finance or operating leases based on the careful assessment of the lease contract substance at the inception date.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

The lessor recognizes payments made under operating lease contracts as income on a straight-line basis throughout the lease term.

The lessor recognizes costs, including depreciation charge and property taxes, incurred in earning the lease income as an expense.

The depreciation/amortization policy for depreciable underlying assets subject to operating leases should be consistent with the lessor’s normal depreciation/amortization policy for similar assets in accordance with IAS 16 and IAS 38.

The lessor presents assets subject to operating lease arrangements in its financial statements according to the type/class of assets.

3.19 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

In order to be maintained, the best possible estimates of provisions are considered, determined and, if necessary, adjusted at each reporting date.

When the outflow of the economic benefits is no longer probable in order to settle legal or constructive liabilities, provisions are reversed, and revenue is recognized on that basis. Provisions are taken into account in accordance with their type and they can be used only for the expenses they were initially recognized for. Provisions are not recognized for future operating losses.

Contingent liabilities are not recognized in the financial statements. They are disclosed in notes to the financial statements (Note 40), unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements. They are disclosed in notes to the financial statements if an inflow of resources embodying economic benefits is probable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Equity

The Bank's equity is comprised of issued (share) capital, share issue premium, reserves, retained earnings and current year's profit/loss.

The Bank's share capital is formed from the monetary contributions made by the Bank's founders. For funds invested, shareholders receive a proportionate number of shares or receipts as defined in the Law on the Capital Market (Official Gazette of RS nos. 31/2011, 112/15, 108/2016, 9/2020 и 153/2020). Shareholders cannot withdraw funds invested in the Bank's share capital. The Bank uses capital to perform banking operations and cover operating risks.

The structure of and changes in the Bank's equity are disclosed in Note 39.

3.21 Financial Guarantees

In the ordinary course of business, the Bank issues financial guarantees, consisting of payment guarantees and performance bonds, letters of credit, acceptances and other warranties. Financial guarantees are contracts which obligate the issuer of a guarantee to perform the payment or compensate the loss to the holder of a guarantee, incurred if a certain client fails to settle its liabilities in due time as required under the terms of the contract.

Financial guarantees are initially recognized in the financial statements at fair value as at the date the guarantee is issued. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligations arising as a result of the guarantee.

Any increase in the liability relating to the financial guarantees is recognized in the income statement. The premium received is recognized in the income statement within the fee and commission income on a straight-line basis over the life of the guarantee.

Financial guarantees are presented under contingent liabilities, within the Bank's off-balance sheet items (Note 40).

3.22 Employee Benefits

The cost of defined post-employment benefits to employees and/or retirement benefits upon fulfillment of all the legally prescribed criteria, are determined in an actuarial assessment. An actuarial assessment includes the assessment of a discount rate, future movements in salaries, mortality rates and employee turnover rates. Due to the long-term nature of these plans, significant uncertainties influence the outcome of such assessments.

3.23 Managed Funds

The Bank manages funds on behalf of and for the account of third parties and charges fees for these services. These items are not included in the Bank's statement of financial position and are presented within off-balance sheet items (Note 40).

3.24 Taxes and Contributions

i. Current Income Tax

Current income tax represents an amount calculated in accordance with the effective Republic of Serbia's Corporate Income Tax Law (Official Gazette of RS nos. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015, 113/2017, 95/2018, 86/2019, 153/2020 and 118/2021) and the relevant bylaws and regulations.

Current income tax represents an amount that is calculated by applying the prescribed income tax rate of 15% (effective in 2022 and 2021) to the taxable income reported in the tax statement and income tax return, adjusted for determined tax credits. Taxable income represents the profit shown in the statutory income statement adjusted under the statutory tax rules of the Republic of Serbia. The monthly advance income tax payment is paid on monthly basis while the adjustment of the sum of advance payments is made at the year-end, i.e. upon submission of the tax statement and the annual income tax return to the tax authorities for advance/final assignment of the corporate income tax.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24. Taxes and Contributions (continued)

i. Current Income Tax (continued)

The tax regulations in the Republic of Serbia do not allow that any tax losses of the current period could be used to recover taxes paid within a specific carryback period. However, any current year losses may be used to reduce or eliminate taxes to be paid in future periods, but only for a duration of no longer than five years.

ii. Indirect Taxes and Contributions

Indirect taxes and contributions include property taxes, value added tax, payroll taxes and contributions and various other taxes and contributions payable pursuant to the effective republic and local tax regulations. These taxes and contributions are included in profit and loss within operating expenses and staff costs. VAT may be presented within certain statement of financial position items if relating to procurements that do not represent expenses but certain statement of financial position items according to IFRS/IAS.

iii. Deferred Income Taxes

Deferred income taxes are provided for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the Bank's financial statements in accordance with IAS 12 “Income Taxes”.

Deferred tax liabilities are recognized for all taxable temporary differences as at the reporting date between the tax bases of assets and liabilities and their carrying values used for financial reporting purposes, which will result in taxable amounts in the future periods.

Deferred tax assets are income tax amounts recoverable in the future periods which pertain to all deductible temporary differences and all unused tax credits and losses available for carryforward.

Deferred tax assets and liabilities are determined at the tax rate expected to be applied in the period of the relevant asset realization/liability settlement, based on the currently enacted or tax rates expected to be enacted up to the balance sheet date. Deferred tax assets and liabilities were provided at the rate of 15%.

In 2022 the Bank recognized deferred tax assets in respect of: provisions for retirement benefits calculated in accordance with IAS 19 “Employee Benefits”, unpaid public duties payable and provisions for litigations, based on revaluation of securities and on the basis of provisions for restructuring costs.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Current and deferred income taxes are recognized within income and expenses and are part of the profit for the year.

Deferred income taxes related to items that are recorded directly in equity are also recognized within equity.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

4. INTEREST INCOME AND EXPENSES

RSD 000	31.12.2022	31.12.2021
Interest income from cash and assets with the central bank	485,095	30,275
Interest income based on interest rate swap	43,296	40,093
Income from interest on the basis of acceptance, stand surety and payments by guarantees	4,683	9,281
Interest income from deposits	25,240	16,201
Income from interest on the basis of government bonds	1,391,495	1,220,154
Interest income based on factoring	377,946	118,517
Interest income based on forfeiting	52,477	19,584
Interest income from cards	261,344	270,714
Interest income from corporate bonds	199,057	118,024
Income from interest on loans	24,217,373	15,501,044
Interest income from other placements	3,381	18,270
Income from interest on receivables from loans from repo transactions	34,918	-
Income from interest on receivables from loans from repo transactions with the NBS	24,222	528
Interest income on receivables from placements that are approved and mature within one day (overnight)	54,306	5,183
Other	289	456
Total interest income	**27,175,122**	**17,368,324**
Interest expenses from deposits	(4,645,248)	(1,477,848)
Interest expenses from loans	(13,614)	(13,932)
Interest expenses based on interest rate swap	(43,296)	(40,093)
Interest expense based on leasing	(28,241)	(31,883)
Interest expenses based on received loans	(787,141)	(157,340)
Interest expenses based on repo transactions	(6,477)	(4,062)
Interest expenses on the basis of subordinated obligations	(513,965)	(279,554)
Total interest expenses	**(6,037,982)**	**(2,004,712)**
Net interest income	**21,137,140**	**15,363,612**

5. FEE AND COMMISSION INCOME AND EXPENSES

RSD 000	31.12.2022	31.12.2021
Fee and commission income from		
Current account	1,998,283	1,649,273
Payment card transactions	2,512,500	1,832,456
Payment transfer operations	4,079,630	2,730,968
Electronic banking	305,689	225,534
Guarantees and warranty	542,072	323,869
Credit transactions	78,092	45,224
Fee based on spot transactions	697,530	406,238
Fee for factoring	55,303	20,820
Insurance representation	163,575	88,782
Credit bureau	63,185	57,355
Financial derivatives	366,684	87,520
Exchange	579,598	313,991
Custody and brokerage	99,887	95,100
Other fees and commissions	180,410	102,882
Letters of intent	4,511	5,042
Earmarked deposits	8,493	7,857
Total	**11,735,442**	**7,992,911**
Fee and commission expenses		
Payment transfer operations	(538,612)	(393,429)
Payment card transactions	(1,799,708)	(1,250,314)
Guarantees and warranty	(96,783)	(78,500)
Insurance representation	(8,226)	(5,909)
Fee based on spot transactions	(561,910)	(342,004)
Credit bureau	(86,712)	(73,473)
Mediation fee	(43,976)	(52,899)
Financial derivatives	(284,244)	(60,726)
Exchange	(7,058)	(1,538)
Custody and brokerage	(8,606)	(11,355)
Loans received	(1,235)	-
Fee for factoring	(6,045)	(2,839)
Other fees and commissions	(21,422)	(13,090)
Total	**(3,464,537)**	**(2,286,076)**
Net fee and commission income	**8,270,905**	**5,706,835**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

6. NET GAINS ON CHANGES IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS

RSD 000	31.12.2022	31.12.2021
Gains on the fair value changes of derivatives	7,029,547	1,949,168
Losses on the fair value changes of derivatives	(6,538,251)	(1,043,054)
Gains on the fair value changes of financial assets at FVtPL	650	35,477
Losses on the fair value changes of financial assets at FVtPL	(8,926)	(42,673)
Net gain on the changes in the fair value of financial instruments	**483,020**	**898,918**

7. NET LOSSES ON DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

RSD 000	31.12.2022	31.12.2021
Losses on derecognition of financial instruments measured at FVtPL	(6,164)	(1,347)
Losses on derecognition of financial instruments measured at FVtOCI		(57,633)
Gains on derecognition of financial instruments measured at FVtPL	2,638	47,517
Gains on derecognition of financial instruments measured at FVtOCI		4,502
Net gains on derecognition of financial instruments measured at fair value	**(3,526)**	**(6,961)**

8. NET GAINS ON RISK HEDGING

RSD 000	31.12.2022	31.12.2021
Gains on the changes in the fair value of hedged items – changes in the value of gold and other precious metals	3,342	2,158
Expenses on changes in the value of items subject to risk protection - Income from changes in the value of gold and other precious metals	-	(277)
Net gains on risk hedging	**3,342**	**1,881**

9. NET FOREIGN EXCHANGE LOSSES AND CURRENCY CLAUSE EFFECTS

RSD 000	31.12.2022	31.12.2021
Foreign exchange gains		
Unrealized foreign exchange gains	8,580,498	2,445,978
Contractual currency clause	663,954	156,049
Total foreign exchange gains	**9,244,452**	**2,602,027**
Foreign exchange losses		
Unrealized foreign exchange losses	(8,091,650)	(3,292,892)
Contractual currency clause	(1,406,854)	(155,153)
Total foreign exchange losses	**(9,498,504)**	**(3,448,045)**
Net foreign exchange gains/(losses) and currency clause effects	**(254,052)**	**(846,018)**

10. NET LOSSES FROM IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVtPL)

RSD 000	31.12.2022	31.12.2021
Expenses of indirect write-offs of placement of balance positions - cash and funds with the central bank	(46,497)	(107,276)
Expenses of indirect write-offs of placement of balance positions - loans	(16,959,438)	(12,501,819)
Expenses of indirect write-offs of placement of balance positions - other assets	(401,633)	(333,849)
Provisions for losses on off-balance sheet exposures	(2,853,145)	(2,267,322)
Impairment allowance of financial assets measured at fair value through other comprehensive income (FVtOCI)	(134,904)	(162,889)
Write-off of irrecoverable receivables	(56,011)	(31,718)
Total losses	**(20,451,628)**	**(15,404,873)**
Gains based on the modification of financial instruments	588,698	-
Reversal of impairment allowance of balance sheet exposures - cash and assets with the central bank	53,760	-
Reversal of impairment allowance of balance sheet exposures - loans	12,657,907	12,044,720
Reversal of impairment allowance of balance sheet exposures - other assets	190,902	167,298
Reversal of provisions for losses on off-balance sheet exposures	2,052,078	1,846,201
Reversal of impairment allowance of financial assets measured at fair value through other comprehensive income (FVtOCI)	86,498	235,468
Recovery of receivables previously written off	647,231	580,448
Total gains	**16,277,074**	**14,874,135**
Net gains/(losses) from impairment of financial assets not measured at fair value through profit or loss (FVtPL)	**(4,174,554)**	**(530,738)**

In accordance with Accounting policy, the Bank calculates the effects of modification of loans contracted cash flow, comparing the net present value of future cash flows to the gross carrying value (Note 3.3(vii)).

The effects of modification of contracted cash flows, the Group is recognized within income statement if materially significant. The amount of income from the modification calculated by the Group as of December 31, 2022, as a result of the current value change of the loans in which there was a change in the initially agreed terms of the loan, amounts RSD 588,698 thousand. The effect was posted within income statement with the other side of journal entry gross carrying value.

The increase in expenses of the impairment of financial assets in 2022 is conditioned primarily by the increase in the share of loan portfolio for which significant increase in credit risk has been recognized (Stage 2). In addition to the above, the growth of these expenses was partly influenced by the realized growth of the loan portfolio during 2022.
Expenses of indirect write-offs of placements and provisions for off-balance sheet positions during 2022 include the effect of an increase in expected credit losses based on unfavorable macroeconomic projections, and under the influence of intensifying geopolitical tensions and strengthening inflationary pressures, however, these effects are largely mitigated by the reduction of uncertainty regarding COVID-19 pandemic.

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11. NET GAINS / (LOSSES) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT MORTIZED COST

RSD 000	31.12.2022	31.12.2021
Net gains on derecognition of financial assets measured at amortized cost	**406,253**	**172,023**
Gains on the sales of receivables	406,253	172,023
Net losses on derecognition of financial assets measured at amortized cost	**(91)**	**(2,856)**
Losses on the sales of receivables	(91)	(2,856)
Net gains on derecognition of financial assets measured at amortized cost	**406,162**	**169,167**

12. OTHER OPERATING INCOME

RSD 000	31.12.2022	31.12.2021
Other income from operations	222,094	184,862
Other rental income	69,636	64,934
Dividend and profit sharing income	414,952	75,244
Total other operating income	**706,682**	**325,040**

13. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES

RSD 000	31.12.2022	31.12.2021
Net salaries	(4,143,718)	(3,871,891)
Taxes on salaries and compensations	(433,940)	(414,524)
Contributions to salaries and compensations	(946,469)	(890,076)
Considerations to temporary and seasonal employees	(2,519)	(3,088)
Other personal expenses	(216,868)	(186,699)
Reversal of provisions for employee retirement and other benefits	16,580	16,057
Total salaries, salary compensations and other personal expenses	**(5,726,934)**	**(5,350,221)**

14. DEPRECIATION AND AMORTIZATION CHARGE

RSD 000	31.12.2022	31.12.2021
Depreciation charge – property and equipment	(655,994)	(600,977)
Depreciation charge – investment property	(2,837)	(2,408)
Depreciation charge – leased properties	(450,390)	(479,105)
Depreciation charge – Intangible assets	(366,381)	(311,765)
Total depreciation and amortization charge	**(1,475,602)**	**(1,394,255)**

15. OTHER INCOME

RSD 000	31.12.2022	31.12.2021
Reversal of unused provisions	30,891	240,606
Gains on the sales of property, equipment and intangible assets	121,959	54,608
Write-off of liabilities	3,736	4,491
Surpluses	8,141	2,088
Income from business with payment cards	159,205	82,391
Income from increase in value based on loan performance	181,388	7,904
Other income	184,520	79,118
Total other income	**689,840**	**471,206**

16. OTHER EXPENSES

RSD 000	31.12.2022	31.12.2021
Cost of materials	528,337	430,597
Cost of production services	1,924,047	1,693,206
Rental costs per short-term lease contracts (Note 27)	14,272	17,914
Non-material costs	3,397,225	3,419,873
Taxes payable	311,596	274,597
Contributions payable	890,900	848,935
Other costs and charges	97,224	63,011
Costs of provisions for litigations	221,925	1,599,104
Losses from sale of fixed assets and intangible assets	4,502	-
Losses on impairment of assets acquired in lieu of debt collection	36	-
Shortages and damages	1,896	298
Other expenses	118,271	174,844
Losses on impairment of building properties	46,376	82,934
Total other expenses	**7,556,607**	**8,605,313**

Non-material costs as of December 31, 2022 are mostly made up of costs of deposit insurance at the deposit insurance agency in the amount of RSD 1,081,591 thousand, life insurance costs of cash loan users of RSD 619,240 thousand, software maintenance costs of RSD 163,048 thousand, as well as costs of legal services in the amount of RSD 160,436 thousand, as well as other non-material costs (lawyer services - business and SMEs, costs of other fees - sales agents, costs of professional services - monitoring and collection of claims without individually materially significant participation in total non-material costs).

Comparative data for December 31, 2021 amounted to: costs of deposit insurance at the deposit insurance agency RSD 882,047 thousand, costs of life insurance of users of cash loans RSD 538,946 thousand, costs of intellectual services-IT services RSD 380,130 thousand and costs of legal services RSD 130,501 thousand.

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17. INCOME TAXES

RSD 000	31.12.2022	31.12.2021
Current income tax expense	(1,452,570)	(377,582)
Deferred tax losses	(192,442)	(173,483)
Deferred tax gains	885	104,573
Total income taxes	**(1,644,127)**	**(446,492)**

Numerical Reconciliation between Total Tax Expense Stated in the Income Statement and the Product of the Profit before tax Multiplied by the Applicable Tax Rate

RSD 000	31.12.2022	31.12.2021
Profit/(loss) before taxes	**12,505,816**	**6,203,153**
Income tax at the statutory tax rate of 15%	**(1,875,872)**	**(930,473)**
Tax effects of expense adjustment in the tax statement	92,657	(75,383)
Tax effects of transfer pricing adjustments	(1,012)	(857)
Tax effects of income adjustment in the tax statement	274,059	223,917
Tax effects of adjustments due to IFRS 9 first-time adoption	66,672	48,946
Tax loss utilization effects	-	286,569
Temporary difference effects - deferred taxes, depreciation/amortization and revaluation for tax purposes	(4,035)	14,580
Temporary difference effects - deferred taxes, provisions for litigations	(82,801)	80,893
Temporary difference effects - deferred taxes, provisions for retirement benefits	(39,359)	-
Temporary difference effects - deferred taxes, IFRS 9	(57,328)	(48,946)
Temporary difference effects - deferred taxes, other	(8,034)	(27,894)
Temporary difference effects - deferred taxes, other, CHF loans	-	(87,543)
Tax effects of capital gains	(9,074)	(17,844)
The effect of tax credit for CHF loans	-	87,543
Total tax income/(expanse)	**(1,644,127)**	**(446,492)**

Tax income/(expense)

RSD 000	31.12.2022	31.12.2021
Profit/(loss) before taxes	**12,505,816**	**6,203,153**
(Income)/Expenses not recognized for tax purposes - temporary differences	(1,165,695)	9,170
(Income)/Expenses not recognized for tax purposes - permanent differences	(1,716,813)	(1,319,991)
Taxable (loss)/profit	9,623,307	4,892,332
Capital gains	99,959	118,964
Capital losses	(39,467)	-
Utilization of tax losses carried forward	-	(1,910,461)
Utilization of tax credits carried forward	-	(583,622)
Taxable income base	9,683,799	2,517,213
Tax rate	15%	15%
Calculated income tax	(1,452,570)	(377,582)
Current income tax expense	**(1,452,570)**	**(377,582)**
Profit decrease through reversal of deferred tax assets	**(191,557)**	**(68,910)**
Total tax benefits	**(1,644,127)**	**(446,492)**
Net profit/(loss)	**10,861,689**	**5,756,661**

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18. CASH AND BALANCES HELD WITH THE CENTRAL BANK

RSD 000	31.12.2022	31.12.2021
In RSD		
Gyro account	10,848,986	8,028,954
Cash on hand	10,256,232	8,375,285
Deposited RSD liquid asset surpluses	67,846,052	25,301,324
Total cash funds in RSD	**88,951,270**	**41,705,563**
In foreign currencies		
Cash on hand	6,165,628	6,056,408
Other cash funds	87,797	5,156
Obligatory foreign currency reserve held with NBS	45,349,918	42,910,529
Less: value adjustment	(99,770)	(107,276)
Total cash funds in foreign currencies	**51,503,573**	**48,864,817**
Gold and other precious metals	57,538	54,196
Total cash and balances held with the central bank	**140,512,381**	**90,624,576**

The Bank's obligatory RSD reserve represents the minimum RSD reserve set aside in accordance with the NBS Decision on Required Reserves of Banks with the National Bank of Serbia (Official Gazette of RS, no. 76/2018) Pursuant to the aforesaid Decision, the obligatory reserve is to be calculated at the rate of 5% on the portion of the RSD base comprised of liabilities maturing within 2 years, i.e. within 730 days, and at the rate of 0% on the portion of the RSD base comprised of liabilities with maturities of over 2 years, i.e. over 730 days. The RSD base for the calculation of the obligatory reserve is the amount of average daily balance of RSD liabilities during the preceding calendar month, except RSD liabilities indexed to a currency clause as follows:

- non-indexed liabilities arising from RSD deposits, borrowings, securities and other RSD liabilities to domestic legal entities and retail bank clients; and

- non-indexed liabilities arising from RSD deposits, borrowings and other RSD liabilities to foreign creditors.

18. CASH AND BALANCES HELD WITH THE CENTRAL BANK (continued)

A portion of the obligatory foreign currency reserve was converted into obligatory RSD reserve at the rates of 38% and 30% for the obligatory reserves of up to and over 2 years, respectively.

The obligatory RSD reserve balance that had to be maintained from December 18, 2022 to January 17, 2023 amounted to RSD 37,648,286 thousand, where the calculated RSD portion of the reserve amounted to RSD 10,365,149 thousand, and the RSD equivalent of the reserve portion calculated in EUR and deposited in RSD amounted to RSD 27,283,137 thousand. The Bank is under obligation to calculate and maintain the average daily balance of the allocated obligatory RSD reserve on its gyro account over the accounting period. The calculated obligatory RSD reserve is deposited in RSD on the Bank's gyro account. As at December 31, 2022 the Bank was in full compliance with the regulations of the National Bank of Serbia with regard to the calculation and allocation of the obligatory RSD reserve.

The obligatory foreign currency reserve represents the minimum foreign currency reserve set aside in accordance with the NBS Decision on Required Reserves of Banks with the National Bank of Serbia (Official Gazette of RS, no. 76/2018), which prescribes that banks calculate the obligatory foreign currency reserve at the following rates**:**

- 20% on the portion of the foreign currency reserve comprised of liabilities maturing within 2 years, i.e. up to 730 days, and exceptionally at the rate of 100% on the portion of the foreign currency reserve comprised of RSD liabilities indexed to a currency clause maturing within 2 years, i.e. up to 730 days; and
- 13% on the portion of the foreign currency reserve comprised of liabilities with maturities of over 2 years, i.e. over 730 days, and exceptionally at the rate of 100% on the portion of the foreign currency reserve comprised of RSD liabilities indexed to a currency clause with maturities of over 2 years, i.e. over 730 days.

The foreign currency base for the calculation of required reserve is the amount of average daily balance of foreign currency liabilities during the preceding calendar month and the amount of average daily balance of RSD liabilities from the preceding calendar month indexed to a currency clause as follows:

- liabilities arising from deposits, borrowings, securities and other foreign currency liabilities to foreign creditors;
- liabilities arising from deposits, borrowings, securities and other foreign currency liabilities to domestic legal entities and other liabilities;
- foreign currency savings deposits held with other banks; and
- indexed liabilities arising from deposits, borrowings, securities and other RSD liabilities as well as indexed RSD deposits received through transactions the Bank performs on behalf of third parties if they exceed the amounts of loans the Bank disbursed from these deposits.

The Bank deposits the obligatory foreign currency reserve onto the foreign currency account with the National Bank of Serbia. During the year, the Bank was in full compliance with the regulations of the National Bank of Serbia with regard to the calculation and allocation of the obligatory foreign currency reserve. The obligatory foreign currency reserve balance that had to be maintained from December 18, 2022 to January 17, 2023 amounted to EUR 394,595 thousand.

In 2022, the Bank's short-term liquid asset surpluses were deposited with the National Bank of Serbia for periods from 1 to 5 days at the interest rate from 0.1% up to 4.25% p.a., with daily average of RSD 10,414,329 thousand.

19. PLEDGED FINANCIAL ASSETS

RSD 000	31.12.2022	31.12.2021
In foreign currency		
Financial assets for securitizing liability settlement	445,087	463,080
Total pledged financial assets	**445,087**	**463,080**

As at December 31, 2022 pledged financial assets comprise the amount of RSD 445,087 thousand (December 31, 2021: RSD 463,080 thousand).

The amount of RSD 362,961 thousand relates to deposits placed as collateral by the Bank as a member of the VISA International Service Association and the Master International Service Association. The deposit is made for an indefinite period, with a variable interest rate of 1M USD LIBOR - 0.05%. Interest is calculated on a monthly basis. The amount of RSD 82,126 thousand refers to the deposit placed as collateral with OTP Bank Hungary for transactions with derivative financial instruments, the interest rate is variable and is related to EUROSTR, interest is calculated and paid monthly.

20. RECEIVABLES UNDER DERIVATIVE FINANCIAL INSTRUMENTS

RSD 000	31.12.2022	31.12.2021
Receivables from derivatives held for trading - Forward	7,090	17,263
Receivables from derivatives held for trading - Options	-	80,036
Receivables from derivatives held for trading - Swap	441,394	160,549
Total receivables under derivative financial instruments	**448,484**	**257,848**

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21. SECURITIES

RSD 000	31.12.2022	31.12.2021
Securities measured at fair value through profit or loss (FVtPL)	**2,259**	**8,837,351**
Treasury bills and public sector bonds	1	8,812,748
Securities of other financial institutions	906	13,432
Public sector securities	-	12
Other corporate shares	1,352	11,159
Securities measured at fair value through the other comprehensive income (FVtOCI) - Equity securities	**32,779**	**29,664**
Public company shares	9,800	9,800
Public sector shares	38	38
Corporate shares of non-residents	18,778	15,663
Other corporate shares	4,163	4,163
Securities measured at fair value through the other comprehensive income (FVtOCI) - Debt securities	**41,437,630**	**44,947,352**
Treasury bills and public sector bonds	37,413,798	40,924,950
Government bills and bonds of public companies	3,528,832	3,527,189
Treasury bills and bonds of other companies	495,000	495,213
Total Securities exposure	**41,472,668**	**53,814,367**

Impairment of debt securities measured at fair value through the other comprehensive income (FVtOCI) are recorded in equity in the amount of RSD 319,994 thousand as of December 31, 2022 (as of December 31, 2021: RSD 271,588 thousand).

22. LOANS AND RECEIVABLES DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

RSD 000	31.12.2022	31.12.2021
Loans per transaction accounts	2,659	9,443
Liquidity and working capital loans	1,650,714	2,277,311
Investment loans	16,982	-
Other loans	1,220	47,614
Interest and fees per deposits and off-balance sheet items	-	7,234
Total in RSD	**1,671,575**	**2,341,602**
Foreign currency accounts	4,912,784	5,960,752
Foreign currency cheques	-	60
Loans by repo transactions in foreign currency	4,505,733	-
Other loans	382,962	360,874
Other general-purpose deposits	-	412,120
Earmarked deposits placed in accordance with the regulations	4,693	4,703
Other receivables	1,669	1,673
Interest and fees per deposits and off-balance sheet items	-	819
Factoring recourse receivables in foreign currency	207,772	115,873
Total in foreign currencies	**10,015,613**	**6,856,874**
Impairment allowance (Note 32)	(472,310)	(436,895)
Total loans and receivables, net	**11,214,878**	**8,761,581**

As at 31 December 2022, the Bank mainly held funds in nostro accounts with foreign banks. Other non-purpose deposits in foreign currency as well as in dinars were 0 (the Bank did not place funds with domestic or foreign banks)

23. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

23.1 Loans and receivables due from customers – breakdown per product

RSD 000	31.12.2022	31.12.2021
Loans per transaction accounts	3,961,820	3,450,170
Consumer loans	3,168,538	3,856,234
Loans for liquidity maintenance and working capital	129,722,512	139,626,712
Investment loans	96,850,586	71,885,934
Housing loans	129,350,416	115,417,376
Cash loans	126,351,922	123,878,779
Other RSD loans	23,955,264	23,268,835
Receivables arising from purchased placement - forfeiting in dinars	1,677,967	2,045,516
Receivables based on factoring without the right of recourse and reverse factoring	12,426,429	8,517,431
Receivables based on factoring with the right of recourse	2,250,968	1,259,359
Receivables for acceptances, bills of exchange and payments per guarantees called on	198,893	316,497
Other loans and receivables	10,644	14,856
Interest and fees per deposits and off-balance sheet items	8,992	539,553
Total in RSD	**529,934,951**	**494,077,252**
Loans for payment of imported goods and services	15,909,356	16,482,517
Other loans	6,709,026	1,257,751
Placements based on acceptance, endorsement and payments made under guarantees in foreign currency	134,772	132,701
Factoring recourse receivables in foreign currency	20,461	13,560
Other loans and receivables	5,592	10,094
Interest and fees per deposits and off-balance sheet items	211	4,015
Total in foreign currencies	**22,779,418**	**17,900,638**
Impairment allowance (Note 32)	(20,224,075)	(18,535,268)
Total loans and receivables, net	**532,490,294**	**493,442,622**

Loans to enterprises are mainly approved for: financing daily liquidity (current account deficits), procurement of working capital, as well as investment financing. Interest on loans approved in 2022 is calculated at an interest rate equal to one-month, three-month or six-month Euribor increased by an average of 2.77% per year for medium-sized companies and large companies for indexed loans / loans in foreign currency, i.e. for dinar loans in the amount of one-month or three-month Belibor increased by an average of 2.49% per year for medium-sized enterprises and large enterprises.

During 2022, retail customers were granted long-term mortgage loans with a repayment term of 5 to 30 years. Interest rates ranged from three-month Euribor increased by 1.85% to three-month Euribor increased by 3.69%. The fixed interest rate ranged from 2.40% to 5.45%.

During 2022, retail customers were granted dinar and indexed cash loans and loans for refinancing with a repayment term of 6 to 71 months. Interest rates for dinar cash loans and refinancing loans with a fixed interest rate ranged from 4.45% to 18.15%, while interest rates on indexed loans ranged from 2.70% to 4.95%. Interest rates for dinar cash and refinancing loans with a variable interest rate ranged from three-month Belibor increased by 3.20% to three-month Belibor increased by 8.95%.

In 2022, loans were granted to small businesses, entrepreneurs and registered agricultural farms. The average interest rate for loans intended to finance working capital was 5.40% for small businesses, or 3.15% for registered agricultural holdings. Investment loans for small businesses were approved at an average interest rate of 4.92%, while the interest rate for registered agricultural holdings was 5.67%.

23. LOANS AND RECEIVABLES DUE FROM CUSTOMERS (continued)

23.1 Loans and receivables due from customers – breakdown per product (continued)

As an additional measure of support for agriculture, which foresees that debtors who, due to the difficult conditions of agricultural production, are unable to settle their obligations to the Bank, the National Bank of Serbia passed on October 6, 2022 Decision on temporary measures for banks in order to adequately manage credit risk in the portfolio of agricultural loans in conditions of difficult agricultural production, which was dated October 7, 2022 published in the “Official Gazette of the RS" no. 111/2022 (hereinafter: Decision).

The Decision envisages the possibility that debtors who, due to difficult conditions of agricultural production, are unable to settle their obligations to the Bank, or who have difficulties in settling those obligations, have an option to submit to the Bank a request for approval of relief in the form of reprogramming.

In accordance with the Decision, the Bank offers debtors a loan reprogram that implies a change in the conditions of the individual loan, so that the debtor is provided with a grace period in the repayment of all his obligations to the Bank under that loan for a duration of six to twelve months (depending on the period for which the debtor decides when submitting the application to the Bank), during which the Bank does not collect claims on the basis of the principal, whereby it charges the agreed interest, and the repayment term of that loan is extended so that the amount of the annuity (periodic obligations that would be paid after the end of the grace period) determined in at the moment of approving the reprogram, will not be higher than that amount in the period before the implementation of the reprogram.

As of December 31, 2022, based on the Decision,the Bank has realized clients’ requests in the amount of RSD 664,643 thousand.

23.2 Loans and receivables due from customers – breakdown per industry

RSD 000	31.12.2022	31.12.2021
Public companies	57,556,119	45,010,165
Corporate customers	202,541,361	195,434,064
Entrepreneurs	5,779,926	5,712,255
Public sector	12,304,352	6,735,376
Retail customers	251,804,558	236,995,254
Non-residents	801,453	1,654,466
Agricultural producers	936,958	1,322,799
Other customers	765,567	578,243
Total loans and receivables due from customers	**532,490,294**	**493,442,622**

24. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

RSD 000	stake	31.12.2022	31.12.2021
OTP Osiguranje a.d. Beograd	49%	149,650	149,650
Total investments in associates and joint ventures		**149,650**	**149,650**

On October 14, 2015 OTP Osiguranje a.d. Beograd increased basic capital from net assets by converting the reserves in basic capital. Increase of basic capital was done by increase in nominal value of shares for RSD 351 per each share, thus the value of each share increase from RSD 1,000 to RSD 1,351. This change was registered in Agency for legal entities with Decision number BD 86518/2015 from October 14th, 2015. After mentioned change Bank has same share in equity.

Bank owns 149,650 shares of total value as at December 31, 2022 RSD 202,177 thousand.

25. INVESTMENTS IN SUBSIDIARIES

RSD 000	31.12.2022	31.12.2021
Equity investments in subsidiaries	788,229	788,229
Less: Impairment allowance	(32,715)	(32,715)
Total investments in subsidiaries	**755,514**	**755,514**

As of December 31, 2022, the Bank's investments in subsidiaries (gross) refer to:

	RSD 000	Interest %
OTP Lizing d.o.o., Beograd	270,348	60%
OTP Leasing Srbija d.o.o., Beograd	314,098	100%
OTP Factoring Serbia d.o.o., Novi Sad	-	100%
OTP Investments d.o.o., Novi Sad	203,783	100%
Total investments in subsidiaries	**788,229**	

Under Decision no. BD 45169/2019 of the Serbian Business Registers Agency dated May 16, 2019, the Bank acquired the sole (100%) ownership of the entity OTP Factoring Serbia d.o.o., Novi Sad amounting to RSD 1.

Under Decision no. BD 91170/2019 of the Serbian Business Registers Agency dated September 19, 2019, the ban sold 40% of its equity interest held in OTP Lizing d.o.o. Beograd amounting to RSD 180,232 thousand.

By acquiring OTP banka Srbija A. D. Belgrade, the bank acquired 100% ownership of the company OTP Leasing Srbija d.o.o Belgrade. The share in the capital of the company amounts to 314,098 thousand and is stated at cost.

26. INTANGIBLE ASSETS

RSD 000	31.12.2022	31.12.2021
Licenses	261,798	258,892
Software	4,113,452	3,698,936
Other intangible assets	494,980	494,980
Total intangible assets	**4,870,230**	**4,452,808**
Accumulated amortization of other intangible assets	(318,032)	(288,130)
Accumulated amortization of intangible assets	(3,297,592)	(2,950,433)
Intangible assets, net book value	**1,254,606**	**1,214,245**

Other intangible assets pertain to the customer database and brand name determined on December 1, 2017 within the business combination of acquisition of Vojvođanska banka a.d., Novi Sad by OTP Group in accordance with IFRS 3. The customer database is amortized over the period of 11 years and the brand name is amortized up until April 2021.

27. PROPERTY, PLANT AND EQUIPMENT

RSD 000	31.12.2022	31.12.2021
Land	452,991	452,991
Buildings	9,743,445	10,033,548
Equipment	5,092,131	4,840,174
Equipment in progress	169,066	339,681
Leasehold improvements	703,649	770,710
Leases - ROU Assets	2,524,266	3,198,566
Total property, plant and equipment	**18,685,548**	**19,635,670**
Accumulated depreciation of property, plant and equipment	(6,092,950)	(5,842,328)
Accumulated depreciation of RoU	(1,085,045)	(1,464,162)
Property, plant and equipment, net book value	**11,507,553**	**12,329,180**

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27. PROPERTY, PLANT AND EQUIPMENT (continued)

27.1 Movements on property, plant and equipment and intangible assets:

RSD 000	Land, buildings and investments in fixed assets owned by others	Equipment and Other Assets	Leases - ROU Assets	Investments in progress	Intangible Assets (Note 26)	Total
Cost						
Balance at January 1, 2022	11,257,250	4,840,173	3,198,566	339,681	4,452,808	**24,088,479**
Additions	104,648	11,003	564,860	486,799	569,407	**1,736,717**
Reclassification to Real estate	69,748	-	-	-	-	**69,748**
Transfer from investment in progress	186,595	470,819	-	(657,414)	-	**-**
Transfer from ongoing investments to intangible assets	-	-	-	-	(151,985)	**(151,985)**
Reclassification from Real estate	(301,545)	-	-	-	-	**(301,545)**
Sale	(260,813)	(153,330)	-	-	-	**(414,143)**
Write off	(155,797)	(76,534)	(1,239,160)	-	-	**(1,471,491)**
Balance at December 31, 2022	**10,900,086**	**5,092,131**	**2,524,266**	**169,066**	**4,870,230**	**23,555,780**
Accumulated depreciation and amortization						
Balance at January 1, 2022	2,476,714	3,365,614	1,464,162	-	3,238,563	**10,545,053**
Charge for the year (Note14)	172,897	483,097	450,390	-	366,381	**1,472,765**
Impairment	32,186	-	-	-	10,680	**42,866**
Reclassification to Real estate	36,265	-	-	-	-	**36,265**
Sale	(89,275)	(146,855)	-	-	-	**(236,130)**
Reclassification from Real estate	(20,643)	-	-	-	-	**(20,643)**
Write off	(140,554)	(76,495)	(829,507)	-	-	**(1,046,556)**
Balance at December 31, 2022	**2,467,590**	**3,625,361**	**1,085,045**	**-**	**3,615,624**	**10,793,620**
Net book value at December 31, 2022	**8,432,496**	**1,466,770**	**1,439,221**	**169,066**	**1,254,606**	**12,762,160**

RSD 000	Land, buildings and investments in fixed assets owned by others	Equipment and Other Assets	Leases - ROU Assets	Equipment in Progress	Intangible Assets (Note 26)	Total
Cost						
Balance at January 1, 2021	7,987,172	2,944,736	1,464,097	214,927	1,661,306	**14,272,238**
Merger	3,772,830	1,897,656	1,523,597	36,765	2,864,267	**10,095,116**
Additions	10,673	32,223	772,752	375,867	267,496	**1,459,011**
Transfer from investment in progress	7,146	280,732	-	(287,878)	-	**-**
Sale	(424,970)	(5,103)	-	-	-	**(430,073)**
Write off	(95,601)	(310,071)	(561,880)	-	(340,261)	**(1,307,813)**
Balance at December 31, 2021	**11,257,250**	**4,840,173**	**3,198,566**	**339,681**	**4,452,808**	**24,088,479**
Accumulated depreciation and amortization						
Balance at January 1, 2021	781,986	1,937,546	536,397	-	1,020,219	**4,276,148**
Merge	1,577,869	1,314,430	668,022	-	2,246,838	**5,807,159**
Charge for the year (Note14)	172,163	428,814	479,105	-	311,765	**1,391,847**
Sale	(28,125)	(5,103)	-	-	-	**(33,228)**
Write off	(27,179)	(310,073)	(219,362)	-	(340,259)	**(896,873)**
Balance at December 31, 2021	**2,476,714**	**3,365,614**	**1,464,162**	**-**	**3,238,563**	**10,545,053**
Net book value at December 31, 2021	**8,780,536**	**1,474,559**	**1,734,404**	**339,681**	**1,214,245**	**13,543,426**

27. PROPERTY, PLANT AND EQUIPMENT (continued)

27.1. Movements on property, plant and equipment and intangible assets (continued)

Due to the incomplete cadastral registers, as of December 31, 2022 the Bank had no proper title deeds for building properties with the net book value of RSD 328,709 thousand (December 31, 2021: RSD 378,398 thousand). The management is taking all the necessary action in order to obtain proper title deeds.

1) Right-of-use assets recognized in the Bank's statement of financial position:

RSD 000	31.12.2022	31.12.2021
Property	1,357,537	1,697,027
Equipment	81,684	37,377
Total leased assets	**1,439,221**	**1,734,404**

a) Movements on the Bank's ROU assets:

RSD 000	01.01.2022-31.12.2022			01.01.2021-31.12.2021		
	Buildings	Equipment	Total	Buildings	Equipment	Total
Cost						
Opening balance	**3,035,616**	**162,950**	**3,198,566**	**1,463,791**	**306**	**1,464,097**
Merge	-	-	**-**	1,388,960	134,637	**1,523,597**
Additions	493,228	71,632	**564,860**	744,745	28,007	**772,752**
Reclassification to non-current assets held for sale	(1,105,970)	(133,190)	**(1,239,160)**	(561,880)	-	**(561,880)**
Closing balance	**2,422,874**	**101,392**	**2,524,266**	**3,035,616**	**162,950**	**3,198,566**
Accumulated depreciation and amortization						
Opening balance	**1,338,589**	**125,573**	**1,464,162**	**536,091**	**306**	**536,397**
Merger	-	-	**-**	567,974	100,048	**668,022**
Amortization	423,334	27,056	**450,390**	453,885	25,219	**479,104**
Reclassification to non-current assets held for sale	(696,586)	(132,921)	**(829,507)**	(219,361)	-	**(219,361)**
Closing balance	**1,065,337**	**19,708**	**1,085,045**	**1,338,589**	**125,573**	**1,464,162**
Net book value	**1,357,537**	**81,684**	**1,439,221**	**1,697,027**	**37,377**	**1,734,404**

The Bank presents the right-of-use assets within the statement of financial position for the following underlying assets:

- commercial building
- branch office building,
- ATM space, advertising space
- ATM
- Vehicles

The average lease terms (useful lives of the presented right-of-use assets, viewed as from January 1, 2019):

- commercial building ~ 2 years,
- branch office building ~ 4 years
- ATM space ~ 2.5 years, and
- advertising space ~ 4.8 years.

27. PROPERTY, PLANT AND EQUIPMENT (continued)

27.1. Movements on property, plant and equipment and intangible assets (continued):

2) Effects recognized within the income statement for the period:

RSD 000	31.12.2022	31.12.2021
Depreciation charge	450,389	479,105
Interest expense (Note 4)	28,241	31,883
Lease expenses from short-term lease arrangements (Note 16)	14,272	17,914
Income from sublease of ROU assets	2,437	10,135

3) The Bank's commitments per operating/finance leases:

Future finance lease payments under IFRS 16 in arrangements where the Bank is the lessee are presented in the table below:

RSD 000	31.12.2022	31.12.2021
Within a year	**390,019**	**604,669**
- principal	366,686	558,055
- interest	23,333	46,614
Within 2 years	**340,378**	**380,172**
- principal	322,773	344,643
- interest	17,605	35,529
Within 3 years	**295,578**	**314,921**
- principal	283,253	288,569
- interest	12,325	26,352
Within 4 years	**224,614**	**263,084**
- principal	216,928	243,417
- interest	7,686	19,667
Within 5 years	**123,859**	**172,881**
- principal	119,337	160,449
- interest	4,522	12,432
Within a period of over 5 years	**165,431**	**200,140**
- principal	160,171	181,960
- interest	5,260	18,180
Total finance lease liabilities	**1,539,879**	**1,935,867**

4) Lessor accounting – the Bank as the lessor

Operating lease arrangements involving the Bank as the lessor relate to the lease of the Bank's investment property to lessees (tenants) for periods from 1 to 40 years.

The Bank's future operating lease receivables:

RSD 000	31.12.2022	31.12.2021
Within a year	52,488,791	45,540,084
Within 2 years	44,943,307	17,164,011
Within 3 years	26,570,174	14,880,782
Within 4 years	14,430,277	13,936,573
Within 5 years	12,484,866	13,164,735
Within a period of over 5 years	25,106,272	37,484,455
Total operating lease receivables	**176,023,686**	**142,170,640**

The Bank recognizes operating lease payments received as rental income on a straight-line basis over the lease term. The Bank's total rental income per operating lease arrangements amounted to RSD 69,636 thousand in 2022 (2021: RSD 64,934 thousand) (Note 12).

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28. INVESTMENT PROPERTY

RSD 000	Investment property
Cost	
Balance on January 1, 2022	190,840
Reclassification to investment property	316,645
Sale	(11,081)
Reclassification from investment property	(69,748)
Balance on December 31, 2022	**426,656**
Impairment	
Balance on January 1, 2022	71,572
Reclassification to investment property	20,136
Depreciation (Note 14)	2,837
Sale	(710)
Reclassification from investment property	(37,332)
Balance on December 31, 2022	**56,503**
Total balance as at December 31, 2022	**370,153**

RSD 000	Investment property
Cost	
Balance on January 1, 2021	165,838
Merger	100,727
Sale	(75,725)
Balance on December 31, 2021	**190,840**
Impairment	
Balance on January 1, 2021	15,714
Merger	65,685
Depreciation (Note 14)	2,408
Sale	(12,235)
Balance on December 31, 2021	**71,572**
Total balance as at December 31, 2021	**119,268**

29. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

Tax assets / (liabilities) components		
RSD 000	31.12.2022	31.12.2021
Current tax assets / (liabilities)	(1,042,563)	190,978
Deferred tax assets / (liabilities)	57,199	(27,600)
Balance as of:	**(985,364)**	**163,378**

Deferred tax assets and liabilities components		
RSD 000	31.12.2022	31.12.2021
Deferred tax assets/(liabilities) coming from the difference between net book value of the fixed assets and their net tax value	(320,362)	(316,327)
Deferred tax assets per unpaid public duties and unpaid employee benefits	3,429	4,203
Deferred tax assets from calculated and not paid severance for retirement	30,661	40,043
Deferred tax assets from long-term employee restructuring provisions	51,629	75,972
Deferred tax assets based on long-term provisions for the restructuring of the branch network	3,448	9,082
Deferred tax liabilities based on provisions for litigations	173,909	256,709
Deferred tax assets coming from IFRS 9 the first time adoption	-	57,328
Deferred tax assets per equity instruments	25	157
Deferred tax assets based on debt securities	176,364	-
Deferred tax liabilities based on equity securities	(341)	-
Deferred tax liabilities based on revaluation of treasury bills and treasury bonds	(47,999)	(147,462)
Deferred tax liabilities coming from actuarial gain	(13,564)	(7,305)
Balance as of:	**57,199**	**(27,600)**

29. DEFERRED TAX ASSETS AND LIABILITIES (continued)

	2022				2021					
RSD 000	Deferred tax assets	Deferred tax liabilities	Income statement	Effect on capital	Deferred tax assets	Deferred tax liabilities	Deferred tax assets - merger by acquisition effect	Deferred tax liabilities - merger by acquisition effect	Income statement	Effect on capital
Deferred tax assets/(liabilities) coming from the difference between net book value of the fixed assets and their net tax value	-	(320,362)	(4,034)	-	(150,040)	(316,327)	150,040	-	14,580	-
Deferred tax assets per unpaid public duties and unpaid employee benefits	3,429	-	(774)	-	4,203	-	-	-	718	-
Deferred tax assets from calculated and not paid severance for retirement	30,661	-	(9,382)	-	28,826	-	11,217	-	(3,280)	-
Deferred tax assets from long-term employee restructuring provisions	51,629	-	(24,342)	-	37,018	-	38,954	-	(27,868)	-
Deferred tax assets based on long-term provisions for the restructuring of the branch network	3,448	-	(5,635)	-	731	-	8,351	-	731	-
Deferred tax liabilities based on provisions for litigations	173,909	-	(82,801)	-	177,666	-	79,044	-	80,893	-
Deferred tax assets coming from IFRS 9 the first time adoption	-	-	(57,328)	-	57,328	-	-	-	(57,328)	-
Deferred tax assets coming from actuarial loss	-	-	-	-	(2,391)	-	2,391	-	-	105
Deferred tax assets per equity instruments	25	-	-	(132)	157	-	-	-	-	(434)
Deferred tax assets based on debt securities	176,364	-	-	176,364	-	-	-	-	-	-
Deferred tax liabilities based on equity securities	-	(341)	-	(341)	-	-	-	-	-	-
Deferred tax assets - tax credit coming from CHF index loan conversation	-	-	-	-	-	-	-	-	(87,543)	-
Deferred tax liabilities based on revaluation of treasury bills and treasury bonds	-	(47,999)	(7,261)	106,725	202,517	-	-	(349,980)	1,806	216,053
Deferred tax liabilities coming from IFRS 9 the first time adoption	-	-	-	-	8,381	-	-	(8,381)	8,381	-
Deferred tax liabilities coming from actuarial gain	-	(13,564)	-	(6,260)	(7,305)	-	-	-	-	-
	439,465	**(382,266)**	**(191,557)**	**276,356**	**357,091**	**(316,327)**	**289,997**	**(358,361)**	**(68,910)**	**215,724**

30. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS

RSD 000	31.12.2022	31.12.2021
Non-current assets held for sale	6,248	6,164
Non-current assets held for sale, total balance	**6,248**	**6,164**

Non-current assets held for sale comprise the following:

Property	Surface area	Value
Business space, Knjaževačka bb. Niš	15.16m²	987
Land Poljna Trstenik parcel 4051	66.82 apa	2,444
Šid Kneza Miloša	150 m²	2,733
Sutomore, Save Kovačevića br. 9	21.5m²	84
TOTAL 31.12.2022		**6,248**
Business space, Knjaževačka bb. Niš	15.16m²	987
Land Poljna Trstenik parcel 4051	66.82 acres	2,444
Šid Kneza Miloša	150 m²	2,733
TOTAL 31.12.2021		**6,164**

Properties classified as non-current assets held for sale are available for immediate sale in their current condition.

31. OTHER ASSETS

RSD 000	31.12.2022	31.12.2021
In RSD		
RSD fee and commission receivables per other assets	604,384	51,670
RSD trade receivables from sales	11,098	11,325
Interest receivables per other assets	10	62
Total receivables for fees, sales, and other assets	**615,492**	**63,057**
Less: Impairment allowance	(195,777)	(30,290)
Receivables for fees, sales, and other assets, net	**419,715**	**32,767**
Receivables per advances paid to suppliers	98,572	88,305
Receivables per advances paid for property and equipment	51,067	145,301
RSD receivables from employees	3,115	2,523
Receivables arising from prepaid taxes and contributions	2,279	1,658
Other RSD receivables from operations	768,009	709,471
RSD suspense and temporary accounts	(50,897)	(6,293)
RSD receivables in settlement	1,778,031	1,049,022
Total other receivables and advances paid	**2,650,176**	**1,989,987**
Less: Impairment allowance	(370,203)	(339,965)
Other receivables and advances paid, net	**2,279,973**	**1,650,022**
Inventories	740	871
Assets acquired in lieu of debt collection	81,012	126,883
Tools and fixtures in use	2,666	2,641
Total inventories	**84,418**	**130,395**
Less: Impairment allowance	(56,908)	(63,600)
Inventories, net	**27,510**	**66,795**
In foreign currencies		
FX fee and commission receivables per other assets	1,314	2,555
Total other receivables	**1,314**	**2,555**
Less: Impairment allowance	(544)	(30)
Other receivables, net	**770**	**2,525**
Receivables per advances paid to suppliers	6,982	17,572
Receivables per advances paid for property and equipment	5,446	5,228
FX receivables from employees	26,805	26,580
Other FX receivables from operations	114,906	28,064
FX suspense and temporary accounts	(44,777)	(6,977)
FX receivables in settlement	162,950	131,299
Total other receivables and advances paid	**272,312**	**201,766**
Less: Impairment allowance	(43,795)	(47,547)
Other receivables and advances paid, net	**228,517**	**154,219**
Deferred other RSD expenses	152,257	253,624
Other RSD prepayments	86,683	62,014
Deferred FX interest expenses	113	113
Deferred other FX expenses	131,692	155,981
Other accruals and deferrals in foreign currency	-	1,091,815
Total accrued receivables	**370,745**	**1,563,547**
Total other assets	**3,327,230**	**3,469,875**

31. OTHER ASSETS (continued)

Receivables in settlement for the most part pertain to the receivables from the card operations in the amount of RSD 1,680.568 thousand (December 31, 2021: RSD 1,014,548 thousand).

Deferred other expenses in dinars mostly relate to deferred expenses of insurance premiums in the amount of RSD 61,466 thousand, IT services RSD 27,257 thousand and deferred expenses of VAT and withholding tax of RSD 37,196 thousand (December 31, 2021: deferred expenses of insurance premiums RSD 85,614 thousand).

Movements on tangible assets acquired in lieu of debt collection:

Types of assets acquired in lieu of debt collection	Residential property	Other property	Other assets	Total
Gross carrying value, beginning of year	137,757	13,840	5,796	157,393
Accumulated loss (impairment), beginning of the period	(85,633)	(41)	(5,796)	(91,470)
Additions	2,070	-	-	2,070
Sales	(854)	(2)	-	(856)
Reclassified during the period	-	-	(2,899)	(2,899)
Write off	(36,859)	-	-	(36,859)
Accumulated loss (impairment)	(3,510)	-	-	(3,510)
Impairment	-	2	2,899	2,901
Gross carrying value, end of year	102,114	13,838	2,897	118,849
Net book value at December 31, 2022	**12,971**	**13,799**	**-**	**26,770**

Types of assets acquired in lieu of debt collection	Residential property	Other property	Other assets	Total
Gross carrying value, beginning of year	137,432	13,840	5,796	157,068
Accumulated loss (impairment), beginning of the period	(69,906)	(41)	(5,796)	(75,743)
Merge	440	-	-	440
Additions	6,695	-	-	6,695
Sales	(6,810)	-	-	(6,810)
Accumulated loss (impairment)	(15,727)	-	-	(15,727)
Gross carrying value, end of year	137,757	13,840	5,796	157,393
Net book value at December 31, 2021	**52,124**	**13,799**	**-**	**65,923**

Due to incomplete real estate register, as of December 31, 2022, the Bank had no title deeds/real estate cadaster excerpts for the properties acquired in lieu of debt collection with the net book value of RSD 1,090 thousand. The Bank's management has been undertaking all the necessary action to obtain the said documents.

32. IMPAIRMENT ALLOWANCE PER BALANCE SHEET ITEMS

RSD 000	31.12.2022	31.12.2021
Impairment allowance of:		
Cash and balances held with the central bank (Note 18)	99,770	107,276
Debt securities (Note 39)	319,994	271,588
Loans and receivables due from banks and other financial institutions (Note 22)	472,310	436,895
Loans and receivables due from customers (Note 23)	20,224,075	18,535,268
Other assets (Note 31)	610,319	417,832
Total impairment allowance at the reporting date	**21,726,468**	**19,768,859**

32. IMPAIRMENT ALLOWANCE PER BALANCE SHEET ITEMS (continued)

Movements on the impairment allowance accounts on December 31, 2022 and December 31, 2021 were as follows:

RSD 000	Accumulated impairment allowance, balance at beginning of year	Impairment allowance charge for the period	Reversal of impairment allowance	Write-offs, derecognition, sales of receivables, other	Foreign exchange differences	Accumulated impairment allowance, balance at year-end
As at December 31, 2022						
Cash and balances held with the central bank	107,276	46,497	53,760	-	(243)	99,770
Debt securities	271,588	134,904	86,498	-	-	319,994
Loans and receivables due from banks and other financial institutions	436,895	633,815	590,534	32,892	25,026	472,310
Loans and receivables due from customers	18,535,268	16,325,623	12,067,373	2,580,507	11,064	20,224,075
Other receivables	417,832	401,633	190,902	18,487	243	610,319
Total	**19,768,859**	**17,542,472**	**12,989,067**	**2,631,886**	**36,090**	**21,726,468**

RSD 000	Accumulated impairment allowance, balance at beginning of year	Accumulated impairment allowance of the merged entities at April 26, 2019	Impairment allowance charge for the period	Reversal of impairment allowance	Write-offs, derecognition, sales of receivables, other	Foreign exchange differences	Accumulated impairment allowance, balance at year-end
As at December 31, 2021							
Cash and balances held with the central bank	-	-	107,276	-	-	-	107,276
Equity securities	116,293	-	-	-	116,293	-	-
Debt securities	60,540	283,626	162,889	235,468	(1)	-	271,588
Loans and receivables due from banks and other financial institutions	334,032	11,236	94,265	31,345	(36)	28,671	436,895
Loans and receivables due from customers	6,748,764	13,331,818	12,407,554	12,013,375	1,967,246	27,753	18,535,268
Other receivables	237,633	263,024	333,849	167,298	249,802	426	417,832
Total	**7,497,262**	**13,889,704**	**13,105,833**	**12,447,486**	**2,333,304**	**56,850**	**19,768,859**

33. LIABILITIES UNDER DERIVATIVE FINANCIAL INSTRUMENTS

RSD 000	31.12.2022	31.12.2021
Liabilities under derivatives held for trading - Forward	2,131	13,399
Receivables under derivatives held for trading - Options	-	80,036
Receivables under derivatives held for trading - Swap	396,196	113,303
Total liabilities under derivative financial instruments	**398,327**	**206,738**

34. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, OTHER FINANCIAL INSTITUTIONS AND THE CENTRAL BANK

RSD 000	31.12.2022	31.12.2021
In RSD		
Transaction deposits	2,505,315	1,427,194
Earmarked deposits	1,950,503	1,379,317
Other deposits	7,792,079	13,291,856
Overnight deposits	-	740,000
Loans received	2,297,555	2,286,528
Other financial liabilities	835,768	568,341
RSD deposits and other liabilities	**15,381,220**	**19,693,236**
In foreign currencies		
Other earmarked deposits	-	54
Transaction deposits	1,745,965	2,050,390
Earmarked deposits	448,255	458,315
Other deposits	80,494,518	73,443,857
Borrowings	71,784,594	71,265,903
Other financial liabilities	146,072	74,051
Foreign currency deposits and other liabilities	**154,619,404**	**147,292,570**
Total deposits and other liabilities	**170,000,624**	**166,985,806**

During 2022, the Bank collected short-term dinar deposits on the domestic interbank market, mostly for a period of one day to one month, at market interest rates that had an increasing trend, in accordance with the increase in the key policy rate of the National Bank of Serbia, and during the year ranged from 0.20% to 4.00%. Other deposits in dinars in the total amount of RSD 7,792,079 thousand are dinar deposits of other financial organizations with different maturities (from one month to four years), with an average weighted interest rate of about 3.79% annually.

As of December 31, 2022 other deposits in foreign currency in the amount of RSD 80,494,518 thousand are mostly deposits received from the parent bank and other members of the Group in the amount of RSD 78,371,363 thousand (EUR 668,000 thousand), taken for a period of one month up to 12 months at rates ranging from 0.16% to 4.38%.

As of December 31, 2022 the Bank had obligations based on received long-term loans in foreign currency in the amount of RSD 71,784,594 thousand, the largest part from OTP Financing Malta RSD 52,795,080 thousand with a variable interest rate (linked to 3M EURIBOR).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

35. DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS

35.1 Deposits and other liabilities due to customers – breakdown per product

RSD 000	31.12.2022	31.12.2021
In RSD		
Transaction deposits	124,077,888	124,367,532
Savings deposits	7,717,881	7,782,032
Deposits securitizing approved loans	630,375	903,230
Earmarked deposits	3,106,437	2,677,340
Other deposits	68,726,728	30,474,360
Overnight deposits	2,883,325	345,005
Other financial liabilities	1,902,306	960,333
RSD deposits and other liabilities	**209,044,940**	**167,509,832**
In foreign currencies		
Transaction deposits	123,286,878	116,322,618
Savings deposits	95,136,704	86,135,406
Deposits securitizing approved loans	2,741,719	2,788,529
Earmarked deposits	3,007,774	2,555,545
Other deposits	11,087,493	3,676,434
Other financial liabilities	4,452,801	3,585,036
Foreign currency deposits and other liabilities	**239,713,369**	**215,063,568**
Total deposits and other liabilities	**448,758,309**	**382,573,400**

35.2 Deposits and other liabilities due to customers – breakdown per customer segment

RSD 000	31.12.2022	31.12.2021
Public companies	8,314,333	8,608,179
Corporate customers	179,330,861	137,280,168
Entrepreneurs	11,233,525	10,229,637
Public sector	10,687,512	1,844,988
Retail customers	204,198,375	192,048,104
Non-residents	12,438,581	11,083,641
Agricultural producers	4,866,927	5,141,814
Other customers	17,688,195	16,336,869
Total deposits and other liabilities	**448,758,309**	**382,573,400**

35.3 Loans received

RSD 000	31.12.2022	31.12.2021
Opening balance	**73,552,431**	**11,687,553**
Cash flow items	**544,814**	**12,501,761**
Withdrawal during the year-inflows	20,647,238	30,518,841
Repayments during the year - outflows	(20,102,424)	(18,017,080)
Non-monetary strikes	**(15,096)**	**49,363,117**
Accrued interest	165,330	10,641
Foreign exchange differences	(155,486)	1,520
Migrated loan status	-	49,367,420
Deferred costs	(24,940)	(16,464)
Closing balance	**74,082,149**	**73,552,431**

36. SUBORDINATED LIABILITIES

As at December 31. 2021, subordinated loans amounted to a total of RSD 14,724,802 thousand (linked with 3M EURIBOR and 6M EURIBOR) with a weighted interest rate of 2.98%.

RSD 000	31.12.2022	31.12.2021
Subordinated liabilities in foreign currency	14,665,300	14,697,763
Accrued interest payable on subordinated liabilities in foreign currency	83,328	27,039
Total subordinated liabilities	**14,748,628**	**14,724,802**

Subordinated liabilities in foreign value in the amount of RSD 14,748,628 thousand as of December 31, 2022 (December 31, 2021: RSD 14,724,802 thousand) relate to liabilities based on subordinated loans to OTP Financing Malta Company LTD, of which the amount of RSD 14,665,300 thousand is subordinated loans, while RSD 83,328 thousand is accrued interest.

On December 18, 2020, a subordinated loan agreement was concluded with OTP Financing Malta Company, in the nominal amount of EUR 10,000 thousand, which was withdrawn on December 31, 2020, maturing on December 18, 2030 and with an interest rate of 3M EURIBOR + 3.25 %. The balance on this loan as of December 31, 2022 is 1,175,475 thousand, of which the amount of 1,173,224 thousand refers to the subordinated loan, and the amount of 2,251 thousand to accrued interest. On March 12, 2021, a new subordinated loan agreement was concluded with OTP Financing Malta Company, in the nominal amount of EUR 15,000 thousand with maturity on 12. mart 2031 and an interest rate of 3M EURIBOR + 3.41%. The balance on December 31, 2022 amounts to 1,764,642 thousand, of which the amount of 1,759,836 thousand relates to subordinated loans, and the amount of 4,806 thousand to accrued interest.
On April 30, 2021, when the merger with OTP Bank Srbija a.d. Belgrade realized, the Bank became the legal successor of additional 3 subordinated loans contracted with the following conditions:

- EUR 25,000 thousand with maturity on December 23, 2027 and interest rate 6M EURIBOR + 3.12%. The balance as at December 31, 2022 amounts to RSD 2,937,287 thousand, of which the amount of RSD 2,939,060 thousand relates to a subordinated loan, and the amount of RSD 4,227 thousand to accrued interest.
- EUR 25,000 thousand with maturity on October 31, 2028 and interest rate 6M EURIBOR + 4.17%. The balance as at December 31, 2022 amounts to RSD 2,964,823 thousand, of which the amount of RSD 2,939,553 thousand relates to a subordinated loan, and the amount of RSD 31,763 thousand to accrued interest.
- EUR 30,000 thousand with initially maturity on December 30, 2024 is prolonged to April, 30th 2032 and interest rate 6M EURIBOR + 3. 09%. The balance as at December 31, 2022 amounts to RSD 3,555,904 thousand, of which the amount of RSD 3,519,672 thousand thousand relates to a subordinated loan, and the amount of RSD 36,232 thousand to accrued interest.

On December 20, 2021 the contract for subordinated loan with OTP Financing Malta Company was concluded, in the nominal amount of EUR 20,000 thousand with maturity on December 19, 2031. and interest rate 3M EURIBOR +3.13%. The balance as at December 31, 2022 amounts to RSD 2,350,497 thousand, of which the amount of RSD 2,346,448 thousand relates to a subordinated loan, and the amount of RSD 4,049 thousand to accrued interest.

The extent to which Tier 2 instruments and/or subordinated liabilities are included in the calculation of Tier 2 capital of a bank during the final five years before the instruments mature is calculated as follows: the quotient of their nominal value and/or the principal amount, on the first day of the final five year period before their maturity and the number of calendar days in that period is multiplied by the number of the remaining calendar days of maturity of the instruments or subordinated liabilities on the day of the calculation.

RSD 000	31.12.2022	31.12.2021
Opening balance	**14,724,802**	**1,177,041**
Cash flow items	**-**	**4,115,272**
Withdrawal during the year-inflows	-	4,115,272
Non-monetary strikes	**23,826**	**9,432,489**
Accrued interest	56,480	25,800
Foreign exchange differences	(32,654)	(87)
Migrated loan status	-	9,406,776
Closing balance	**14,748,628**	**14,724,802**

37. PROVISIONS

RSD 000	31.12.2022	31.12.2021
Provisions for potential litigation losses	1,159,391	1,711,396
Provisions for losses per off-balance sheet items	2,041,916	1,241,857
Provisions for retirement benefits	204,409	266,953
Restructuring provisions	367,179	567,026
Total provisions	**3,772,895**	**3,787,232**

Movements on provisions are presented in the table below:

RSD 000	31.12.2022	31.12.2021
Provisions for potential litigation losses		
Balance as at January 1	1,711,396	645,149
Increase due to merger by acquisition	-	526,960
Charge for the year	221,925	1,599,104
Reversal of provisions	(30,890)	(106,669)
Release of provisions – payment	(743,040)	(953,148)
Balance as at	**1,159,391**	**1,711,396**
Provisions for losses per off-balance sheet items		
Balance as at January 1	1,241,857	237,454
Charge for the year (Note 10)	2,853,145	2,849,883
Increase due to merger by acquisition	-	582,561
Reversal of provisions (Note 10)	(2,052,078)	(1,846,381)
Termination due to sale of receivables	-	(180)
Foreign exchange effects	(1,008)	901
Balance as at	**2,041,916**	**1,241,857**
Provisions for retirement benefits		
Balance as at January 1	266,953	214,045
Increase due to merger by acquisition	-	74,778
Actuarial (gains) / losses	(41,735)	698
Charge for the year	-	13,625
Reversal of provisions	(16,580)	(29,682)
Release of provisions – payment	(4,229)	(6,511)
Balance as at	**204,409**	**266,953**
Other provisions		
Balance as at January 1	567,026	447,571
Increase due to merger by acquisition	-	449,306
Release of provisions – payment	(199,847)	(195,914)
Reversal of provisions	-	(133,937)
Balance as at	**367,179**	**567,026**

37. PROVISIONS (continued)

On December 31, 2022, the amount of the provision for retirement is RSD 204,409 thousand, while on December 31, 2021 it is RSD 266,953 thousand.

Upon calculating provisions for retirement benefits in 2022, the Bank used the following assumptions:

1) The discount rate was used at 6% a year, which is determined by market yields of quality corporate bonds, i.e. long-term government bonds. NBS interest rates and the rate of yield on medium-term securities were used as auxiliary rates.
2) The annual rate of increase in earnings is projected at 8% a year.
3) The annual employee fluctuation rate is projected at a rate of 8%.
4) Estimate of the number of employees who will receive a pension in the Bank, according to article of the Law, and pension and disability insurance.
5) The discount period is equal to the number of years required for retirement. Two criteria are taken into account – age and tenure, shorter period than the two is taken as the number of years of discounting.
6) Average Republican earnings for October 2022 amounts to RSD 104,039.

Other restructuring provisions in the amount of RSD 367,179 thousand were formed in accordance with IAS 37 in accordance with the plan of reorganization and restructuring of the business network, as part of the integration of the banks.

38. OTHER LIABILITIES

RSD 000	31.12.2022	31.12.2021
In RSD		
Fees and commission payable per other liabilities	6,634	8,257
Trade payables	84,237	155,969
Advances received	55,925	54,046
Lease liabilities	898,851	1,151,827
Liabilities per managed funds	4,200	4,899
Other liabilities from operations	467,356	369,857
Liabilities in settlement	570,438	532,231
Total other liabilities	**2,087,641**	**2,277,086**
Net salaries	6	2,993
Liabilities for payroll taxes and payroll allowances	-	334
Liabilities for salary contributions and salary compensations	-	14
Other liabilities to employees	6,362	460
Total liabilities to employees	**6,368**	**3,801**
Value added tax payable (Note 38.1)	27,343	50,145
Other taxes and contributions payable (Note 38.1)	16,095	15,956
Total taxes and contributions payable	**43,438**	**66,101**
Total liabilities to employees, taxes and contributions payable	**49,806**	**69,902**
Accrued liabilities per other expenses	1,569,336	1,589,879
Deferred interest income	96,557	59,662
Deferred other income	340,042	208,360
Other accruals	611	1,073,670
Total accruals	**2,006,546**	**2,931,571**
In foreign currencies		
Fees and commission payable per other liabilities	22,895	27,999
Trade payables	15,553	41,591
Advances received	15,298	18,936
Lease liabilities	570,297	625,265
Liabilities per managed funds	2,589	1,417
Other liabilities from operations	23,254	13,323
Liabilities in settlement	5,435	86,075
Temporary and suspense accounts	6	6
Total other liabilities	**655,327**	**814,612**
Accrued liabilities for other expenses	132,230	179,657
Deferred other income	-	1,841
Other accruals	1,063	4,800
Total accruals	**133,293**	**186,298**
Total other liabilities	**4,932,613**	**6,279,469**

38.1 Taxes Payable

RSD 000	31.12.2022	31.12.2021
Value added tax payable	27,343	50,145
Payroll taxes charged to the Bank	432	27
Contributions to salaries and other personal income borne by the bank	-	11
Other contributions charged	-	133
Other taxes and contributions payable	15,663	15,785
Total taxes payable	**43,438**	**66,101**

39. EQUITY

The Bank's equity includes issued capital, reserves, share issue premium, retained earnings and accumulated losses from previous years.
The Bank's share capital is comprised of regular (common stock) shares.

RSD 000	31.12.2022	31.12.2021
SHARE CAPITAL		
Ordinary (common stock) shares	56,830,752	56,830,752
Total	**56,830,752**	**56,830,752**
Share issue premium	2,564,892	2,564,892
Total share capital	**59,395,644**	**59,395,644**
RESERVES		
Reserves from profit	30,701,394	26,396,554
Total reserves from profit	**30,701,394**	**26,396,554**
Unrealized gains on changes in the fair value of debt instruments	(1,175,760)	711,493
Impairment of debt instruments	319,994	271,588
Unrealized losses on deferred taxes on debt instruments	176,364	(106,724)
Actuarial gains per defined employee benefit plans	76,873	41,398
Total unrealized gains	**(602,529)**	**917,755**
Unrealized losses on changes in the fair value of equity instruments	2,104	(1,048)
Unrealized gains on deferred taxes on equity instruments	(316)	157
Total unrealized losses	**1,788**	**(891)**
Total unrealized (gains) / losses	**(600,741)**	**916,864**
RETAINED EARNINGS		
Profit of the current year	10,861,689	5,756,661
Total retained earnings	**10,861,689**	**5,756,661**
Prior years' accumulated losses	-	(1,451,822)
Total accumulated losses	**-**	**(1,451,822)**
TOTAL EQUITY	**100,357,986**	**91,013,901**

As of December 31, 2022, the Bank had 1,147,169 ordinary shares with an individual nominal value of RSD 49,540 which in total makes up the share capital of the Bank in the amount of RSD 56,830,752,260.

Undistributed profit from 2021 realized by the Bank in the amount of RSD 5,756,661,988 was allocated by the decision of the Bank's Assembly dated March 30, 2022 to cover losses from previous years in the amount of RSD 1,451,821,958 and to Other reserves in the amount of RSD 4,304,840,030.
Owners of ordinary shares have the right to receive dividends according to the decision of the Bank's Assembly on the distribution of business results and the right to vote in the Bank's Assembly, in accordance with the law and the Statute. OTP Bank Plc. Budapest is the 100% owner of the Bank's shares as of December 31, 2022.

39. EQUITY (continued)

39.1 Shareholder structure

December 31, 2022			
Ordinary shares in *RSD 000*			
Shareholder	Book Value	Share Count	% of Interest
OTP Banka Plc Budapest, Hungary	56,830,752	1,147,169	100
Total ordinary shares	**56,830,752**	**1,147,169**	**100**
December 31, 2021			
Ordinary shares in *RSD 000*			
Shareholder	Book Value	Share Count	% of Interest
OTP Banka Plc Budapest, Hungary	56,830,752	1,147,169	100
Total ordinary shares	**56,830,752**	**1,147,169**	**100**

39.2 Breakdown of the Bank's other comprehensive income net of taxes

RSD 000	31.12.2022	31.12.2021
Actuarial gains (losses) on the defined benefit plans	41,735	(698)
Net change in the fair value of equity instruments at FVtOCI	3,151	2,894
Net change in the fair value of debt instruments at FVtOCI	(2,158,840)	(1,438,482)
Impairment of debt securities	319,994	(72,579)
Gains (losses) on the tax that applies to the rest of the result of the period	276,356	224,523
Other comprehensive income, net of taxes	**(1,517,604)**	**(1,284,342)**

40. OFF-BALANCE AND CONTINGENT LIABILITIES

40.1 Off-balance position

RSD 000	31.12.2022	31.12.2021
Jobs in the name and for the account of third parties (a)	6,627,827	6,294,052
Guarantees, other irrevocable commitments, guarantees for obligations and Financial assets pledged as collateral (b)	86,861,184	83,839,292
Derivatives (c)	51,178,311	59,861,082
Other balance sheet items (d)	371,678,668	368,253,287
Total off balance	**516,345,990**	**518,247,713**

a) Operations in the name and for the account of third parties

RSD 000	31.12.2022	31.12.2021
Managed funds	6,627,827	6,294,052
Total operations in the name and for the account of third parties	**6,627,827**	**6,294,052**

40. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

40.1 Off-balance position (continued)

b) Guarantees, other irrevocable commitments, guarantees for obligations and Financial assets pledged as collateral

RSD 000	31.12.2022	31.12.2021
In RSD		
Acceptances and stand surety	1,704	20,386
Performance guarantees	34,361,486	25,262,719
Payable guarantees	25,223,585	17,876,354
Irrevocable commitments	4,827,737	7,903,273
Balance as of December 31. in RSD	**64,414,512**	**51,062,732**
In FC		
Performance guarantees	2,142,148	2,054,913
Financial assets pledged as collateral	445,087	463,080
Guarantees for obligations	13,394,109	19,139,150
Irrevocable commitments	1,233,832	823,444
Payable guarantees	5,114,174	3,123,465
Irrevocable commitments	117,322	7,172,508
Balance as of December 31. in foreign currency	**22,446,672**	**32,776,560**
Total guarantees, other irrevocable commitments, guarantees for obligations and financial assets pledged as collateral	**86,861,184**	**83,839,292**

b) 1) Irrevocable obligations by product

RSD 000	31.12.2022	31.12.2021
Framework facilities (overdrafts) per retail customers' current accounts	1,975,029	1,902,509
Framework facilities per retail credit cards	251,835	307,196
Framework facilities – guarantees for short-term loans	-	122,048
Framework facilities – guarantees for long-term loans	2,120,293	10,626,676
Letters of intent	597,903	2,117,352
Total irrevocable commitments for undrawn facilities	**4,945,060**	**15,075,781**

40. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

40.1 Off-balance position (continued)

c) Derivatives

RSD 000	31.12.2022	31.12.2021
Forward currency contracts	684,393	2,150,781
Swap interest rate contracts	18,492,447	15,942,382
Options	-	14,465,563
Swap currency contracts	32,001,471	27,302,356
Total derivatives	**51,178,311**	**59,861,082**

Currency swaps involve the simultaneous purchase and sale of two currencies in two different periods of time. The Bank contracts currency swaps in terms of up to one and over one year.

The forward sale of foreign exchange implies the purchase or sale of one currency for another currency that is executed on a certain date in the future, whereby the forward exchange rate is determined on the day of the conclusion of the contract. The Bank contracts currency forwards in terms of up to one year.

An interest rate swap represents the simultaneous purchase and sale of future interest rates (cash flows) based on a certain principal amount, that is, it represents the exchange of a fixed and variable interest rate.

On December 31, 2022 the Bank had contracted currency swap transactions with the Parent Bank. Also, the Bank had concluded forward transactions and interest rate swaps with the Parent Bank and clients.

d) Other off-balance sheet positions

RSD 000	31.12.2022	31.12.2021
Suspended interest	2,385,070	2,532,355
Custody	681,388	164,001
Savings bonds	5,015,685	5,044,029
Framework credit lines from other banks	3,519,672	3,527,463
Write-off	22,366,175	23,996,852
Covered nostro letters of credit	4,128	59,733
Revocable commitments	96,284,068	105,495,913
Received asset collaterals	167,047,730	167,851,181
Guarantees received	60,967,735	53,021,251
Repo transactions	5,964,964	
Spot transactions	7,272,230	6,389,511
Payments NKOSK	160,936	165,580
Other	8,887	5,418
Balance at 31st December	**371,678,668**	**368,253,287**

For contingent liabilities stated in off-balance sheet assets, the Bank estimated and formed a provision for expenses in the amount of RSD 2,041,916 thousand (2021: RSD 1,241,857 thousand), which is stated as a provision for losses on off-balance sheet assets in the Bank's balance sheet (Note 37).

40. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

40.2 Litigation

As of December 31, 2022, the Bank was involved as a defendant in 55,489 cases (on December 31, 2021: 58,579 cases).

The total value of litigation, which in case the Bank loses contingent on the aforesaid lawsuits and is obliged to pay some monetary amount (in the name of damages, debt and similar chatges), which does not include disputes in which there is no monetary claim by the prosecutor to the Bank, amounts to RSD 8,192,329 thousand (December 31, 2021: RSD 7,564,023 thousand). The specified amount does not include interest and fees.

As disclosed in Note 37 to the financial statements, as of December 31, 2022, the Bank made provisions for losses contingent on the aforesaid lawsuits in the amount of RSD 1,159,391 thousand (December 31, 2021: RSD 1,711,396 thousand).
The Bank's management estimated that no material losses will arise from the outcome of the pending lawsuits in excess of the amount of provisions made in this respect.

40.3 Taxation Risks

The Republic of Serbia's tax legislation is subject to varying interpretations and changes occur frequently. In the Republic of Serbia, the statute of limitations on the tax liabilities is 5 years. In various circumstances, the tax authorities may have approaches to and interpretation of certain tax matters different from those of the Bank's management and the Bank may be assigned additional tax liability amounts, along with subsequent default interest and penalties.
The Bank's management believes that any varying interpretations will have no material effects on the Bank's financial statements.

41. STATEMENT OF OTHER COMPREHENSIVE INCOME

During 2022 and 2021 the Bank made no adjusting reclassifications related to the components of other comprehensive income.

42. RELATED PARTY TRANSACTIONS

Transactions with related parties take the form of founder's contributions, loans and deposits, provision and purchase of services within regular operating transactions with subsidiaries and associates in which the Bank holds significant equity interests or where the Bank has relations with the parent bank or an entity related to the parent bank. Related party transactions are performed at arm's length.

42. RELATED PARTY TRANSACTIONS (continued)

The following table presents the Bank's total receivables and payables to and from related parties as of December 31, 2022:

	December 31, 2022														
RSD 000	OTP Investments	OTP Factoring	OTP Bank LTD Budapest	DSK Bank Plc	R.E.Four	MOL Serbia	JSC OTP Banka Russia	OTP FINANCING MALTA COMPANY LIMITED	OTP Lizing	OTP Leasing Srbija d.o.o.	OTP Osiguranje ADO BEOGRAD	Pevec	OTP BANKA d.d. Split	Crnogorska komercijalna banka ad Podgorica	SKB banka d.d. Ljubljana
Receivables															
Receivables under derivatives	-	-	382,382	-	-	-	-	-	-	-	-	-	-	-	-
Loans and receivables due from banks and other financial institutions	-	-	5,569,954	-	-	-	821	-	-	1,628,352	-	-	376	-	-
Loans and receivables due from customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	-	-	149,650	-	-	-	-
Investments in subsidiaries	171,068	-	-	-	-	-	-	-	270,348	314,098	-	-	-	-	-
Other assets	29	2	(26,314)	-	82	767	-	-	31	3,291	92,172	1	9	-	6
Total receivables	**171,097**	**2**	**5,926,022**	**-**	**82**	**767**	**821**	**-**	**270,379**	**1,945,741**	**241,822**	**1**	**385**	**-**	**6**
Liabilities															
Labilities under derivatives	-	-	55,616	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities due to banks, other financial institutions and the central bank	137,769	81,605	41,528,458	41,521,649	-	-	-	52,917,991	260,173	1,255,481	587,432	-	61,281	404	5,045
Deposits and other liabilities due to customers	-	-	-	-	94,815	4,730,988	-	-	-	-	-	793,701	-	-	-
Subordinated liabilities	-	-	-	-	-	-	-	14,748,628	-	-	-	-	-	-	-
Provisions	-	-	1,678	-	71	4,155	-	-	-	23,169	1,973	-	-	971	187
Other liabilities	4	-	46,727	-	35,786	1,014	-	-	3	2,000	35,323	-	30	-	58
Total liabilities	**137,773**	**81,605**	**41,632,479**	**41,521,649**	**130,672**	**4,736,157**	**-**	**67,666,619**	**260,176**	**1,280,650**	**624,728**	**793,701**	**61,311**	**1,375**	**5,290**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share capital	-	-	59,395,644	-	-	-	-	-	-	-	-	-	-	-	-
Total equity	**-**	**-**	**59,395,644**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total equity and liabilities	**137,773**	**81,605**	**101,028,123**	**41,521,649**	**130,672**	**4,736,157**	**-**	**67,666,619**	**260,176**	**1,280,650**	**624,728**	**793,701**	**61,311**	**1,375**	**5,290**
Total net	**33,324**	**(81,603)**	**(95,102,101)**	**(41,521,649)**	**(130,590)**	**(4,735,390)**	**821**	**(67,666,619)**	**10,203**	**665,091**	**(382,906)**	**(793,700)**	**(60,926)**	**(1,375)**	**(5,284)**
Guarantees and other sureties issued	-	-	190,648	-	-	-	-	-	-	-	-	-	-	117,322	74,962
Guarantees and other sureties issued in foreign currency	-	-	-	-	-	-	-	-	-	1,173,224	-	-	-	44,583	-
Guarantees for liabilities in foreign currency	-	-	13,394,109	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets to secure liabilities	-	-	82,126	-	-	-	-	-	-	-	-	-	-	-	-
Other derivatives at contracted notional amounts	-	-	40,149,911	-	-	-	-	-	-	-	-	-	-	-	-
Claims based on the repurchase agreement - Repo transactions			5,964,964												
Other off-balance sheet items - treasury transactions (spot, T+1)	-	-	1,709,480	-	-	-	-	-	-	-	-	-	-	-	-
Other off-balance sheet items –guarantees and other sureties received	-	-	190,649	-	-	-	-	-	-	-	-	-	-	161,905	74,962
Other off-balance sheet items – revocable commitments	-	-	-	-	10,000	586,612	-	-	-	1,291,602	346,101	-	-	-	-
Other off-balance sheet items - remaining			3,363				60								7
Liabilities per RSD guarantees and other sureties issued	-	-	-	-	-	(1,125,529)	-	-	-	-	-	-	-	-	-
Liabilities per foreign currency guarantees and other sureties issued	-	-	(91,512)	-	-	-	-	-	-	-	-	-	-	-	(12,391)
Total off-balance sheet items	**-**	**-**	**61,593,738**	**-**	**10,000**	**(538,917)**	**60**	**-**	**-**	**2,464,826**	**346,101**	**-**	**-**	**323,810**	**137,540**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

42. RELATED PARTY TRANSACTIONS (continued)

The following table presents the Bank's total receivables and payables to and from related parties as of December 31, 2021:

	December 31, 2021															
RSD 000	OTP Investments	OTP Factoring	OTP Bank LTD Budapest	DSK Bank Plc	R.E.Four	MOL Serbia	JSC OTP Banka Russia	OTP FINANCING MALTA COMPANY LIMITED	OTP Lizing	OTP Leasing Srbija d.o.o.	OTP Osiguranje ADO BEOGRAD	Pevec	OTP BANKA d.d. Split	Crnogorska komercijalna banka ad Podgorica	SKB banka d.d. Ljubljana	Banka OTP Albania SHA
Receivables																
Receivables under derivatives	-	-	150,942	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and receivables due from banks and other financial institutions	5	2	616,052	-	-	-	(41,909)	-	15	2,229,052	30	-	1,159	-	-	-
Loans and receivables due from customers	-	-	-	-	15	330	-	-	-	-	-	3	-	-	-	-
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	-	-	149,650	-	-	-	-	-
Investments in subsidiaries	171,068	-	-	-	-	-	-	-	270,348	314,098	-	-	-	-	-	-
Other assets	25	-	18,602	-	28	339	(9)	-	92	1,469	89,742	-	15	-	20	-
Total receivables	**171,098**	**2**	**785,596**	**-**	**43**	**669**	**(41,918)**	**-**	**270,455**	**2,544,619**	**239,422**	**3**	**1,174**	**-**	**20**	**-**
Liabilities																
Labilities under derivatives	-	-	69,770	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities due to banks, other financial institutions and the central bank	74,514	84,731	32,323,704	41,353,543	-	-	-	56,449,903	951,164	1,155,378	495,449	-	6,191	12,215	4,318	-
Deposits and other liabilities due to customers	-	-	-	-	78,817	727,083	-	-	-	-	-	119,624	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	-	14,724,802	-	-	-	-	-	-	-	-
Provisions	-	-	311	-	69	-	-	-	-	38,653	20,508	-	-	1,238	150	106
Other liabilities	4	-	126,938	-	52,702	454	-	-	16	247	26,071	68	31	24	-	15
Total liabilities	**74,518**	**84,731**	**32,520,723**	**41,353,543**	**131,588**	**727,537**	**-**	**71,174,705**	**951,180**	**1,194,278**	**542,028**	**119,692**	**6,222**	**13,477**	**4,468**	**121**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share capital	-	-	59,395,644	-	-	-	-	-	-	-	-	-	-	-	-	-
Total equity	**-**	**-**	**59,395,644**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total equity and liabilities	**74,518**	**84,731**	**91,916,367**	**41,353,543**	**131,588**	**727,537**	**-**	**71,174,705**	**951,180**	**1,194,278**	**542,028**	**119,692**	**6,222**	**13,477**	**4,468**	**121**
Total net	**96,580**	**(84,729)**	**(91,130,771)**	**(41,353,543)**	**(131,545)**	**(726,868)**	**(41,918)**	**(71,174,705)**	**(680,725)**	**1,350,341**	**(302,606)**	**(119,689)**	**(5,048)**	**(13,477)**	**(4,448)**	**(121)**
Guarantees and other sureties issued	-	-	141,098	-	-	-	-	-	-	-	-	-	-	155,060	74,962	11,758
Guarantees and other sureties issued in foreign currency	-	-	-	-	-	-	-	-	-	-	-	-	-	44,681	-	-
Guarantees for liabilities in foreign currency	-	-	19,139,150	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets to secure liabilities	-	-	126,989	-	-	-	-	-	-	-	-	-	-	-	-	-
Other derivatives at contracted notional amounts	-	-	39,031,940	-	-	-	-	-	-	-	-	-	-	-	-	-
Other off-balance sheet items - treasury transactions (spot, T+1)	-	-	2,190,095	-	-	-	-	-	-	-	-	-	-	-	-	-
Other off-balance sheet items –guarantees and other sureties received	-	-	141,099	-	-	-	-	-	-	-	-	-	-	261,676	74,962	11,758
Other off-balance sheet items – revocable commitments	-	-	-	-	10,000	-	-	-	-	664,856	352,746	-	-	-	-	-
Liabilities per RSD guarantees and other sureties issued	-	-	-	-	-	(1,121,607)	-	-	-	-	-	-	-	-	(57,579)	-
Liabilities per foreign currency guarantees and other sureties issued	-	-	(82,307)	-	-	-	-	-	-	-	-	-	-	(58,134)	(15,358)	-
Total off-balance sheet items	**-**	**-**	**60,688,064**	**-**	**10,000**	**(1,121,607)**	**-**	**-**	**-**	**664,856**	**352,746**	**-**	**-**	**403,283**	**76,987**	**23,516**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

42. RELATED PARTY TRANSACTIONS (continued)

Income and expenses arising from related party transactions for the period from January 1 through December 31, 2022 were as follows:

December 31, 2022																		
RSD 000	OTP Investments	OTP Factoring	OTP Bank LTD Budapest	DSK Bank Plc	R.E. Four	MOL Serbia	JSC OTP Banka Russia	OTP FINANCING MALTA COMPANY LIMITED	OTP Lizing	OTP Leasing Srbija d.o.o.	OTP Osiguranje ADO BEOGRAD	Pevec	OTP BANKA d.d. Split	Crnogorska komercijalna banka ad Podgorica	OTP Bank Romania SA	SKB banka d.d. Ljubljana	Banka OTP Albania SHA	Mobiasbanca, OTP Group S.A
Income																		
Interest income	-	-	110,836	-	49	-	26	-	-	30,125	-	-	-	-	-	-	-	-
Fee and commissions income	36	23	918,869	12,742	167	83,646	155	-	6,151	38,879	125,117	78	201	2,594	3,105	1,608	98	19
Gains on changes in the fair values of financial instruments	-	-	6,831,758	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on derecognition of financial instruments measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange gains and positive currency clause effects	330	-	3,595,823	158,579	414	250	39,392	270,094	669	6,311	1,868	-	147	11	-	12	-	-
Gains on the reversal of assets not measured at fair value through profit or loss (FVtPL)	-	-	253,015	-	17	224	14,254	-	-	161,653	21,110	-	164	1,288	-	30	106	-
Other operating income	254	-	-	-	678	-	-	-	30,592	403,733	77,737	-	-	-	-	-	-	-
Other income	-	-	9,911	-	49	-	-	-	-	494	398	-	-	-	-	-	-	-
Total income	**620**	**23**	**11,720,212**	**171,321**	**1,374**	**84,120**	**53,827**	**270,094**	**37,412**	**641,195**	**226,230**	**78**	**512**	**3,893**	**3,105**	**1,650**	**204**	**19**
Expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest expenses	(557)	-	(458,185)	(452,577)	(2,226)	(92,634)	-	(1,114,781)	(3,743)	(28,628)	(3,326)	(11,082)	-	-	-	-	-	-
Fee and commissions expenses	-	-	(578,566)	(9,517)	-	(507)	(8)	-	-	-	(8,226)	-	(265)	-	(2,717)	-	-	-
Losses on changes in the fair values of financial instruments	-	-	(6,044,152)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange losses and negative currency clause effects	(114)	-	(3,069,357)	(67,459)	(221)	(330)	(22,112)	(115,197)	(295)	(7,313)	(852)	-	(205)	(3)	-	(5)	-	-
Losses on impairment of financial assets not measured at fair value through profit or loss (FVtPL)	-	-	(303,290)	-	(19)	(4,380)	(10,207)	-	-	(118,126)	(2,395)	-	(164)	(1,027)	-	(67)	-	-
Other expenses	-	-	(175,259)	-	(7,991)	(20,357)	(9)	(1)	-	-	(72,238)	(109)	(21)	-	-	-	-	-
Total expenses	**(671)**	**-**	**(10,628,809)**	**(529,553)**	**(10,457)**	**(118,208)**	**(32,336)**	**(1,229,979)**	**(4,038)**	**(154,067)**	**(87,037)**	**(11,191)**	**(655)**	**(1,030)**	**(2,717)**	**(72)**	**-**	**-**
Total, net	**(51)**	**23**	**1,091,403**	**(358,232)**	**(9,083)**	**(34,088)**	**21,491**	**(959,885)**	**33,374**	**487,128**	**139,193**	**(11,113)**	**(143)**	**2,863**	**388**	**1,578**	**204**	**19**

42. RELATED PARTY TRANSACTIONS (continued)

Income and expenses arising from related party transactions for the period from January 1 through December 31, 2021 were as follows:

RSD 000	OTP Investments	OTP Factoring	OTP Bank LTD Budapest	DSK Bank Plc	R.E. Four	MOL Serbia	JSC OTP Banka Russia	OTP FINANCING MALTA COMPANY LIMITED	OTP Lizing	OTP Services	OTP Leasing Srbija d.o.o.	OTP Osiguranje ADO BEOGRAD	Pevec	OTP BANKA d.d. Split	IMOS SID AD ZA PROIZV.TRG.I USLUGE	Crnogorska komercijalna banka ad Podgorica	OTP Bank Romania SA	SKB banka d.d. Ljubljana	Banka OTP Albania SHA	Mobiasbanca, OTP Group S.A
Income																				
Interest income	-	-	15,900	1,078	50	-	116	-	-	-	11,659	-	-	-	-	-	-	2	-	-
Fee and commissions income	27	21	355,761	28,459	150	74,358	36	-	4,626	486	11,548	54,489	129	137	60	426	3,111	256	26	-
Gains on changes in the fair values of financial instruments	-	-	1,866,162	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on derecognition of financial instruments measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,790	-	-	-	-	-
Foreign exchange gains and positive currency clause effects	18	-	1,110,136	14,528	53	689	4,300	-	160	446	894	178	-	-	-	1	-	1	1	-
Gains on the reversal of assets not measured at fair value through profit or loss (FVtPL)	-	-	68	-	80	-	-	-	-	-	48,423	-	-	-	-	2,379	-	384	11,651	-
Other operating income	254	-	3,489	-	1,069	12	-	-	1,406	3,685	9,028	113,784	-	-	-	-	-	-	-	-
Other income	-	-	64	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total income	**299**	**21**	**3,351,580**	**44,065**	**1,404**	**75,059**	**4,452**	**-**	**6,192**	**4,617**	**81,552**	**168,451**	**129**	**137**	**1,850**	**2,806**	**3,111**	**643**	**11,678**	**-**
Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expenses	(154)	-	(143,933)	(175,499)	(2,223)	(2,409)	-	(431,762)	(3,344)	(1,368)	(8,011)	(2,194)	-	-	-	-	-	-	-	-
Fee and commissions expenses	-	-	(429,539)	(18,561)	-	-	(8)	-	-	-	-	(5,909)	-	(319)	-	-	(4,135)	-	-	(5)
Losses on changes in the fair values of financial instruments	-	-	(869,028)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange losses and negative currency clause effects	(20)	-	(1,007,291)	(12,878)	(22)	(835)	(2,411)	(20,589)	(156)	(5)	(832)	(187)	-	(35)	-	-	-	(1)	-	-
Losses on impairment of financial assets not measured at fair value through profit or loss (FVtPL)	-	(1)	(1,660)	-	(87)	-	(353)	-	-	-	(109,771)	(20,691)	-	(3)	-	(1,702)	-	(109)	(11,758)	-
Other expenses	-	-	(146,623)	(1)	(6,898)	(9,661)	-	(1)	-	-	-	(69,255)	(813)	(24)	-	-	-	-	-	-
Total expenses	**(174)**	**(1)**	**(2,598,074)**	**(206,939)**	**(9,230)**	**(12,905)**	**(2,772)**	**(452,352)**	**(3,500)**	**(1,373)**	**(118,614)**	**(98,236)**	**(813)**	**(381)**	**-**	**(1,702)**	**(4,135)**	**(110)**	**(11,758)**	**(5)**
Total, net	**125**	**20**	**753,506**	**(162,874)**	**(7,826)**	**62,154**	**1,680**	**(452,352)**	**2,692**	**3,244**	**(37,062)**	**70,215**	**(684)**	**(244)**	**1,850**	**1,104**	**(1,024)**	**533**	**(80)**	**(5)**

42. RELATED PARTY TRANSACTIONS (continued)

During 2022, the members of the Executive Board and Board of Directors were remunerated as follows;

RSD 000	December 31, 2022	December 31, 2021
Gross salaries of Executive Board members	148,722	134,154
Net salaries of Executive Board members	127,816	115,265
Gross remuneration to The Board of Directors and The Audit Committee	15,782	15,630
Net remuneration to The Board of Directorsand The Audit Committee	9,532	9,058

43. RISK MANAGEMENT

General principles of risk management

The risk management strategy is aligned with the Bank's business strategy and, thus, focused on maximizing shareholder value and developing the most successful universal bank in Serbia.

The Bank has established a comprehensive and reliable risk management system, integrated in all business activities, which ensures that the Bank's risk profile is always in accordance with the defined risk appetite and risk tolerance. The Bank's risk management system is comprehensive and reliable because it ensures that the Bank manages all materially significant risks to which it is exposed or may be exposed based on its business activities. The Bank's risk management system is integrated into all business activities, bearing in mind that all business decisions that assume certain risks are made taking into account the previous risk assessment.

The Bank provides transparent and prudent risk management processes, as well as clear and orderly definitions of processes, competences and responsibilities that ensure an adequate system of internal controls. The Bank's risk measurement, monitoring and control activities have clearly defined responsibilities and are sufficiently independent from risk-taking activities. The Bank's system of internal controls is established in a way to ensure a clear segregation of duties, in a way to prevent conflicts of interest related to the activities of underwriting, approval, monitoring and risk control.

The Bank uses a forward-looking system and risk measurement tools (including appropriate application solutions and management reporting systems) to estimate expected and unexpected losses under normal and stressful business circumstances, for all types of risks.

Risks appetite, as well as tolerance towards risks, are defined for each materially significant type of risk by a set of quantitative indicators and their limits, as well as qualitative statements. Defined risk appetite and tolerance are reviewed on an annual basis and harmonized with the Bank's business policy. Defined limits that determine the Bank's risk appetite form an integral part of a mutually harmonized and comprehensive system of limits, which includes operational limits for all materially significant types of risk.

Governing and Organizational Framework

The Bank’s Board of Directors is responsible for establishment of a uniform risk management system and supervision of that system. In keeping with the aforesaid, the Board of Directors adopts strategies and policies for risk identification, measurements, monitoring and control, defines the Bank’s internal organization that will ensure segregation of duties, competences and responsibilities of the employees in such a manner that conflicts of interest are prevented, and takes other actions with regard to the definitions of objectives and principles of risk management.

The Bank’s Audit Committee contributes to the efficiency of the supervision of the risk management system. This committee, appointed by the Board of Directors, analyzes and oversees the application and adequate implementation of the adopted risk management strategies and policies on a monthly basis, as well as the functioning of the internal control system and analyzes and adopts draft strategies and policies that are submitted to the Board of Directors for adoption.
The Bank's Executive Board organizes and supervises the Bank's daily operations and is responsible for the implementation and efficient functioning of the Bank's internal control system. The Bank's Executive Board implements risk management strategies and policies by adopting procedures and other internal acts that regulate the processes and procedures of identifying, measuring, monitoring and controlling risks in a more detailed manner and ensuring their implementation and reports to the Board of Directors regarding these activities. The Executive Board analyzes the risk management system and reports at least quarterly to the Management Board on the level of risk exposure and risk management.
In carrying out their duties and responsibilities, the Bank's Management and Executive Boards have legally prescribed committees, as well as committees established by the decision of the Management Board, which provide support for the work of that committee or the Executive Committee, namely:

- Committees that answer to the Management Board for their work:
  - Audit Committee
  - Asset and Liability Management Committee (ALCO),
  - Credit Board,
- Committees that answer to the Executive Board for their work:
  - Committee for monitoring the credit of corporate clients,
  - Board for problematic placements (Workout board),
  - Operational Risk Management Committee, and
  - Committee for monitoring credit risks of retails clients

43. RISK MANAGEMENT (continued)

Governing and Organizational Framework (continued)

The Bank's organizational structure of risk management ensures the existence of clear lines of responsibility, efficient segregation of duties and prevention of conflicts of interest at all levels, up to the level of the Executive Board. The bank's governance model includes three lines of defense, namely:

- organizational units that assume risks (business lines) - first line - responsible for assessing and mitigating risks for a given level of return;
- functions of risk management and business compliance control - second line - identify, monitor, control, quantify risks, provide adequate tools and methodologies, report to management authorities and propose corrective measures;
- Internal audit of the Bank - provides an independent control role.

The Bank performs the function of risk management through special organizational units, which are independent from organizational units - business lines and operational organizational units, both in terms of organizational division and in terms of interests (motives), and which:

- carry out independent risk management activities aligned with the characteristics of the legal and business environment, and at the same time
- represent part of a single and consistent framework for risk management under the control of the Parent Bank and
- ensure compliance with regulatory and supervisory requirements at all times, both valid in the Republic of Serbia and valid for OTP Group.

43. RISK MANAGEMENT (continued)

43.1 Liquidity Risk

Liquidity risk is associated with the adverse effects of the Bank's inability to settle its liabilities when due on the Bank's financial result and capital.

The liquidity problem is expressed as a lack of liquidity assets to settle all overdue liabilities and cover unexpected outflows of deposits and non-deposit liabilities, due to the inability to obtain or difficulty obtaining liquid assets by selling liquid assets (market risk liquidity), i.e. inability or difficulty in obtaining new or renewed existing sources of funding at a reasonable market price (liquidity risk of funding sources). Liquidity risk management plays a key role in careful and conscientious conduct of banking activities. Liquidity management is a continuous process of looking at liquidity needs in different business scenarios, as well as planning in exceptional circumstances. It is a process of securing and maintaining a satisfactory level of liquid assets based on analysis and view of liquidity demand, as well as changes in the Bank's balance sheet and off-balance sheet structure. In order to carry out these activities, the greatest attention is focused on analyzing the compliance of inflows and outflows across all currencies, deposit stability and other sources of funding of the Bank, as well as on the continuous analysis of financial market conditions, which affects the Bank's ability to obtain liquid assets or sell parts of liquid assets on the market under favorable conditions.
Liquidity risk management involves the process of identifying, measuring, mitigating and monitoring liquidity risks on a continuous basis. The adopted policies and procedures ensure adequate management of assets, which, with monitoring of cash flows and set limits on a daily and monthly basis, as well as the development of liquidity gaps on a monthly basis, should ensure that liquidity risks are minimized.
During 2022 and 2021, liquidity indicators ranged within the framework stipulated by the National Bank of Serbia (liquidity indicator, narrower liquidity indicator and liquid asset cover indicator) as well as in accordance with defined internal limits.

	Liquidity coverage ratio	Quick liquidity ratio	Liquidity ratio
On the day 05.05.2021*	-	1.48	1.63
On the day 30.04.2021	136.37%	-	-
On the day 31.12.2020**	129.98%	1.59	1.72
On the day 31.12.2021	133.64%	1.62	1.79
On the day 31.12.2022	143.82%	1.87	2.05

* first Liquidity Ratio sent to the NBS
** sum of individual Liquidity Indicators without mutual liabilities and receivables

In addition to the limits for liquidity indicators, the Bank has also defined limits for the liquidity gap, and during 2022 it was in compliance with the specified limits.

The Bank maintains liquidity reserves at defined levels by investing in a portfolio of highly liquid securities (securities issued by the Republic of Serbia, denominated in dinars and euros) and assets that can be easily converted into cash in the event of unpredictable and negative fluctuations in cash flows of the Bank. The Bank also maintains the required level of mandatory dinar and foreign exchange reserves, in accordance with the regulations of the National Bank of Serbia.
The Bank also uses liquid assets of the Parent Bank and other members of the OTP group for its financing. Adopted policies, procedures and other acts ensure adequate management of funds and planning of an adequate level of liquidity. In addition to the liquidity indicators prescribed by the National Bank of Serbia, the Bank uses the following methods to measure liquidity risk exposure:

- the level of primary and operational liquidity (liquid assets up to one month and up to three months are compared with target values, which cover obligations that are due in the observed period, the needs of the business sector, as well as a buffer for an assumed deposit shock, in case of stress)
- compiling monthly liquidity gap reports for all materially significant currencies
- regular implementation of stress tests
- testing of the Financing Plan in situations of liquidity crisis
- monitoring the concentration of its sources of funds

43. RISK MANAGEMENT (continued)

43.1. Liquidity Risk (continued)

Total liquidity gap between the outstanding contractual maturities of financial assets and liabilities as of December 31, 2022 was as follows:

RSD 000	Up to a Month	From 1 to 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Matured	Without Defined Maturity	Total
Cash and balances held with the central bank	140,512,381	-	-	-	-	-	-	**140,512,381**
Pledged financial assets	-	-	-	-	-	-	445,087	**445,087**
Receivables under financial derivatives	51,746	11,993	7,322	3,656	-	-	373,767	**448,484**
Securities	5,611,748	215,180	8,439,212	23,530,789	3,641,262	-	34,477	**41,472,668**
Loans and receivables due from banks and other financial institutions	5,361,282	4,661,735	1,165,068	1,605	-	-	25,188	**11,214,878**
Loans and receivables due from customers	18,169,036	39,498,891	123,835,221	223,806,406	119,710,470	-	7,470,270	**532,490,294**
Other assets	1,787,821	1,980	-	-	-	327,554	661,160	**2,778,515**
Total assets	**171,494,014**	**44,389,779**	**133,446,823**	**247,342,456**	**123,351,732**	**327,554**	**9,009,949**	**729,362,307**
Liabilities under financial derivatives	19,102	-	2,986	2,471	-	-	373,768	**398,327**
Deposits and other liabilities due to banks, other financial institutions and the central bank	13,124,720	26,736,245	73,308,971	54,372,825	2,364,588	-	93,275	**170,000,624**
Deposits and other liabilities due to customers	368,114,918	34,211,215	39,165,754	4,510,682	596,715	-	2,159,025	**448,758,309**
Subordinated liabilities	-	11,106	72,222	2,933,060	11,732,240	-	-	**14,748,628**
Other liabilities	628,379	96,990	253,893	937,441	136,528	22,769	645,540	**2,721,540**
Total liabilities	**381,887,119**	**61,055,556**	**112,803,826**	**62,756,479**	**14,830,071**	**22,769**	**3,271,608**	**636,627,428**
Liquidity gap as of 31.12.2022	**(210,393,105)**	**(16,665,777)**	**20,642,997**	**184,585,977**	**108,521,661**	**304,785**	**5,738,341**	**92,734,879**
Liquidity gap as of 31.12.2021	**(232,953,639)**	**6,435,017**	**22,625,100**	**190,288,061**	**94,160,489**	**245,637**	**584,579**	**81,385,244**

The structure of asset and liability maturities as at December 31, 2022 is indicative of maturity mismatch between the outstanding maturities of assets and those of liabilities in the bucket of up to a month, primarily due to the maturity structure of deposits, i.e. significant share of demand and short-term deposits in the total deposits due to banks and customers. However, based on the historical data and experience, a significant portion of demand deposits may be regarded as a stable long-term source of financing given the transactions and withdrawals realized. In addition, a significant portion of term deposits are commonly renewed, i.e., placed for another term immediately upon maturity. At the same time, the Bank is in possession of highly liquid instruments - securities that can be pledged with the National Bank of Serbia.

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43. RISK MANAGEMENT (continued)

43.1. Liquidity Risk (continued)

Total undiscounted liquidity gap between the outstanding contractual maturities of financial assets and liabilities as of December 31, 2021 was as follows:

RSD 000	Up to a Month	From 1 to 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Matured	Without Defined Maturity	Total
Cash and balances held with the central bank	90,624,576	-	-	-	-	-	-	**90,624,576**
Pledged financial assets	-	-	-	-	-	-	463,080	**463,080**
Receivables under financial derivatives	60,570	3,369	7,726	9,708	-	-	176,475	**257,848**
Securities	5,290,485	8,638,300	3,744,444	32,923,817	3,163,053	-	54,268	**53,814,367**
Loans and receivables due from banks and other financial institutions	5,947,822	514,642	2,276,076	3,478	-	-	19,563	**8,761,581**
Loans and receivables due from customers	13,550,390	28,110,626	112,602,239	228,199,981	107,174,391	-	3,804,995	**493,442,622**
Other assets	1,156,844	1,071,241	-	-	-	261,520	180,919	**2,670,524**
Total assets	**116,630,687**	**38,338,178**	**118,630,485**	**261,136,984**	**110,337,444**	**261,520**	**4,699,300**	**650,034,598**
Liabilities under financial derivatives	20,913	-	4,115	5,235	-	-	176,475	**206,738**
Deposits and other liabilities due to banks, other financial institutions and the central bank	11,860,352	17,747,684	74,781,750	58,068,346	4,015,898	-	511,776	**166,985,806**
Deposits and other liabilities due to customers	336,895,953	12,940,874	20,856,771	8,143,893	814,930	-	2,920,979	**382,573,400**
Subordinated liabilities	-	5,523	21,516	3,527,463	11,170,300	-	-	**14,724,802**
Other liabilities	807,108	1,209,080	341,233	1,103,986	175,827	15,883	505,491	**4,158,608**
Total liabilities	**349,584,326**	**31,903,161**	**96,005,385**	**70,848,923**	**16,176,955**	**15,883**	**4,114,721**	**568,649,354**
Liquidity gap as of 31.12.2021	**(232,953,639)**	**6,435,017**	**22,625,100**	**190,288,061**	**94,160,489**	**245,637**	**584,579**	**81,385,244**
Liquidity gap as of 31.12.2020	**(99,297,263)**	**(8,069,517)**	**16,030,913**	**79,186,735**	**30,219,180**	**820,772**	**3,123,419**	**22,014,239**

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43. RISK MANAGEMENT (continued)

43.1. Liquidity Risk (continued)

Total undiscounted liquidity gap between the outstanding contractual maturities of financial assets and liabilities as of December 31, 2022 was as follows:

RSD 000	Up to a Month	From 1 to 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Matured	Without Defined Maturity	Total
Cash and balances held with the central bank	140,512,381	-	-	-	-	-	-	**140,512,381**
Pledged financial assets	-	-	-	-	-	-	445,087	**445,087**
Receivables under financial derivatives	51,746	11,993	7,322	3,656	-	-	373,767	**448,484**
Securities	5,611,748	215,180	8,439,212	23,530,789	3,641,262	-	34,477	**41,472,668**
Loans and receivables due from banks and other financial institutions	5,361,282	4,661,735	1,165,068	1,605	-	-	25,188	**11,214,878**
Loans and receivables due from customers	21,032,098	45,044,925	145,749,068	274,926,501	155,744,586	-	7,470,270	**649,967,448**
Other assets	1,787,821	1,980	-	-	-	327,554	661,160	**2,778,515**
Total assets	**174,357,076**	**49,935,813**	**155,360,670**	**298,462,551**	**159,385,848**	**327,554**	**9,009,949**	**846,839,461**
Liabilities under financial derivatives	19,102	-	2,986	2,471	-	-	373,768	**398,327**
Deposits and other liabilities due to banks, other financial institutions and the central bank	13,179,324	27,271,542	75,500,403	58,466,361	2,430,620	-	93,275	**176,941,525**
Deposits and other liabilities due to customers	368,520,096	34,744,294	40,710,445	4,693,231	598,661	-	2,159,025	**451,425,752**
Subordinated liabilities	-	81,259	831,197	6,234,387	13,751,279	-	-	**20,898,122**
Other liabilities	628,379	96,990	253,893	937,441	136,528	22,769	645,540	**2,721,540**
Total liabilities	**382,346,901**	**62,194,085**	**117,298,924**	**70,333,891**	**16,917,088**	**22,769**	**3,271,608**	**652,385,266**
Liquidity gap as of 31.12.2022	**(207,989,825)**	**(12,258,272)**	**38,061,746**	**228,128,660**	**142,468,760**	**304,785**	**5,738,341**	**194,454,195**
Liquidity gap as of 31.12.2021	**(231,393,224)**	**9,400,129**	**34,274,493**	**219,706,461**	**110,994,940**	**245,637**	**584,579**	**143,813,015**

43. RISK MANAGEMENT (continued)

43.1. Liquidity Risk (continued)

Total undiscounted liquidity gap between the outstanding contractual maturities for off-balance items as of December 31, 2021 was as follows:

RSD 000	Up to a Month	From 1 to 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Matured	Without Defined Maturity	Total
Cash and balances held with the central bank	90,624,576	-	-	-	-	-	-	**90,624,576**
Pledged financial assets	-	-	-	-	-	-	463,080	**463,080**
Receivables under financial derivatives	60,570	3,369	7,726	9,708	-	-	176,475	**257,848**
Securities	5,290,485	8,638,300	3,744,444	32,923,817	3,163,053	-	54,268	**53,814,367**
Loans and receivables due from banks and other financial institutions	5,947,822	514,642	2,277,096	3,478	-	-	19,563	**8,762,601**
Loans and receivables due from customers	15,190,542	31,299,911	125,427,856	259,857,465	124,948,739	-	3,804,995	**560,529,509**
Other assets	1,156,844	1,071,241	-	-	-	261,520	180,919	**2,670,524**
Total assets	**118,270,839**	**41,527,463**	**131,457,123**	**292,794,468**	**128,111,792**	**261,520**	**4,699,300**	**717,122,505**
Liabilities under financial derivatives	20,913	-	4,115	5,235	-	-	176,475	**206,738**
Deposits and other liabilities due to banks, other financial institutions and the central bank	11,865,344	17,845,905	75,202,318	58,711,743	4,016,072	-	511,776	**168,153,158**
Deposits and other liabilities due to customers	336,970,698	13,031,630	21,203,501	8,194,490	816,980	-	2,920,979	**383,138,278**
Subordinated liabilities	-	40,719	431,463	5,072,553	12,107,973	-	-	**17,652,708**
Other liabilities	807,108	1,209,080	341,233	1,103,986	175,827	15,883	505,491	**4,158,608**
Total liabilities	**349,664,063**	**32,127,334**	**97,182,630**	**73,088,007**	**17,116,852**	**15,883**	**4,114,721**	**573,309,490**
Liquidity gap as of 31.12.2021	**(231,393,224)**	**9,400,129**	**34,274,493**	**219,706,461**	**110,994,940**	**245,637**	**584,579**	**143,813,015**
Liquidity gap as of 31.12.2020	**(98,665,050)**	**(6,887,221)**	**20,887,479**	**92,238,996**	**33,938,031**	**820,772**	**3,123,419**	**45,456,426**

43. RISK MANAGEMENT (continued)

43.1. Liquidity Risk (continued)

Total undiscounted liquidity gap between the outstanding contractual maturities for off-balance items as of December 31, 2022 was as follows:

	December 31, 2022							
RSD 000	Up to a Month	From 1 to 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Matured	Without Defined Maturity	Total
Guarantees issued	2,338,861	13,091,739	23,107,114	25,925,439	2,367,096	12,848	13,394,109	80,237,206
Letters of credit issued	56,602	24,451	625,297	527,482	-	-	-	1,233,832
Total guarantees and other sureties issued	**2,395,463**	**13,116,190**	**23,732,411**	**26,452,921**	**2,367,096**	**12,848**	**13,394,109**	**81,471,038**
Commitments for undrawn RSD loans and facilities, irrevocable without prior notice	96,391	290,150	1,851,410	105,049	1,752,944	251,213	-	4,347,157
Other irrevocable commitments in RSD	-	-	-	-	-	-	597,902	597,902
Total irrevocable commitments	**96,391**	**290,150**	**1,851,410**	**105,049**	**1,752,944**	**251,213**	**597,902**	**4,945,059**
Commitments for undrawn loans and facilities, revocable	723,976	2,180,666	7,473,588	28,270,258	10,140,669	3,208,034	44,286,878	96,284,069
Total commitments	**3,215,830**	**15,587,006**	**33,057,409**	**54,828,228**	**14,260,709**	**3,472,095**	**58,278,889**	**182,700,166**

	December 31, 2022							
RSD 000	Up to a Month	From 1 to 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Matured	Without Defined Maturity	Total
Derivatives held for trading at contractual price - FORWARDS	-	-	519,162	165,231	-	-	-	684,393
Derivatives held for trading at contractual price - SWAPS	-	31,297,271	1,380,982	5,561,654	12,254,011	-	-	50,493,918

43. RISK MANAGEMENT (continued)

43.1. Liquidity Risk (continued)

Total undiscounted liquidity gap between the outstanding contractual maturities for off-balance items as of December 31, 2021 was as follows:

	December 31, 2021							
RSD 000	Up to a Month	From 1 to 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Matured	Without Defined Maturity	Total
Guarantees issued	3,125,107	5,514,238	22,823,462	15,388,902	1,551,618	9,988	19,139,150	67,552,465
Letters of credit issued	181,703	431,176	135,086	-	-	-	-	747,965
Total guarantees and other sureties issued	**3,306,810**	**5,945,414**	**22,958,548**	**15,388,902**	**1,551,618**	**9,988**	**19,139,150**	**68,300,430**
Commitments for undrawn RSD loans and facilities, irrevocable without prior notice	203,049	529,070	2,624,507	952,837	8,381,057	267,909	-	12,958,429
Other irrevocable commitments in RSD	-	-	-	-	-	-	2,117,352	2,117,352
Total irrevocable commitments	**203,049**	**529,070**	**2,624,507**	**952,837**	**8,381,057**	**267,909**	**2,117,352**	**15,075,781**
Commitments for undrawn loans and facilities, revocable	1,602,576	595,191	7,663,483	20,291,055	9,752,418	3,261,763	62,389,159	105,555,645
Total commitments	**5,112,435**	**7,069,675**	**33,246,538**	**36,632,794**	**19,685,093**	**3,539,660**	**83,645,661**	**188,931,856**

	December 31, 2021							
RSD 000	Up to a Month	From 1 to 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Matured	Without Defined Maturity	Total
Derivatives held for trading at contractual price - FORWARDS	581,576	502,072	546,822	520,311	-	-	-	2,150,781
Derivatives held for trading at contractual price - SWAPS	24,823,289	1,181,857	763,810	16,449,557	26,225	-	-	43,244,738
Derivatives intended for hedging at contracted value - OPTIONS	-	-	-	-	14,465,563	-	-	14,465,563

43. RISK MANAGEMENT (continued)

43.1. Liquidity Risk (continued)

Liquidity Stress Test

In addition to the liquidity management in the normal course of business, the Bank does periodical stress testing as well in order to identify and measure its liquidity risk exposure in extraordinary circumstances and analyze its potential effects on the cash flows.

Stress testing compares the available liquid assets to the assumed outflow of customer deposit funds (deposit shock), assumed outflow of interbank deposits, guarantees and irrevocable credit lines. Available liquid assets include surplus/shortage assets in excess of the obligatory reserves, RSD cash balances and foreign currency account balances in excess of the amount required for the Bank's unhindered operation, short-term deposits placed with National Bank of Serbia and other banks, and liquidity reserves invested into the government securities. In addition, the Bank considers possibilities for obtaining funds in the interbank market and the loan funds it may draw from the Parent Bank.

43.2 Interest Rate Risk

Interest risk is the risk of adverse effects on the Bank's financial result and equity due to adverse market interest rate movements. The main types of interest risk are: risk of maturity time discrepancies (for asset and liabilities items related to a fixed interest rate) and re-determination of prices (for items related to variable interest rates), risk of yield curve, base risk and risk of optionality.

The risk management process of changing interest rates is done through monitoring, identifying, measuring and mitigating the impact that adverse interest rate movements can have on the Bank's financial results and equity.

The acceptable level of the Bank's interest rate risk exposure is defined by the limits set out by the Bank based on its risk assumption willingness and ability.

The basic principle of managing interest rate risk arising from the banking book is the principle of matching financial assets and liabilities per interest rate type (fixed or variable) and per maturity, i.e. per date of interest rate adjustment. The Bank informs the competent bank board on the proportion of interest-sensitive assets and liabilities and on the compliance of the interest rate risk with the internally prescribed limits on a monthly basis.

For the purpose of measuring interest rate risk exposure, the Bank uses the GAP analysis (mismatch analysis). The size of the mismatch (GAP) for a certain time interval (bucket) is indicative of the Bank's exposure to the repricing risk.

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43. RISK MANAGEMENT (continued)

43.2. Interest Rate Risk (continued)

The following table shows the Bank's exposure to interest rate risk as of December 31, 2022:

RSD 000	0 - 30 days	30-90 days	90-180 days	180-360 days	1-2 years	Over 2 years	Non-interest bearing	Total
Cash and balances held with the central bank	78,756,784	-	-	-	-	-	61,755,597	140,512,381
Pledged financial assets	445,087	-	-	-	-	-	-	445,087
Receivables under financial derivatives	51,746	11,993	2,681	4,641	3,656	-	373,767	448,484
Securities	5,106,545	4,023,832	505,089	7,917,913	7,037,445	16,846,808	35,036	41,472,668
Loans and receivables due from banks and other financial institutions	6,741,782	4,459,639	-	-	-	-	13,457	11,214,878
Loans and receivables due from customers	260,602,804	176,928,302	24,826,933	14,382,000	16,545,868	32,533,520	6,670,867	532,490,294
Other assets	-	-	-	-	-	-	2,778,515	2,778,515
TOTAL ASSETS	**351,704,748**	**185,423,766**	**25,334,703**	**22,304,554**	**23,586,969**	**49,380,328**	**71,627,239**	**729,362,307**
Liabilities under financial derivatives	19,102	-	2,100	887	2,471	-	373,767	398,327
Deposits and other liabilities due to banks, other financial institutions and the central bank	19,088,761	82,993,155	42,586,759	20,882,435	140,787	170,393	4,138,334	170,000,624
Deposits and other liabilities due to customers	99,981,412	116,429,914	71,185,764	53,205,237	46,247,786	45,506,692	16,201,504	448,758,309
Subordinated liabilities	-	5,279,508	9,385,792	-	-	-	83,328	14,748,628
Other liabilities	-	-	-	-	-	-	2,721,540	2,721,540
TOTAL LIABILITIES	**119,089,275**	**204,702,577**	**123,160,415**	**74,088,559**	**46,391,044**	**45,677,085**	**23,518,473**	**636,627,428**
GAP at December 31, 2022	**232,615,473**	**(19,278,811)**	**(97,825,712)**	**(51,784,005)**	**(22,804,075)**	**3,703,243**	**48,108,766**	**92,734,879**
CUMULATIVE GAP at December 31, 2022	**232,615,473**	**213,336,662**	**115,510,950**	**63,726,945**	**40,922,870**	**44,626,113**	**-**	**-**
GAP at December 31, 2021	**(38,086,223)**	**74,574,653**	**(31,815,853)**	**(35,234,623)**	**28,110,148**	**37,365,222**	**46,471,920**	**81,385,244**
CUMULATIVE GAP at December 31, 2021	**(38,086,223)**	**36,488,430**	**4,672,577**	**(30,562,046)**	**(2,451,898)**	**34,913,324**	**-**	**-**

43. RISK MANAGEMENT (continued)

43.2. Interest Rate Risk (continued)

The following table shows the Bank's exposure to interest rate risk as of December 31, 2021:

RSD 000	0 - 30 days	30-90 days	90-180 days	180-360 days	1-2 years	Over 2 years	Non-interest bearing	Total
Cash and balances held with the central bank	33,334,112	-	-	-	-	-	57,290,464	90,624,576
Pledged financial assets	463,080	-	-	-	-	-	-	463,080
Receivables under financial derivatives	60,570	3,369	4,644	3,082	9,708	-	176,475	257,848
Securities	4,666,842	12,433,498	3,220,647	-	13,878,261	19,560,554	54,565	53,814,367
Loans and receivables due from banks and other financial institutions	8,337,088	408,286	-	-	-	-	16,207	8,761,581
Loans and receivables due from customers	265,635,525	155,003,418	21,323,850	9,564,036	16,126,883	19,272,456	6,516,454	493,442,622
Other assets	-	-	-	-	-	-	2,670,524	2,670,524
TOTAL ASSETS	**312,497,217**	**167,848,571**	**24,549,141**	**9,567,118**	**30,014,852**	**38,833,010**	**66,724,689**	**650,034,598**
Liabilities under financial derivatives	20,913	-	4,115	-	5,235	-	176,475	206,738
Deposits and other liabilities due to banks, other financial institutions and the central bank	15,087,356	75,214,131	39,340,936	33,146,845	322,733	861,075	3,012,730	166,985,806
Deposits and other liabilities due to customers	335,475,171	12,768,592	7,613,375	11,654,896	1,576,736	606,713	12,877,917	382,573,400
Subordinated liabilities	-	5,291,195	9,406,568	-	-	-	27,039	14,724,802
Other liabilities	-	-	-	-	-	-	4,158,608	4,158,608
TOTAL LIABILITIES	**350,583,440**	**93,273,918**	**56,364,994**	**44,801,741**	**1,904,704**	**1,467,788**	**20,252,769**	**568,649,354**
GAP at December 31, 2021	**(38,086,223)**	**74,574,653**	**(31,815,853)**	**(35,234,623)**	**28,110,148**	**37,365,222**	**46,471,920**	**81,385,244**
CUMULATIVE GAP at December 31, 2021	**(38,086,223)**	**36,488,430**	**4,672,577**	**(30,562,046)**	**(2,451,898)**	**34,913,324**	**-**	**-**
GAP at December 31, 2020	**15,425,580**	**59,704,050**	**5,420,604**	**(9,051,375)**	**1,317,895**	**7,475,203**	**(58,277,718)**	**22,014,239**
CUMULATIVE GAP at December 31, 2020	**15,425,580**	**75,129,630**	**80,550,234**	**71,498,859**	**72,816,754**	**80,291,957**	**-**	**-**

43. RISK MANAGEMENT (continued)

43.2. Interest Rate Risk (continued)

The acceptable level of interest rate risk is defined by the limit of the maximum possible sensitivity of the Bank's net assets to the fluctuations in the market interest rates. The Bank examines several scenarios involving the parallel shifting of the yield curve as well as scenarios of the changes to the yield curve slopes (yield curve risk). Sensitivity to changes in interest rate risk is performed for each significant currency.

Scenario Analysis

The Bank conducts the following 6 stressful scenarios of interest rate movements in relation to the curve:
Scenario 1 and 2: Parallel shock upwards and parallel shock down (+/- 200 bps for foreign currencies; +/- 250 bps for RSD)
Scenario 3 and 4: Changing the shape of the yield curve (Steepener – short-term rates down and long-term rates upwards; Flattener – short-term rates upwards and long-term rates down)
Scenario 5 and 6: Short-term rates shock (short-term rates upwards; short-term rates downwards)

	Foreign currencies	RSD
Parallel shock	200	250
short term	250	300
Long-term	150	200

Scenario analysis	Interest rate change	Net weighted position in RSD	Net weighted position in EUR	Net weighted position in USD	Net weighted position - other	Net weighted position in the banking book Total
Scenario 1	Parallel up (+200 for FCY; +250 for RSD)	(229,289)	489,219	122,630	117,106	135,188
Scenario 2	Parallel down (-200 for FCY; -250 for RSD)	323,638	(110,721)	(129,105)	(121,972)	(199,978)
Scenario 3	Steepener (short rates down, long rates up)	(483,639)	(1,594,875)	(40,612)	(45,906)	(2,165,033)
Scenario 4	Flattener (short rates up, long rates down)	405,475	1,712,879	64,648	68,807	1,125,904
Scenario 5	Short rates up	227,234	1,555,465	103,161	104,216	995,038
Scenario 6	Short rates down	(237,844)	(1,614,439)	(107,322)	(108,461)	(2,068,066)
MIN		**(483,639)**	**(1,614,439)**	**(129,105)**	**(121,972)**	**(2,165,033)**

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43. RISK MANAGEMENT (continued)

43.3 Market Risks

Market risks are the possibility of adverse effects on the Banks's financial result and equity based on changes in the value of balance sheet positions and off-balance sheet items of the Bank resulting from price movements in the market. Market risks include foreign exchange risk, price risk on the basis of debt securities and on the basis of equity securities and commodity risk. In a broader sense, market risk includes the risk of changing interest rates in the banking book. The system of market risk control is achieved through the division and independence of risk-taking (front office) functions from their monitoring (middle office) and management (Risk Management Department) as well as support activities (back office).
The Bank was exposed to foreign exchange risk throughout the year.
In 2022, the Bank held and acquired positions in the trading book and was therefore exposed to interest as well as price risk on the basis of debt securities. The trading book portfolio consisted of positions in derivatives and debt securities. In accordance with the Group's norms, the Bank is not allowed to invest in goods or derivatives based on goods. During 2022, exposure to market risks has been within defined limits and in line with the appetite for risk-taking.

43.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk of negative effects on the financial result and capital of the Bank caused by changes in foreign exchange rates against the dinar.
Exposure to foreign exchange risk in a particular currency represents potential changes in the value of the Bank's receivables and liabilities in a particular currency that can be attributed to changes in the exchange rate for the observed currency. The Bank's foreign exchange risk in a particular currency is measured by the difference between the total amount of receivables and the total amount of liabilities denominated in that currency (foreign exchange open position). management and control of foreign exchange risk exposure was in accordance with the defined tolerance, i.e. risk appetite for foreign exchange risk, defined by the Market Risk Management Policy.
The foreign exchange risk ratio is the ratio of the total foreign currency net open position and the Bank's capital.

31.12.2022						
RSD 000	EUR	CHF	USD	Other	RSD	Total
Cash and balances held with the central bank	49,290,209	1,227,446	648,432	337,485	89,008,809	140,512,381
Pledged financial assets	82,126	-	362,961	-	-	445,087
Receivables under financial derivatives	373,768	-	-	-	74,716	448,484
Securities	2,348,905	-	-	-	39,123,763	41,472,668
Loans and receivables due from banks and other financial institutions	7,085,809	550,634	2,704,088	847,040	27,307	11,214,878
Loans and receivables due from customers	358,431,093	122,525	220,575	2	173,716,099	532,490,294
Other assets	243,614	(464)	(2,017)	(7,450)	2,544,832	2,778,515
TOTAL ASSETS (I)	**417,855,524**	**1,900,141**	**3,934,039**	**1,177,077**	**304,495,526**	**729,362,307**
Liabilities under financial derivatives	373,768	-	-	-	24,559	398,327
Deposits and other liabilities due to banks, other financial institutions and the central bank	153,937,700	4,258	666,983	10,470	15,381,213	170,000,624
Deposits and other liabilities due to customers	215,631,063	8,655,172	12,215,815	3,503,811	208,752,448	448,758,309
Subordinated liabilities	14,748,628	-	-	-	-	14,748,628
Other liabilities	1,450,424	1	13,585	7,039	1,250,491	2,721,540
TOTAL LIABILITIES (II)	**386,141,583**	**8,659,431**	**12,896,383**	**3,521,320**	**225,408,711**	**636,627,428**
ON-BALANCE GAP (I) - (II)	**31,713,941**	**(6,759,290)**	**(8,962,344)**	**(2,344,243)**	**79,086,815**	**92,734,879**
OFFSET OFF-BALANCE SHEET ITEMS	**(32,106,223)**	**6,773,870**	**8,937,392**	**2,346,738**	**14,124,490**	**76,266**
OPEN LONG POSITION as of December 31, 2022	-	14,580	-	7,574	93,211,302	93,233,456
OPEN SHORT POSITION as of December 31, 2022	392,282	-	24,952	5,078	-	422,312
NET OPEN POSITION as of December 31, 2022	**392,282**	**14,580**	**24,952**	**12,652**	**93,211,302**	**93,655,768**
NET OPEN POSITION as of December 31, 2021	**645,785**	**7,095**	**22,846**	**16,899**	**80,801,580**	**81,494,205**

43. RISK MANAGEMENT (continued)

43.3. Market Risks (continued)

43.3.1. Foreign Exchange Risk (continued)

31.12.2021						
RSD 000	EUR	CHF	USD	Other	RSD	Total
Cash and balances held with the central bank	46,502,001	991,777	777,390	593,649	41,759,759	90,624,576
Pledged financial assets	126,989	-	336,091	-	-	463,080
Receivables under financial derivatives	176,475	-	-	-	81,373	257,848
Securities	4,217,793	-	-	-	49,596,574	53,814,367
Loans and receivables due from banks and other financial institutions	4,693,479	288,346	2,536,316	1,174,333	69,107	8,761,581
Loans and receivables due from customers	317,791,927	123,933	261,785	-	175,264,977	493,442,622
Other assets	1,245,120	(812)	(2,050)	(629)	1,428,895	2,670,524
TOTAL ASSETS (I)	**374,753,784**	**1,403,244**	**3,909,532**	**1,767,353**	**268,200,685**	**650,034,598**
Liabilities under financial derivatives	176,475	-	-	-	30,263	206,738
Deposits and other liabilities due to banks, other financial institutions and the central bank	147,156,655	15,983	109,779	10,149	19,693,240	166,985,806
Deposits and other liabilities due to customers	193,700,310	8,577,737	10,878,284	2,097,949	167,319,120	382,573,400
Subordinated liabilities	14,724,802	-	-	-	-	14,724,802
Other liabilities	2,931,331	12	6,700	1,445	1,219,120	4,158,608
TOTAL LIABILITIES (II)	**358,689,573**	**8,593,732**	**10,994,763**	**2,109,543**	**188,261,743**	**568,649,354**
ON-BALANCE GAP (I) - (II)	**16,064,211**	**(7,190,488)**	**(7,085,231)**	**(342,190)**	**79,938,942**	**81,385,244**
OFFSET OFF-BALANCE SHEET ITEMS	**(15,418,426)**	**7,197,583**	**7,062,385**	**350,217**	**862,636**	**54,395**
OPEN LONG POSITION as of December 31, 2022	645,785	7,095	-	12,458	80,801,580	81,466,918
OPEN SHORT POSITION as of December 31, 2022	-	-	22,846	4,441	-	27,287
NET OPEN POSITION as of December 31, 2022	**645,785**	**7,095**	**22,846**	**16,899**	**80,801,580**	**81,494,205**
NET OPEN POSITION as of December 31, 2021	**790,163**	**11,342**	**11,902**	**4,134**	**21,076,287**	**21,893,828**

The process of foreign currency risk management in the Bank is in compliance with the limits set by the National Bank of Serbia, as well as with the Bank's internally prescribed limits, which are below the regulatory limits.

The main indicator of the Bank's foreign exchange risk exposure is the foreign exchange risk ratio, calculated as the total foreign currency net open position (including the absolute amount of the net open position in gold) relative to the Bank's regulatory capital. The maximum foreign exchange risk ratio (20%) is defined by NBS Decision of Capital Adequacy while the Bank's internally defined FX risk ration is below the regulatory limit.

43. RISK MANAGEMENT (continued)

43.3. Market Risks (continued)

43.3.1. Foreign Exchange Risk (continued)

As of December 31, 2022, the Bank's foreign currency risk ratio equaled 2.10%.

	2022	2021
Foreign exchange risk indicator	2.10%	0.24%

The Bank established a system for measuring foreign exchange risk by establishing limits on the net open foreign exchange position, as well as on FX VaR and Expected loss (eg. Expected shortfall).

FX VaR is a measure of potential maximum loss (risk) at the defined level of trust of distribution of income and expenditure, for a predefined period of posture. The Bank also applies 1-day FX VaR (for the purposes of daily foreign exchange risk management) and 10-day FX VaR (for the purposes of the ICAAP process). During 2022, the amount of open position, foreign exchange risk and FX Var were expressed within internally set limits and regulatory limits.

In accordance with the decision regulating the capital adequacy of the bank, the Bank also calculates the capital requirement of foreign exchange risk.
Foreign exchange risk reporting covers the system of internal and external reporting and is conducted daily.

43. RISK MANAGEMENT (continued)

43.3.1 Market Risks (continued)

43.3.1. Foreign Exchange Risk (continued)

Sensitivity Analysis

The following table provides details of the assessed effects of the middle exchange rate rise of 3%, 5% and 10% on the amount of open positions for each respective foreign currency and net open position and subsequently the isolated effect of the newly obtained net open positions on the financial result, capital and foreign exchange risk ratio of the Bank.

	31.12.2022			Stress +3%		Stress +5%		Stress +10%	
RSD 000	Middle exchange rate	Open position (FX)	Open position (RSD)	Open position	Net impact on the result	Open position	Net impact on the result	Open position	Net impact on the result
CHF	119.25	122.26	14,579.51	15,016.90	437.39	15,308.49	728.98	16,037.46	1,457.95
EUR	117.32	(3,343.63)	(392,282.49)	(404,050.96)	(11,768.47)	(411,896.61)	(19,614.12)	(431,510.74)	(39,228.25)
USD	110.15	(226.52)	(24,951.92)	(25,700.47)	(748.56)	(26,199.51)	(1,247.60)	(27,447.11)	(2,495.19)
GBP	132.70	1.05	139.00	143.17	4.17	145.95	6.95	152.90	13.90
AUD	74.62	8.09	604.00	622.12	18.12	634.20	30.20	664.40	60.40
CAD	81.30	63.88	5,194.00	5,349.82	155.82	5,453.70	259.70	5,713.40	519.40
SEK	10.51	12.75	134.00	138.02	4.02	140.70	6.70	147.40	13.40
NOK	11.12	40.18	447.00	460.41	13.41	469.35	22.35	491.70	44.70
RUB	1.53	4.58	7.00	7.21	.21	7.35	.35	7.70	.70
DKK	15.77	42.29	667.00	687.01	20.01	700.35	33.35	733.70	66.70
JPY	.83	459.71	382.00	393.46	11.46	401.10	19.10	420.20	38.20
HUF	.29	(17,315.99)	(5,078.00)	(5,230.34)	(152.34)	(5,331.90)	(253.90)	(5,585.80)	(507.80)
Net open position		**-**	**(422,312)**	**(434,982)**	**-**	**(443,428)**	**-**	**(464,544)**	**-**
Gold		-	50,472	51,986	-	52,996	-	55,519	-
Net impact on the financial result		**-**	**-**	**-**	**(12,005)**	**-**	**(20,008)**	**-**	**(40,016)**
Capital		**-**	**102,905,168**	**-**	**102,893,163**	**-**	**102,885,160**	**-**	**102,865,152**
FX risk ratio			**0.46%**		**0.47%**		**0.48%**		**0.51%**
Capital requirement for FX risk ratio		**-**	**37,823**	**38,957**	**-**	**39,714**	**-**	**41,605**	**-**

Based on the analysis presented in the table above, even in the event of major RSD depreciation against other currencies, the foreign exchange risk ratio would still remain far below the prescribed limit of 20%.

43.3.2 Price Risk

Price risks entail risks of adverse effects on the Bank's financial performance and/or capital due to changes in the prices of debt or equity securities.

The capital requirement for price risk is equal to the sum of the capital requirement for general and specific price risk based on debt securities and the capital requirement for general and specific price risk based on equity securities and is calculated for business activities arising from the trading book.

Derivatives and bonds classified as trading financial instruments are recorded in the balance sheet at fair value.

As at December 31, 2022, the Bank held and acquired positions in the trading book and was accordingly exposed to price risk based on debt securities. The Bank has defined the trading book management process in the Trading Book Policy. The trading book portfolio consisted of positions derivatives. The Bank has defined the trading book management process in the Trading Book Policy. Accordingly, the Bank calculated the general and specific price risk per debt securities in accordance with the NBS Decision on Capital Adequacy of Banks.

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43. RISK MANAGEMENT (continued)

43.4 Credit Risk

Credit risk represents the possibility of negative effects on the Bank's financial results and capital due to non-fulfillment of the debtor's obligations to the Bank. In a broader sense, credit risk also includes: counterparty risk (which arises from the non-settlement of the obligation of the other contractual party in the transaction before the final settlement of the cash flows of the transaction), settlement/delivery risk (which arises from outstanding transactions or due to the non-fulfillment of the obligation of the other contractual party free delivery transactions on the agreed settlement/delivery date), credit foreign exchange risk (which arises from the debtor's exposure to foreign exchange risk and the impact of changes in the foreign exchange rate on the debtor's financial position and creditworthiness), credit risk induced by the interest rate (which arises from the debtor's exposure to interest rate risk and the impact of changes in interest rates on the debtor's financial position and creditworthiness), residual risk (which arises as a result of credit risk mitigation techniques being less effective than expected or their application insufficiently reducing the risks to which the Bank is exposed), as well as credit concentration risk (which results from exposure to the same or similar source of risk or the same or similar type of risk).

The Bank's risk management strategy requires the assumption of credit risks in a measured manner, so as to support the realization of growth goals in accordance with the business strategy, but not to endanger the capital during the cycle of economic activity. The Bank does not assume credit risk that would result in violation of legal and supervisory requirements.

The set of internal acts that make up the Bank's credit policy defines the credit risk management process in detail, which includes organizing the credit risk management process, identifying and measuring, mitigating and monitoring. These internal acts define the system of internal control of the credit risk management process, as well as a set of limits through which monitoring and control of the level of exposure to credit risk is ensured. The credit policy is adopted annually and represents the framework for credit risk management as an integral part of the unique risk management system.

The Bank manages credit risk at the level of individual loans and at the level of the entire loan portfolio. In order to manage credit risk, the Bank had defined the crediting process that involves exposure approval and credit risk management as two separate processes.

The exposure approval process comprises the following steps: acceptance of requests (including client identification and related persons, client segmentation), risk assessment (including rating scoring, collateral assessment), approval of exposure, conclusion of contract and realization of placements.

The Bank assesses credit risk based on the quantitative and qualitative criteria taking into account characteristics of a specific borrower and loan, which enable clear loan rating and classification into appropriate risk categories according to their collectability. The purpose of customer assessment is to enable structural estimates of the customer creditworthiness and solvency.
The Bank uses internally developed rating models, whose primary goal is to assess the expected probability of entering debtor's non-payment status, based on predetermined statistical methodology or methodology based on expert assessment. Clients can be classified into a 9+1 rating category based on the application of the rating model. The level of risk associated with a particular rating category and the Bank's relationship to financing is shown in the following table.

Risk level	*Client rating category*		*Treatment by the bank*
Low risk	1 – 2 – 3	Credible	Risk can be taken
Medium risk	4 – 5	Credible	Risk can be taken
High risk	6 – 7	Credible	Risk can only be taken with restrictions
Particularly high risk	8 – 9	No Credible / high risk	As a rule, new risk cannot be taken. In exceptional cases, new risks can be taken only with the approval of the exception or within the defined credit policy limits.
Default status	10	Not Credible	No new risks can be taken

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

The lower and upper limits of each rating category, as well as the expected PD, are shown in the table below.

Rating category	*Expected PD*	*Lower limit*	*Upper limit*
1	0.04%	0.00%	0.27%
2	0.38%	0.27%	0.54%
3	0.71%	0.54%	0.93%
4	1.20%	0.93%	1.56%
5	2.02%	1.56%	2.62%
6	3.38%	2.62%	4.36%
7	5.93%	4.36%	8.07%
8	12.63%	8.07%	19.78%
9	44.47%	19.78%	100.00%

The Rulebook on the valuation of collateral determines which types of collateral are acceptable, how collateral is assessed and under what conditions it is accepted. All collaterals have accepted value that the Bank recognizes for mitigation of risk, and it may differ from market value depending on the level of risk associated with the collateral.

The placement approval process is detailed in the regulations for lending to clients in the corporate sector, small and medium enterprises and the retail. This is a joint process of the business sectors (Business Affairs Division and Retail Affairs Division) and Risk Management Division, in accordance with principle of division risk-taking activities from risk management activities. The Risk Management Division is responsible for determining client limits, independent risk assessment and risk acceptance decisions through approval of placements and/or defining credit criteria for approval of certain types of products. Exposure approval competencies, depending on the client segment and exposure amount, are regulated by the Rulebook on decision-making levels. The rulebook on decision-making levels determines the competencies and amounts to which authorized persons or individual bank bodies can decide on the bank's placements, on changing the agreed conditions, on deviation from standard business conditions, on collection, sale, write-off or attribution of receivables, the placement of The Bank's assets and the bank's borrowing, and other issues to be decided within the Bank’s operations.

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

After the realization of the placement, the monitoring process begins. Monitoring includes a range of activities through which the Bank continuously monitors the risks taken, as well as the client's economic activities, assets, financial condition, solvency, client's willingness to meet its obligations, changes in the client's legal status, condition and value of collateral. In case of the appearance of a warning signal related to the regularity of repayment of the placement or in the event of a threat to the collection of receivables, intensive monitoring or a new action strategy is required, in order to mitigate the identified risks.

Monitoring of placements to corporate clients is primarily performed in accordance with the monitoring tasks defined for each client/placement. The early warning system is an integral part of the monitoring process and the signals representing early warning are identified through the implementation of monitoring tasks. Based on the results of the performed monitoring tasks, as well as other sources of data from the market or contact with the client, an analysis of the change in the risk level of clients/placements is performed. The system for monitoring placements with business clients also includes an individual analysis of clients performed by the Business Credit Risk Management Committee, which analyzes significant exposures in the Bank's active portfolio on a monthly basis.

In contrast to the monitoring that is carried out at the client level in the corporate segment, in the retail and small business segment of the clients, the monitoring is carried out at the portfolio level, as an integral part of the regular, monthly activities of the Board for monitoring credit risks of the retail clients.

The Bank's management bodies (Executive Board, Audit Committee and Management Board) report on the level and structure of the Bank's credit risk, as well as the main activities in the area of risk management, on a quarterly basis.

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Impairment and provisioning methodology

1. Staging

In accordance with the requirements of International Financial Reporting Standard 9 - Financial Instruments (IFRS 9), OTP banka Srbija a.d. Novi Sad classifies financial assets at amortized cost and FVOCI assets in three stages:

- Stage 1 - non-problematic funds without a significant increase in credit risk from initial recognition,
- Stage 2 - non-problematic assets with a significant increase in credit risk from initial recognition, but not credit impaired,
- Stage 3 - problematic, credit impaired assets.

Under financial assets, in accordance with the Impairment Policy for Financial Assets, are considered loans, financial receivables (e.g. promissory notes, leasing), exposures to countries and other contractual parties, as well as corporate debt securities held for the purpose of collecting contracted cash flows and debt securities held to collect contracted cash flows or for sale (FVOCI). In the upcoming parts of the Notes, data on the amounts of financial assets and impairment are given only for receivables that are considered financial assets. Other receivables are impaired using a simplified approach, and according to the rule of full write-off in case of a delay of more than 90 days. Other claims are not subject to this Note.

Non-problematic (Stage 1) assets include all financial assets in the case of which events and conditions for classification into Stage 2 or 3 do not exist on the valuation date.

A financial asset shows a significant increase in credit risk (Stage 2) in the event of the existence of any of the following triggers on the reporting date, while at the same time the conditions for classification into Stage 3 - problematic assets, and are not met:

a) delay in settlement over 30 days (where the days of delay are based on the number of days of delay in accordance with the requirements prescribed by the Instruction for determining the status of non-payment of obligations of the National Bank of Serbia).
b) is classified as performing restructuring.
c) based on an individual decision, the placement currency has suffered a significant "shock" from the moment of loan payment and there is no protection against currency exchange rate change (hedging) in this regard.
d) the transaction /client rating exceeds the predefined value or falls under a specific range, or deteriorates to a predefined degree compared to the historical value. If the rating category for determining distribution to levels is not available, the following rule applies to determine stage 2: if the days of delay are greater than 10 days in the last 6 months, then the placement must be categorized into stage 2. The rating as an indicator for stage 2 is used six months after the placement is approved.
e) in the case of housing loans for the Retail, the LTV ratio exceeds the predefined rate (currently 125%), or deteriorates by a certain degree compared to historical value.
f) default status on the second loan of the client of the Retail unless there are conditions for the application of mutual default status (cross-default indicators).
g) client classification in Watch list 2 (during the placement monitoring process was determined the exposure classification indicates a significant increase in credit risk based on EWS (early warning indicator) or subjective rating).
h) in case there is a significant change in the macroeconomic environment resulting in a significant increase in credit risk, the Bank has the right to transfer the assets/parts of the portfolio affected by the change to stage 2.

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Impairment and provisioning methodology (continued)

The client or financial asset is in non-performing status (stage 3) when default occurs. Default definition is aligned with the OTP Group rules and NBS regulation.

The Bank recognizes provisions for expected credit losses per financial asset on each reporting date, i.e. monthly. Provisions for losses per financial asset are recognized in an amount equal to the 12-month expected credit loss or equal to the expected credit losses during the lifetime of the financial asset, namely:

- stage 1: recognition of impairment in the amount of equal expected credit loss within 12 months,
- stage 2: recognition of impairment in the amount of equal expected credit loss over the lifetime of exposure,
- stage 3: recognition of impairment in the amount equal to the expected credit loss over the lifetime of exposure.

For impairments expected over the lifetime of the financial assets, the Bank assesses the risk of default on the financial asset during its expected lifespan. 12-monthly expected credit losses are part of the credit losses expected over the lifetime and represent a loss over the lifetime that will arise if there is a failure to meet liabilities within 12 months after the reporting date (or a shorter period if the lifespan of the fund is less than 12 months).

The Bank assesses expected credit losses of financial assets in a way that should reflect:

- objective amount supported by probability determined by the assessment of a range of possible outcomes,
- time value of money and
- reasonable information that can be documented and available without unnecessary costs or efforts on the reporting date, past events, current conditions, and forecasts of future economic conditions.

The assessment of expected credit losses is carried out on an individual basis or on a portfolio level, that is, on a collective basis.

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Impairment and provisioning methodology (continued)

Individual Assessment:

Financial assets that do not belong to the retail segment are assessed individually, are above the materiality threshold (RSD 14 million at the level of gross exposure of the client/group of related parties) and are distributed to stage 3 (including purchased or approved impaired funds that meet these conditions).

Calculation, as well as all relevant factors for calculation (amortized cost, original and current EIR, contracted and expected cash flows (from business and/or collateral) for individual lifespan periods, other relevant information) and criteria for the same (including factors on which the classification is based to stage 3) must be documented individually.

The impairment allowance of the financial asset is equal to the difference between the value of the financial asset (gross book value) on the day of valuation and the present value of the expected cash flows of the financial asset discounted by the valuation date of the original effective interest rate of the financial asset (EIR)(calculated by initial recognition, or in the case of a variable rate, calculated because of the last interest rate change).

The assessment of expected future cash flows among clients subject to individual valuation is geared towards the future and contains the effects of possible changes in macroeconomic forecasts.

At least two scenarios are used to evaluate the expected cash flow of clients on an individual basis. One scenario, as a rule, predicts that the cash flows achieved will be significantly different from the contractual cash flows. Each scenario is assigned the probability of achievement. The current value of expected cash flows calculated as the average of expected cash flows of individual scenarios is used to calculate the impairment of the value of the assets.

Collective Assessment:

The following funds are subject to collective assessment:

- Retail receivables, regardless of the amount,
- all other financial assets that are below the threshold of material significance (RSD 14 million at the gross exposure level of the client/group of related persons),
- financial assets that are above the threshold of material significance, which are not allocated to Stage 3,
- POCI exposures that meet the above conditions.

In the methodology for collective provisioning, credit risk and credit risk changes can be properly included by understanding portfolio risk characteristics. To do this, major risk factors are identified and used to form homogeneous portfolio segments that have similar risk characteristics.

Based on these homogeneous segments, historical data sets are formed to be used to calculate **credit risk parameters** for calculating expected credit loss (PD, LGD, EAD).

PD (probability of default), LGD (loss given default), EAD (exposure at default) are parameters derived from internally developed statistical models based on historical data and adjusted to reflect future information (forecasts of future economic conditions in different scenarios) which are weighted by the likelihood of the scenario.

PD is an estimate of the probability of the default status in a given time horizon. PD assessment is based on current conditions, adjusted assessment of future conditions that will primarily affect the PD (impact of macroeconomic factors). The migration matrix methodology applied in the Bank is based on payment delay intervals, default status labels, restructuring marks and behavioral rating information.

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Definition of ECL on the Individual and Collective Bases of Assessment (continued)

Collective Assessment (continued)

In the Bank, two types of PD parameter are calculated and applied:

- 12 monthly PD is used for receivables from stage 1,
- Lifetime (lifetime) PD rate of expected loss is used for receivables from stages 2 and 3.

LGD is an estimate of the expected loss in the event of default status. It is based on the difference between agreed cash flows and those the Bank expects to receive, taking into account cash flows from collateral.

According to the type of financial asset security, the Bank applies the following LGD models:

- Mortgage and residential loans of the Retail, secured loans to clients of small business and corporate sector: modified LGD methodology based on the Asset Quality Review methodology. The primary data source is collateral itself, but it also takes into account refunds from cash flows.

- Consumer loans and other unsecured financial assets: LGL methodology based on refunds based on historical data.

LGD models for secured financial assets are based on predicting the future value of collateral, taking into account possible changes in the value of collateral, the time until the realization of collateral, the probability of collateral success, expected deviations of the sale price from the estimated value of collateral, the cost of realization of collateral and the expected collection rate that does not originate from collateral. LGD models for unsecured financial assets are based on the assessment of expected collection (without the realization of collateral), the period in which inflows are expected based on collection and the length of the collection process. Calculation of LGD is made on the basis of a discounted cash flow.

EAD is the value of a financial asset on a report date or estimated value of a financial asset on a future date, taking into account expected changes in the value of that asset after the reporting date. For the purpose of determining the value of the financial asset on a future date, the Bank uses data from loan repayment plans.

For financial assets that have an off-balance sheet exposure in the calculation of EAD, credit conversion factors are used. They are based on conversion factors used for regulatory purposes of calculating capital adequacy.

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Definition of ECL on the Individual and Collective Bases of Assessment (continued)

Collective Assessment (continued)

For the collective assessment of the expected credit losses, up to five scenarios of expected macroeconomic conditions are used, one of which is the baseline, and the others range from optimistic (lower PDs) to pessimistic (higher PDs). Each scenario is assigned a probability of occurrence.

The basic variable that defines the scenarios is the change in GDP (gross domestic product), and the models, developed for ICAAP needs at OTP Group level, forecast a link between the basic variable and other macroeconomic variables (employment rate, exchange rate movement, interest rate...), as well as the impact on risk parameters. A description of the macroeconomic scenarios used to estimate expected credit losses, as well as the assigned probability of these scenarios emerging, was provided in the following tables:

For calculating expected losses with the balance as at December 31, 2022.

Macroeconomic scenarios	Weights of scenarios used on December 31, 2022	projection of GDP change			
		2022	2023	2024	2025
Baseline scenario	60.00%	3.00%	2.50%	3.40%	3.50%
Moderate stress scenario	20.00%	3.00%	4.50%	4.40%	3.60%
Serious stress scenario	20.00%	3.00%	-2.70%	3.30%	4.70%

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Definition of ECL on the Individual and Collective Bases of Assessment (continued)

Collective Assessment (continued)

Macroeconomic scenarios	Weights of scenarios used on December 31, 2021	projection of GDP change			
		2021	2022	2023	2024
Baseline scenario	50.00%	6.95%	4.98%	4.55%	4.50%
Moderate stress scenario	30.00%	6.45%	3.08%	2.33%	2.20%
Serious stress scenario	20.00%	6.50%	-3.38%	-0.63%	3.48%

Macroeconomic scenarios	Scenario weights used at December 31, 2022	Scenario weights used at December 31, 2021
Scenario 1	0.00%	0.00%
Scenario 2	20.00%	50.00%
Scenario 3	0.00%	0.00%
Scenario 4	60.00%	30.00%
Scenario 5	20.00%	20.00%

Update of parameters for calculating expected credit loss

Updating parameters for calculating collective impairment allowance is performed at least once a year, and more often if necessary, in case of major events.

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43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Maximum Credit Risk Exposure

The Bank's maximum credit risk exposures, without taking into account collaterals or other credit risk mitigation methods, as of December 31, 2022 and December 31, 2021, are provided in the tables below. For on-balance sheet items, the exposures represent net carrying value s of receivables as per the balance sheet (statement of financial position) items.

RSD 000	Assets exposing the Bank to credit risk			Assets not exposing the Bank to credit risk	Value reported in the Statement of financial position
31.12.2022	Gross carrying value	Accumulated impairment allowance/provisions	Net carrying value		
On-balance sheet items					
Cash and balances held with the central bank	124,132,753	99,770	124,032,983	16,479,398	140,512,381
Pledged financial assets	445,087	-	445,087	-	445,087
Financial assets at FVtPL, held for trading	-	-	-	448,484	448,484
Financial assets at FVtOCI	41,437,631	-	41,437,631	35,037	41,472,668
Loans and receivables due from banks and other financial institutions	11,687,188	472,310	11,214,878	-	11,214,878
Loans and receivables due from customers	552,714,369	20,224,075	532,490,294	-	532,490,294
Investments in subsidiaries	-	-	-	149,650	149,650
Investments in associates and joint ventures	-	-	-	755,514	755,514
Intangible assets	-	-	-	1,254,606	1,254,606
Property, plant and equipment	-	-	-	11,507,553	11,507,553
Investment property	-	-	-	370,153	370,153
Current tax assets	-	-	-	57,199	57,199
Non-current assets held for sale and discontinued operations	-	-	-	6,248	6,248
Other assets	-	-	-	3,327,230	3,327,230
Total on-balance sheet exposure	**730,417,028**	**20,796,155**	**709,620,873**	**34,391,072**	**744,011,945**
Off-balance sheet items					
Guarantees and sureties issued	68,076,928	678,089	67,398,839	-	67,398,839
Credit commitments	101,229,127	1,363,828	99,865,299	-	99,865,299
Total off-balance sheet exposure	**169,306,055**	**2,041,917**	**167,264,138**	**-**	**167,264,138**
Total credit risk exposure	**899,723,083**	**22,838,072**	**876,885,011**	**34,391,072**	**911,276,083**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Maximum Credit Risk Exposure (continued)

RSD 000	Assets exposing the Bank to credit risk			Assets not exposing the Bank to credit risk	Value reported in the Statement of financial position
31.12.2021	Gross carrying value	Accumulated impairment allowance/provisions	Net carrying value		
On-balance sheet items					
Cash and balances held with the central bank	76,245,963	107,276	76,138,687	14,485,889	90,624,576
Pledged financial assets	463,080	-	463,080	-	463,080
Financial assets at FVtPL, held for trading	-	-	-	9,095,199	9,095,199
Financial assets at FVtOCI	44,947,352	-	44,947,352	29,664	44,977,016
Loans and receivables due from banks and other financial institutions	9,198,475	436,894	8,761,581	-	8,761,581
Loans and receivables due from customers	511,977,890	18,535,268	493,442,622	-	493,442,622
Investments in subsidiaries	-	-	-	149,650	149,650
Investments in associates and joint ventures	-	-	-	755,514	755,514
Intangible assets	-	-	-	1,214,245	1,214,245
Property, plant and equipment	-	-	-	12,329,180	12,329,180
Investment property	-	-	-	119,268	119,268
Current tax assets	-	-	-	190,978	190,978
Non-current assets held for sale and discontinued operations	-	-	-	6,164	6,164
Other assets	-	-	-	3,469,875	3,469,875
Total on-balance sheet exposure	**642,832,760**	**19,079,438**	**623,753,322**	**41,845,626**	**665,598,948**
Off-balance sheet items					
Guarantees and sureties issued	49,161,281	385,773	48,775,508	-	48,775,508
Credit commitments	120,571,694	856,084	119,715,610	-	119,715,610
Total off-balance sheet exposure	**169,732,975**	**1,241,857**	**168,491,118**	**-**	**168,491,118**
Total credit risk exposure	**812,565,735**	**20,321,295**	**792,244,440**	**41,845,626**	**834,090,066**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

The gross carrying value and accumulated impairment of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) per Stage as of December 31, 2022:

31.12.2022	Gross carrying value					Accumulated impairment					
RSD 000	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Carrying value
Cash and balances held with the central bank	**124,132,753**	**-**	**-**	**-**	**124,132,753**	**99,770**	**-**	**-**	**-**	**99,770**	**124,032,983**
Pledged financial assets	**445,087**	**-**	**-**	**-**	**445,087**	**-**	**-**	**-**	**-**	**-**	**445,087**
Loans and receivables due from banks	11,302,072	1,221	383,895	-	**11,687,188**	88,352	63	383,895	-	**472,310**	**11,214,878**
Housing loans*	115,269,106	12,366,991	1,299,561	507,206	**129,442,864**	245,323	443,796	520,247	125,591	**1,334,957**	**128,107,907**
Loans and receivables due from large and medium-sized entities	225,168,981	37,010,153	4,475,330	421,412	**267,075,876**	1,989,840	3,190,721	3,367,047	329,159	**8,876,767**	**258,199,109**
Consumer loans	113,372,847	9,651,518	10,651,552	94,823	**133,770,740**	1,001,431	667,428	7,320,282	76,665	**9,065,806**	**124,704,934**
Loans and receivables due from small and micro entities	8,702,482	646,065	561,523	7,508	**9,917,578**	217,999	69,990	453,944	1,652	**743,585**	**9,173,993**
Loans and receivables due from municipalities	12,384,335	1,606	121,370	-	**12,507,311**	81,432	158	121,370	-	**202,960**	**12,304,351**
Loans at amortized cost (due from banks and customers)	**486,199,823**	**59,677,554**	**17,493,231**	**1,030,949**	**564,401,557**	**3,624,377**	**4,372,156**	**12,166,785**	**533,067**	**20,696,385**	**543,705,172**
Securities at FVtOCI	40,942,631	495,000	-	-	**41,437,631**	-	-	-	-	**-**	**41,437,631**
Total financial assets	**651,720,294**	**60,172,554**	**17,493,231**	**1,030,949**	**730,417,028**	**3,724,147**	**4,372,156**	**12,166,785**	**533,067**	**20,796,155**	**709,620,873**
Guarantees and sureties issued	64,128,387	3,790,948	157,593	-	**68,076,928**	419,550	188,557	69,982	-	**678,089**	**67,398,839**
Credit commitments	91,160,078	9,970,972	98,077	-	**101,229,127**	632,963	697,799	33,066	-	**1,363,828**	**99,865,299**
Total off-balance sheet exposure	**155,288,465**	**13,761,920**	**255,670**	**-**	**169,306,055**	**1,052,513**	**886,356**	**103,048**	**-**	**2,041,917**	**167,264,138**

*Line item of housing loans include cash loans secured with mortgages

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

The gross carrying value and accumulated impairment of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) per Stage as of December 31, 2021:

31.12.2021	Gross carrying value					Accumulated impairment					
RSD 000	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Carrying value
Cash and balances held with the central bank	**76,245,963**	**-**	**-**	**-**	**76,245,963**	**107,276**	**-**	**-**	**-**	**107,276**	**76,138,687**
Pledged financial assets	**463,080**	**-**	**-**	**-**	**463,080**	**-**	**-**	**-**	**-**	**-**	**463,080**
Loans and receivables due from banks	8,835,782	-	362,694	-	**9,198,476**	74,200	-	362,695	-	436,895	**8,761,581**
Housing loans*	103,641,374	9,732,806	1,606,924	556,517	**115,537,621**	309,444	725,587	723,898	239,661	1,998,590	**113,539,031**
Loans and receivables due from large and medium-sized entities	226,095,830	13,501,601	6,298,361	469,539	**246,365,331**	1,654,613	681,571	4,861,331	348,376	7,545,891	**238,819,440**
Consumer loans	113,250,915	9,372,031	9,919,481	146,820	**132,689,247**	866,737	723,174	6,265,080	107,900	7,962,891	**124,726,356**
Loans and receivables due from small and micro entities	8,417,980	1,076,073	853,344	11,840	**10,359,237**	120,487	75,699	658,095	4,237	858,518	**9,500,719**
Loans and receivables due from municipalities	6,841,728	57,206	127,520	-	**7,026,454**	37,000	6,526	125,852	-	169,378	**6,857,076**
Loans at amortized cost (due from banks and customers)	**467,083,609**	**33,739,717**	**19,168,324**	**1,184,716**	**521,176,366**	**3,062,481**	**2,212,557**	**12,996,951**	**700,174**	**18,972,163**	**502,204,203**
Securities at FVtOCI	44,452,139	495,213	-	-	**44,947,352**	-	-	-	-	-	**44,947,352**
Total financial assets	**588,244,791**	**34,234,930**	**19,168,324**	**1,184,716**	**642,832,761**	**3,169,757**	**2,212,557**	**12,996,951**	**700,174**	**19,079,439**	**623,753,322**
Guarantees and sureties issued	46,348,058	2,745,272	67,951	-	**49,161,281**	284,650	57,608	43,515	-	385,773	**48,775,508**
Credit commitments	118,079,449	2,382,820	109,425	-	**120,571,694**	745,622	83,519	26,943	-	856,084	**119,715,610**
Total off-balance sheet exposure	**164,427,507**	**5,128,092**	**177,376**	**-**	**169,732,975**	**1,030,272**	**141,127**	**70,458**	**-**	**1,241,857**	**168,491,118**

*Line item of housing loans include cash loans secured with mortgages

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Gross book value at amortized cost and securities at fair value through other total result of Stage 2 according to indicators of significant increase in credit risk on December 31, 2022

	December 31, 2022								
Total financial assets *RSD 000*	**Restructured non-problematic receivables**	**Receivables in arrears from 31 to 90 days**	**Non-problematic receivables from household customers for which the condition of mutual non-settlement status (cross-default) is not met ***	**Receivables in currency that has undergone significant change in value (CHF)**	**Mortgage-backed receivables with a collateral-to-collateral (LTV) ratio of more than 125%**	**Clients of the corporate sector classified in the risk category Watch list 2 based on the results of monitoring activities**	**Unfavorable credit rating (special risk category) on the observed date**	**Significant deterioration of the credit rating compared to the approval date**	**Receivables for which the bank does not apply the behavioral rating model, and which were overdue for more than 10 days in the past 6 months**
Receivables from households	**284,591**	**958,146**	**340,316**	**87,516**	**726,302**	**-**	**6,369,610**	**12,994,448**	**257,581**
Housing loans	23,072	193,068	159,161	87,516	726,302	-	3,019,594	8,158,278	-
Consumer and cash loans	159,170	731,050	179,773	-	-	-	3,330,439	4,788,952	7,975
Transaction accounts and credit cards	-	17,295	1,382	-	-	-	19,578	47,218	48,514
Other receivables	102,348	16,732	-	-	-	-	-	-	201,091
Receivables from the corporate sector	**4,093,410**	**58,864**	**-**	**-**	**-**	**29,868,308**	**3,636,479**	**-**	**1,606**
Loans to medium and large companies	513,636	64	-	-	-	23,972,272	2,148,455	-	-
Loans to micro and small enterprises	3,579,775	58,800	-	-	-	5,895,193	1,488,023	-	-
Loans to municipalities	-	-	-	-	-	-	-	-	1,606
Financial institutions	-	-	-	-	-	844	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans at amortized cost (placements with other banks and receivables from loans from customers)	**4,378,001**	**1,017,010**	**340,316**	**87,516**	**726,302**	**29,868,308**	**10,006,089**	**12,994,448**	**259,187**
Securities at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total financial assets	**4,378,001**	**1,017,010**	**340,316**	**87,516**	**726,302**	**29,868,308**	**10,006,089**	**12,994,448**	**259,187**

* clients for whom the default status is determined at the level of receivables, and for which there are problematic receivables that do not exceed the materiality threshold of 20% of the total exposure to that client

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December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Gross book value at amortized cost and securities at fair value through other total result of Stage 2 according to indicators of significant increase in credit risk on December 31, 2022

	December 31, 2022								
Total off-balance exposure *RSD 000*	restructured non-problematic receivables	Receivables in arrears from 31 to 90 days	Non-problematic receivables from household customers for which the condition of mutual non-settlement status (cross-default) is not met *	Receivables in currency that has undergone significant change in value (CHF)	Mortgage-backed receivables with a collateral-to-collateral (LTV) ratio of more than 125%	Clients of the corporate sector classified in the risk category Watch list 2 based on the results of monitoring activities	Unfavorable credit rating (special risk category) on the observed date	Significant deterioration of the credit rating compared to the approval date	Receivables for which the bank does not apply the behavioral rating model, and which were overdue for more than 10 days in the past 6 months
Receivables from households	**-**	**4,356**	**1,588**	**-**	**-**	**-**	**9,605**	**12,494**	**4,903**
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	-	4,356	1,588	-	-	-	9,605	12,494	4,903
Other receivables	-	-	-	-	-	-	-	-	-
Receivables from the corporate sector	**-**	**139**	**-**	**56,842**	**-**	**10,104,796**	**3,567,196**	**-**	**-**
Loans to medium and large companies	-	89	-	56,842	-	9,948,362	1,143,636	-	-
Loans to micro and small enterprises	-	50	-	-	-	156,434	2,423,561	-	-
Loans to municipalities	-	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans at amortized cost (placements with other banks and receivables from loans from customers)	**-**	**4,495**	**1,588**	**56,842**	**-**	**10,104,796**	**3,576,802**	**12,494**	**4,903**
Securities at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total financial assets	**-**	**4,495**	**1,588**	**56,842**	**-**	**10,104,796**	**3,576,802**	**12,494**	**4,903**

* clients for whom the default status is determined at the level of receivables, and for which there are problematic receivables that do not exceed the materiality threshold of 20% of the total exposure to that client

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Gross book value at amortized cost and securities at fair value through other total result of Stage 2 according to indicators of significant increase in credit risk on December 31, 2021

December 31, 2021									
Total financial assets ***RSD 000***	**restructured non-problematic receivables**	**Receivables in arrears from 31 to 90 days**	**Non-problematic receivables from household customers for which the condition of mutual non-settlement status (cross-default) is not met ***	**Receivables in currency that has undergone significant change in value (CHF)**	**Mortgage-backed receivables with a collateral-to-collateral (LTV) ratio of more than 125%**	**Clients of the corporate sector classified in the risk category Watch list 2 based on the results of monitoring activities**	**Unfavorable credit rating (special risk category) on the observed date**	**Significant deterioration of the credit rating compared to the approval date**	**Receivables for which the bank does not apply the behavioral rating model, and which were overdue for more than 10 days in the past 6 months**
Receivables from households	**148,542**	**1,015,991**	**509,512**	**95,002**	**1,085,945**	**-**	**7,537,243**	**8,362,329**	**350,272**
Housing loans	50,685	181,251	156,519	95,002	1,085,945	-	4,109,298	4,054,106	-
Consumer and cash loans	97,857	754,838	345,549	-	-	-	3,405,430	4,245,770	29,909
Transaction accounts and credit cards	-	19,172	4,481	-	-	-	22,515	62,454	75,534
Other receivables	-	60,729	2,963		-	-	-	-	244,830
Receivables from the corporate sector	**3,115,907**	**125,739**	**418**	**-**	**-**	**7,571,450**	**3,764,161**	**-**	**57,206**
Loans to medium and large companies	3,115,631	65,107	-	-	-	6,740,977	3,579,886	-	-
Loans to micro and small enterprises	276	60,632	418	-	-	830,473	184,275	-	-
Loans to municipalities	-	-	-	-	-	-	-	-	57,206
Financial institutions	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans at amortized cost (placements with other banks and receivables from loans from customers)	**3,264,449**	**1,141,729**	**509,930**	**95,002**	**1,085,945**	**7,571,450**	**11,301,404**	**8,362,329**	**407,478**
Securities at fair value through other comprehensive income	-	-	-	-	-	495,213	-	-	-
Total financial assets	**3,264,449**	**1,141,729**	**509,930**	**95,002**	**1,085,945**	**8,066,663**	**11,301,404**	**8,362,329**	**407,478**

* clients for whom the default status is determined at the level of receivables, and for which there are problematic receivables that do not exceed the materiality threshold of 20% of the total exposure to that client

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Gross book value at amortized cost and securities at fair value through other total result of Stage 2 according to indicators of significant increase in credit risk on December 31, 2021

December 31, 2021									
Total off-balance exposure ***RSD 000***	**restructured non-problematic receivables**	**Receivables in arrears from 31 to 90 days**	**Non-problematic receivables from household customers for which the condition of mutual non-settlement status (cross-default) is not met ***	**Receivables in currency that has undergone significant change in value (CHF)**	**Mortgage-backed receivables with a collateral-to-collateral (LTV) ratio of more than 125%**	**Clients of the corporate sector classified in the risk category Watch list 2 based on the results of monitoring activities**	**Unfavorable credit rating (special risk category) on the observed date**	**Significant deterioration of the credit rating compared to the approval date**	**Receivables for which the bank does not apply the behavioral rating model, and which were overdue for more than 10 days in the past 6 months**
Receivables from households	**-**	**4,635**	**2,253**	**-**	**-**	**-**	**10,091**	**23,560**	**7,775**
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	-	4,635	2,253	-	-	-	10,091	23,560	7,775
Other receivables	-	-	-	-	-	-	-	-	-
Receivables from the corporate sector	**-**	**70**	**-**	**77,274**	**-**	**3,907,870**	**1,094,563**	**-**	**-**
Loans to medium and large companies	-	56	-	77,274	-	3,675,084	874,472	-	-
Loans to micro and small enterprises	-	14	-	-	-	232,786	220,092	-	-
Loans to municipalities	-	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans at amortized cost (placements with other banks and receivables from loans from customers)	**-**	**4,705**	**2,253**	**77,274**	**-**	**3,907,870**	**1,104,655**	**23,560**	**7,775**
Securities at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total financial assets	**-**	**4,705**	**2,253**	**77,274**	**-**	**3,907,870**	**1,104,655**	**23,560**	**7,775**

* clients for whom the default status is determined at the level of receivables, and for which there are problematic receivables that do not exceed the materiality threshold of 20% of the total exposure to that client

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the gross carrying values of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021 (continued)

Cash and balances held with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2021	**76,245,963**	**-**	**-**	**-**	**76,245,963**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Repaid funds	-	-	-	-	**-**
Exposure increase	47,886,790	-	-	-	**47,886,790**
Exposure decrease	-	-	-	-	**-**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	-	-	-	-	**-**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2022	**124,132,753**	**-**	**-**	**-**	**124,132,753**

Cash and balances held with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2020	**24,330,842**	**-**	**-**	**-**	**24,330,842**
Increase due to acquisition	23,792,886	-	-	-	**23,792,886**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Repaid funds	-	-	-	-	**-**
Exposure increase	38,258,380	-	-	-	**38,258,380**
Exposure decrease	(10,136,145)	-	-	-	**(10,136,145)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	-	-	-	-	**-**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2021	**76,245,963**	**-**	**-**	**-**	**76,245,963**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the gross carrying values of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021 (continued)

Pledged financial assets	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2021	**463,080**	**-**	**-**	**-**	**463,080**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Repaid funds	(126,990)	-	-	-	**(126,990)**
Exposure increase	26,871	-	-	-	**26,871**
Exposure decrease	-	-	-	-	**-**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	82,126	-	-	-	**82,126**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2022	**445,087**	**-**	**-**	**-**	**445,087**

Pledged financial assets	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2020	**1,177,302**	**-**	**-**	**-**	**1,177,302**
Increase due to acquisition	2,350,000	-	-	-	
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Repaid funds	-	-	-	-	**-**
Exposure increase	-	-	-	-	**-**
Exposure decrease	(1,572)	-	-	-	**(1,572)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	463,080	-	-	-	**463,080**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	(3,525,730)	-	-	-	**(3,525,730)**
Gross carrying value at December 31, 2021	**463,080**	**-**	**-**	**-**	**463,080**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the gross carrying values of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021 (continued)

Loans and receivables due from banks	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2021	**8,835,782**	**-**	**362,694**	**-**	**9,198,476**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	(42,247)	42,247	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Repaid funds	(3,080,170)	-	(397)	-	**(3,080,567)**
Exposure increase	1,448,998	-	54,494	-	**1,503,492**
Exposure decrease	(2,240,934)	(41,403)	(4)	-	**(2,282,341)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	6,380,637	-	-	-	**6,380,637**
Decrease due to write-off	(59)	-	(32,892)	-	**(32,951)**
Sales	-	-	-	-	**-**
Other adjustments	65	377	-	-	**442**
Gross carrying value at December 31, 2022	**11,302,072**	**1,221**	**383,895**	**-**	**11,687,188**

Loans and receivables due from banks	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2020	**4,956,188**	**-**	**333,712**	**-**	**5,289,900**
Increase due to acquisition	3,993,241	-	-	-	**3,993,241**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Repaid funds	(3,924,123)	-	-	-	**(3,924,123)**
Exposure increase	3,965,498	-	483	-	**3,965,981**
Exposure decrease	(2,859,626)	-	-	-	**(2,859,626)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	2,708,524	-	-	-	**2,708,524**
Decrease due to write-off	-	-	(36)	-	**(36)**
Sales	-	-	-	-	**-**
Other adjustments	(3,920)	-	28,535	-	**24,615**
Gross carrying value at December 31, 2021	**8,835,782**	**-**	**362,694**	**-**	**9,198,476**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the gross carrying values of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021 (continued)

Loans at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2021	**458,247,827**	**33,739,717**	**18,805,630**	**1,184,716**	**511,977,890**
Transfer to Stage 1	8,747,221	(8,457,785)	(289,436)	-	**-**
Transfer to Stage 2	(30,201,770)	30,701,646	(611,456)	111,580	**-**
Transfer to Stage 3	(1,680,299)	(1,965,540)	3,757,419	(111,580)	**-**
Repaid funds	(109,559,176)	(6,090,008)	(2,522,764)	(103,864)	**(118,275,812)**
Exposure increase	3,580,774	2,934,539	1,907,789	114,092	**8,537,194**
Exposure decrease	(59,592,957)	(7,221,110)	(1,783,374)	(74,260)	**(68,671,701)**
Effects of modifications that do not lead to derecognition	-	588,698	-	-	**588,698**
Increases due to creation and acquisition	205,357,530	15,447,041	496,543	353	**221,301,467**
Decrease due to write-off	(957)	(865)	(2,197,768)	(51,527)	**(2,251,117)**
Sales	-	-	(453,247)	(38,561)	**(491,808)**
Other adjustments	(442)	-	-	-	**(442)**
Gross carrying value at December 31, 2022	**474,897,751**	**59,676,333**	**17,109,336**	**1,030,949**	**552,714,369**

Loans at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2020	**160,507,649**	**10,481,498**	**4,371,463**	**1,381,309**	**176,741,919**
Increase due to acquisition	419,958,601	38,543,204	19,812,729	468,383	**478,782,917**
Transfer to Stage 1	2,245,338	(2,177,619)	(67,719)	-	**-**
Transfer to Stage 2	(4,551,372)	4,686,777	(296,284)	160,879	**-**
Transfer to Stage 3	(884,837)	(779,084)	1,824,800	(160,879)	**-**
Repaid funds	(98,677,086)	(964,508)	(3,565,773)	(70,161)	**(103,277,528)**
Exposure increase	1,605,993	200,544	1,293,568	663,323	**3,763,428**
Exposure decrease	(190,275,984)	(18,525,197)	(5,158,866)	(76,065)	**(214,036,112)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	168,320,381	2,274,102	2,308,890	-	**172,903,373**
Decrease due to write-off	-	-	(1,656,236)	(581,213)	**(2,237,449)**
Sales	-	-	(60,906)	(600,860)	**(661,766)**
Other adjustments	(856)	-	(36)	-	**(892)**
Gross carrying value at December 31, 2021	**458,247,827**	**33,739,717**	**18,805,630**	**1,184,716**	**511,977,890**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the gross carrying values of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021 (continued)

Securities at FVtOCI and securities at AC	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2021	**44,452,139**	**495,213**	**-**	**-**	**44,947,352**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Repaid funds	(7,485,957)	-	-	-	**(7,485,957)**
Exposure increase	2,802	-	-	-	**2,802**
Exposure decrease	(1,743,520)	(213)	-	-	**(1,743,733)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	5,717,167	-	-	-	**5,717,167**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2022	**40,942,631**	**495,000**	**-**	**-**	**41,437,631**

* the exposure due to reclassification of credit risk exposure is excluded from the total initial exposure

Securities at FVtOCI and securities at AC	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2020	**9,237,425**	**-**	**-**	**-**	**9,237,425**
Increase due to acquisition	37,815,423	497,623	-	-	**38,313,046**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Repaid funds	(8,152,210)	-	-	-	**(8,152,210)**
Exposure increase	32,445	-	-	-	**32,445**
Exposure decrease	(972,514)	(2,410)	-	-	**(974,924)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	2,965,840	-	-	-	**2,965,840**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	3,525,730	-	-	-	**3,525,730**
Gross carrying value at December 31, 2021	**44,452,139**	**495,213**	**-**	**-**	**44,947,352**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the gross carrying values of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021 (continued)

Commitments and contingent liabilities	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2021	**118,079,449**	**2,382,820**	**109,425**	**-**	**120,571,694**
Transfer to Stage 1	341,466	(321,789)	(19,677)	-	**-**
Transfer to Stage 2	(5,767,721)	5,769,384	(1,663)	-	**-**
Transfer to Stage 3	(16,046)	(4,414)	20,460	-	**-**
Repaid funds	(46,265,612)	(251,262)	(25,588)	-	**(46,542,462)**
Exposure increase	12,540,911	595,570	12,289	-	**13,148,770**
Exposure decrease	(21,873,200)	(507,013)	(681)	-	**(22,380,894)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	34,120,831	2,307,676	3,512	-	**36,432,019**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2022	**91,160,078**	**9,970,972**	**98,077**	**-**	**101,229,127**

Commitments and contingent liabilities	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2020	**31,723,379**	**336,527**	**21,985**	**-**	**32,081,891**
Increase due to acquisition	62,687,352	4,954,301	118,989	-	**67,760,642**
Transfer to Stage 1	16,721	(13,597)	(3,124)	-	**-**
Transfer to Stage 2	(48,807)	49,996	(1,189)	-	**-**
Transfer to Stage 3	(9,447)	(2,488)	11,935	-	**-**
Repaid funds	(38,963,663)	(394,494)	(64,661)	-	**(39,422,818)**
Exposure increase	12,108,691	102,472	12,783	-	**12,223,946**
Exposure decrease	(10,542,324)	(2,793,449)	(1,734)	-	**(13,337,507)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	61,107,547	143,552	14,441	-	**61,265,540**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2021	**118,079,449**	**2,382,820**	**109,425**	**-**	**120,571,694**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the gross carrying values of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021 (continued)

Financial guarantees and sureties issued	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2021	**46,348,058**	**2,745,272**	**67,951**	**-**	**49,161,281**
Transfer to Stage 1	474,993	(474,993)	-	-	**-**
Transfer to Stage 2	(1,163,315)	1,163,315	-	-	**-**
Transfer to Stage 3	(47,139)	(42,416)	89,555	-	**-**
Repaid funds	(21,517,960)	(888,745)	(12,885)	-	**(22,419,590)**
Exposure increase	500,350	11,519	129	-	**511,998**
Exposure decrease	(402,185)	(57,100)	(117)	-	**(459,402)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	39,935,585	1,334,096	12,960	-	**41,282,641**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2022	**64,128,387**	**3,790,948**	**157,593**	**-**	**68,076,928**

Financial guarantees and sureties issued	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2020	**8,036,298**	**40,001**	**1,408**	**-**	**8,077,707**
Increase due to acquisition	27,170,143	2,320,731	86,846	-	**29,577,720**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	(468,339)	473,629	(5,290)	-	**-**
Transfer to Stage 3	(66)	-	66	-	**-**
Repaid funds	(12,648,026)	(128,730)	(15,298)	-	**(12,792,054)**
Exposure increase	1,303,150	14,424	219	-	**1,317,793**
Exposure decrease	(628,501)	(357,923)	-	-	**(986,424)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	23,583,399	383,140	-	-	**23,966,539**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2021	**46,348,058**	**2,745,272**	**67,951**	**-**	**49,161,281**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the impairment allowances of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021:

Cash and balances held with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(107,276)**	**-**	**-**	**-**	**(107,276)**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Reduction of the correction of repaid funds	-	-	-	-	**-**
Increase of impairment allowance	(46,497)	-	-	-	**(46,497)**
Decrease of impairment allowance	53,760	-	-	-	**53,760**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	-	-	-	-	**-**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	243	-	-	-	**243**
Impairment allowance at December 31, 2022	**(99,770)**	**-**	**-**	**-**	**(99,770)**

Cash and balances held with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2020	**-**	**-**	**-**	**-**	**-**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Reduction of the correction of repaid funds	-	-	-	-	**-**
Increase of impairment allowance	(107,276)	-	-	-	**(107,276)**
Decrease of impairment allowance	-	-	-	-	**-**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	-	-	-	-	**-**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Impairment allowance at December 31, 2021	**(107,276)**	**-**	**-**	**-**	**(107,276)**

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the impairment allowances of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021 (continued):

Loans and receivables due from banks	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(74,200)**	**-**	**(362,695)**	**-**	**(436,895)**
Transfer to Stage 1	-	-	-	-	
Transfer to Stage 2	332	(332)	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Reduction of the correction of repaid funds	332,783	-	-	-	**332,783**
Increase of impairment allowance	(210,937)	(9,961)	(61,247)	-	**(282,145)**
Decrease of impairment allowance	215,030	13,972	28,749	-	**257,751**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(351,670)	-	-	-	**(351,670)**
Decrease due to write-off	-	-	32,892	-	**32,892**
Sales	-	-	-	-	**-**
Other adjustments	310	(3,742)	(21,594)	-	**(25,026)**
Impairment allowance at December 31, 2022	**(88,352)**	**(63)**	**(383,895)**	**-**	**(472,310)**

Loans and receivables due from banks	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2020	**(320)**	**-**	**(333,712)**	**-**	**(334,032)**
Increase due to acquisition	(11,236)	-	-	-	**(11,236)**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Reduction of the correction of repaid funds	22,782	-	-	-	**22,782**
Increase of impairment allowance	(50,053)	-	(275)	-	**(50,328)**
Decrease of impairment allowance	8,563	-	-	-	**8,563**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(43,936)	-	-	-	**(43,936)**
Decrease due to write-off	-	-	(36)	-	**(36)**
Sales	**-**	**-**	**-**	**-**	**-**
Other adjustments	-	-	(28,672)	-	**(28,672)**
Impairment allowance at December 31, 2021	**(74,200)**	**-**	**(362,695)**	**-**	**(436,895)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the impairment allowances of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021 (continued):

Loans at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(2,988,281)**	**(2,212,557)**	**(12,634,256)**	**(700,174)**	**(18,535,268)**
Transfer to Stage 1	(1,722,708)	1,613,079	109,629	-	
Transfer to Stage 2	520,718	(944,545)	510,297	(86,470)	**-**
Transfer to Stage 3	10,758	1,025,336	(1,122,564)	86,470	**-**
Reduction of the correction of repaid funds	1,128,455	372,696	483,582	79,728	**2,064,461**
Increase of impairment allowance	(2,231,909)	(5,793,368)	(6,020,788)	(134,209)	**(14,180,274)**
Decrease of impairment allowance	3,733,903	1,698,633	4,417,537	152,839	**10,002,912**
Effects of modifications that do not lead to derecognition	-	(5,063)	-	-	**(5,063)**
Increases in accruals and acquisitions	(1,975,873)	(124,385)	(39,691)	(337)	**(2,140,286)**
Decrease due to write-off	821	194	2,257,343	27,163	**2,285,521**
Sales	-	-	256,426	38,560	**294,986**
Other adjustments	(11,909)	(2,113)	(405)	3,363	**(11,064)**
Impairment allowance at December 31, 2022	**(3,536,025)**	**(4,372,093)**	**(11,782,890)**	**(533,067)**	**(20,224,075)**

Loans at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2020	**(1,388,742)**	**(1,350,698)**	**(3,063,281)**	**(946,043)**	**(6,748,764)**
Increase due to acquisition	(2,231,494)	(1,011,480)	(10,046,645)	(42,199)	**(13,331,818)**
Transfer to Stage 1	(2,023,037)	1,779,603	243,434	-	
Transfer to Stage 2	267,778	(1,062,477)	885,863	(91,164)	**-**
Transfer to Stage 3	21,769	1,135,572	(1,249,021)	91,680	**-**
Reduction of the correction of repaid funds	826,494	248,475	597,971	-	**1,672,940**
Increase of impairment allowance	(961,124)	(4,166,490)	(5,177,166)	(15,149)	**(10,319,929)**
Decrease of impairment allowance	4,393,798	2,379,329	3,381,338	185,970	**10,340,435**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(1,891,600)	(163,722)	(32,304)	-	**(2,087,626)**
Decrease due to write-off	-	-	1,816,526	22,477	**1,839,003**
Sales	-	-	50,844	77,399	**128,243**
Other adjustments	(2,123)	(669)	(41,815)	16,855	**(27,752)**
Impairment allowance at December 31, 2021	**(2,988,281)**	**(2,212,557)**	**(12,634,256)**	**(700,174)**	**(18,535,268)**

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the impairment allowances of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021 (continued):

Securities at FVtOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(225,467)**	**(46,121)**	**-**	**-**	**(271,588)**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Reduction of the correction of repaid funds	86,498	-	-	-	**86,498**
Increase of impairment allowance	-	-	-	-	**-**
Decrease of impairment allowance	-	-	-	-	**-**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(134,904)	-	-	-	**(134,904)**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Impairment allowance at December 31, 2022	**(273,873)**	**(46,121)**	**-**	**-**	**(319,994)**

Securities at FVtOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2020	**(60,540)**	**-**	**-**	**-**	**(60,540)**
Increase due to acquisition	(221,343)	(62,283)	-	-	**(283,626)**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Reduction of the correction of repaid funds	219,305	-	-	-	**219,305**
Increase of impairment allowance	-	-	-	-	**-**
Decrease of impairment allowance	-	16,162	-	-	**16,162**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(162,889)	-	-	-	**(162,889)**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Impairment allowance at December 31, 2021	**(225,467)**	**(46,121)**	**-**	**-**	**(271,588)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the impairment allowances of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021 (continued):

Commitments and contingent liabilities	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(745,622)**	**(83,519)**	**(26,943)**	**-**	**(856,084)**
Transfer to Stage 1	(23,294)	18,924	4,370	-	**-**
Transfer to Stage 2	46,399	(47,296)	897	-	**-**
Transfer to Stage 3	328	2,534	(2,862)	-	**-**
Reduction of the correction of repaid funds	371,679	91,313	6,018	-	**469,010**
Increase of impairment allowance	(702,758)	(605,336)	(24,439)	-	**(1,332,533)**
Decrease of impairment allowance	989,565	121,942	9,938	-	**1,121,445**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(570,372)	(196,428)	(145)	-	**(766,945)**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	1,112	67	100	-	**1,279**
Impairment allowance at December 31, 2022	**(632,963)**	**(697,799)**	**(33,066)**	**-**	**(1,363,828)**

Commitments and contingent liabilities	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2020	**(175,987)**	**(3,351)**	**(7,371)**	**-**	**(186,709)**
Increase due to acquisition	(323,544)	(17,540)	(4,996)	-	**(346,080)**
Transfer to Stage 1	(167,800)	160,742	7,058	-	**-**
Transfer to Stage 2	8,125	(10,108)	1,983	-	**-**
Transfer to Stage 3	300	2,967	(3,267)	-	**-**
Reduction of the correction of repaid funds	370,476	18,809	60,146	-	**449,431**
Increase of impairment allowance	(530,595)	(196,767)	(40,088)	-	**(767,450)**
Decrease of impairment allowance	899,098	145,077	12,871	-	**1,057,046**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(825,626)	(183,355)	(53,466)	-	**(1,062,447)**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	180	-	**180**
Other adjustments	(69)	7	7	-	**(55)**
Impairment allowance at December 31, 2021	**(745,622)**	**(83,519)**	**(26,943)**	**-**	**(856,084)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Transfers among Stages of the impairment allowances of financial assets measured at amortized cost (AC) and securities at fair value through other comprehensive income (FVtOCI) for the years ended December 31, 2022 and December 31, 2021 (continued):

Financial guarantees and sureties issued	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(284,650)**	**(57,608)**	**(43,515)**	**-**	**(385,773)**
Transfer to Stage 1	(24,556)	24,556	-	-	**-**
Transfer to Stage 2	13,220	(13,220)	-	-	**-**
Transfer to Stage 3	124	12,640	(12,764)	-	**-**
Reduction of the correction of repaid funds	138,574	36,081	3,379	-	**178,034**
Increase of impairment allowance	(238,992)	(160,769)	(43,707)	-	**(443,468)**
Decrease of impairment allowance	230,392	23,735	29,462	-	**283,589**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(253,561)	(53,796)	(2,844)	-	**(310,201)**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	(101)	(176)	7	-	**(270)**
Impairment allowance at December 31, 2022	**(419,550)**	**(188,557)**	**(69,982)**	**-**	**(678,089)**

Financial guarantees and sureties issued	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2020	**(46,876)**	**(2,643)**	**(1,227)**	**-**	**(50,746)**
Increase due to acquisition	(138,569)	(46,790)	(51,123)	-	**(236,482)**
Transfer to Stage 1	(7,079)	5,722	1,357	-	**-**
Transfer to Stage 2	3,647	(9,185)	5,538	-	**-**
Transfer to Stage 3	75	8,089	(8,164)	-	**-**
Reduction of the correction of repaid funds	102,422	5,068	10,145	-	**117,635**
Increase of impairment allowance	(140,057)	(86,041)	(14,780)	-	**(240,878)**
Decrease of impairment allowance	118,883	88,281	14,924	-	**222,088**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(176,639)	(19,907)	-	-	**(196,546)**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	(457)	(202)	(185)	-	**(844)**
Impairment allowance at December 31, 2021	**(284,650)**	**(57,608)**	**(43,515)**	**-**	**(385,773)**

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Restructured Assets

The Bank modifies the agreed repayment conditions by extending the repayment period or changing other repayment conditions with two goals:
- mitigating the level of credit risk - by restructuring receivables,
- client servicing, i.e. for business reasons - for clients whose credit risk level has not increased.

Debt restructuring is the approval, due to the debtor's financial difficulties, of concessions in connection with the repayment of an individual claim that would not have been approved if the debtor was not in such difficulties, regardless of whether a certain amount of that claim is due, whether that claim is devalued and that whether the status of non-payment of obligations has occurred for him.

When the agreed cash flows of a financial asset have been renegotiated and changed (through restructuring or for business reasons) and the new agreement or change does not result in the derecognition of that financial asset in accordance with IFRS 9, the Bank will recalculate the new gross book value and, on an individual case basis, assess whether will recognize a gain or loss from the modification in the income statement.

With its internal instructions, the Bank has established a framework for managing restructured receivables (forborne). Restructured receivables are continuously monitored to ensure the fulfillment of all criteria and future payments, as well as to assess the effectiveness of the applied restructuring measures.

The Bank identifies restructured (forborne) loans at the time of their modification and classifies them as non-performing forborne (Stage 3) or performing forborne (Stage 2).
In addition, the Bank has set up an appropriate framework for monitoring and reclassification of the forborne loans and receivables, including their cure, i.e., exit from the forborne status.

A comparative view of restructured placements in 2022 and 2021 is presented below.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Restructured Assets (continued)

31.12.2022									
Balance sheet items	Write-off of principal	Write-off of accrued interest	Moratorium	Restructuring of interest payments	Restructuring of principal payments	Restructuring of collateral structure	Modification of other conditions	Refinancing	Total
Receivables from retail	**-**	**-**	**132,881**	**2,430**	**394,652**	**-**	**319,334**	**-**	**849,297**
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	6,270	2,430	393,362	-	316,508	-	718,570
Transaction and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	126,611	-	1,290	-	2,826	-	130,727
Receivables from the corporate	**-**	**-**	**536,174**	**-**	**1,122,061**	**-**	**25,259**	**274**	**1,683,768**
Large companies	-	-	-	-	50,513	-	-	-	50,513
Small and medium-sized enterprises	-	-	379,484	-	1,071,548	-	25,259	-	1,476,291
Micro enterprises and entrepreneurs	-	-	156,690	-	-	-	-	274	156,964
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**-**	**-**	**669,055**	**2,430**	**1,516,713**	**-**	**344,593**	**274**	**2,533,065**

* If, in addition to the restructuring of the principal, an additional modification was made in relation to the initial contract (restructuring of interest, change of collateral, etc.), the classification was made on the basis of an additional condition

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Restructured Assets (continued)

31.12.2021									
Balance sheet items	Write-off of principal	Write-off of accrued interest	Moratorium	Restructuring of interest payments	Restructuring of principal payments	Restructuring of collateral structure	Modification of other conditions	Refinancing	Total
Receivables from retail	**-**	**-**	**-**	**-**	**-**	**-**	**146,509**	**-**	**146,509**
Housing loans	-	-	-	-	-	-	5,482	-	5,482
Consumer and cash loans	-	-	-	-	-	-	141,027	-	141,027
Transaction and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Receivables from the corporate	**-**	**-**	**-**	**279,292**	**3,350,751**	**4,818**	**-**	**28,100**	**3,662,961**
Large companies	-	-	-	279,292	43,872	-	-	27,824	350,988
Small and medium-sized enterprises	-	-	-	-	611,592	-	-	-	611,592
Micro enterprises and entrepreneurs	-	-	-	-	2,695,287	4,818	-	276	2,700,381
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**-**	**-**	**-**	**279,292**	**3,350,751**	**4,818**	**146,509**	**28,100**	**3,809,470**

* If, in addition to the restructuring of the principal, an additional modification was made in relation to the initial contract (restructuring of interest, change of collateral, etc.), the classification is done on the basis of an additional condition

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Restructured Assets (continued)

31.12.2022									
Off-Balance sheet items	Write-off of principal	Write-off of accrued interest	Moratorium	Restructuring of interest payments	Restructuring of principal payments	Restructuring of collateral structure	Modification of other conditions	Refinancing	Total
Receivables from retail	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transaction and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Receivables from the corporate	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Large companies	-	-	-	-	-	-	-	-	-
Small and medium-sized enterprises	-	-	-	-	-	-	-	-	-
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Restructured Assets (continued)

31.12.2021									
Off-Balance sheet items	Write-off of principal	Write-off of accrued interest	Moratorium	Restructuring of interest payments	Restructuring of principal payments	Restructuring of collateral structure	Modification of other conditions	Refinancing	Total
Receivables from retail	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transaction and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Receivables from the corporate	**-**	**-**	**-**	**-**	**1,447**	**-**	**-**	**-**	**1,447**
Large companies	-	-	-	-	-	-	-	-	-
Small and medium-sized enterprises	-	-	-	-	1,447	-	-	-	1,447
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**-**	**-**	**-**	**-**	**1,447**	**-**	**-**	**-**	**1,447**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Restructured Assets (continued)

31.12.2022								
Balance sheet receivables	Gross value as at December 31, 2021	Increase due to merger of entities	Restructured during the period	Discontinued to be considered restructured during the period.	Exchange rate impact	Other changes	Gross value as of December 31, 2022	Net value as of December 31, 2022
Receivables from retail	**1,181,280**	**-**	**849,297**	**502,425**	**-**	**(119,354)**	**2,413,648**	**933,042**
Housing loans	791,741	-	-	359,959	-	(69,324)	1,082,376	245,322
Consumer and cash loans	389,539	-	718,570	142,466	-	(49,741)	1,200,834	590,904
Transaction and credit cards	-	-	-	-	-	-	-	-
Other receivables	-	-	130,727	-	-	(289)	130,438	96,816
Receivables from the corporate	**4,493,578**	**-**	**1,683,768**	**106,549**	**-**	**(449,281)**	**5,834,614**	**3,893,928**
Large companies	484,759	-	50,513	60,771	-	(129,130)	466,913	127,898
Small and medium-sized enterprises	721,897	-	1,476,291	40,287	-	2,391,549	4,630,024	3,603,515
Micro enterprises and entrepreneurs	3,286,922	-	156,964	5,491	-	(2,711,700)	737,677	162,515
Financial institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**5,674,858**	**-**	**2,533,065**	**608,974**	**-**	**(568,635)**	**8,248,262**	**4,826,970**

31.12.2022								
Off-Balance sheet receivables	Gross value as at December 31, 2021	Increase due to merger of entities	Restructured during the period	Discontinued to be considered restructured during the period.	Exchange rate impact	Other changes	Gross value as of December 31, 2022	Net value as of December 31, 2022
Receivables from retail	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-
Transaction and credit cards	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
Receivables from the corporate	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Large companies	-	-	-	-	-	-	-	-
Small and medium-sized enterprises	-	-	-	-	-	-	-	-
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Restructured Assets (continued)

31.12.2021								
Balance sheet receivables	Gross value as at December 31, 2020	Increase due to merger of entities	Restructured during the period	Discontinued to be considered restructured during the period.	Exchange rate impact	Other changes	Gross value as of December 31, 2021	Net value as of December 31, 2021
Receivables from retail	**1,024,977**	**167,134**	**139,824**	**84,659**	**-**	**(65,996)**	**1,350,598**	**595,026**
Housing loans	758,408	113,194	5,482	44,232	-	(41,111)	880,205	383,962
Consumer and cash loans	266,569	53,940	134,342	40,427	-	(24,885)	470,393	211,064
Transaction and credit cards	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
Receivables from the corporate	**2,740,063**	**1,802,525**	**1,044,070**	**1,003,934**	**-**	**(89,146)**	**6,501,446**	**3,147,227**
Large companies	39,984	624,216	213,913	372,243	-	(21,111)	1,229,245	208,270
Small and medium-sized enterprises	91,779	573,727	610,145	545,123	-	(8,631)	1,812,143	431,878
Micro enterprises and entrepreneurs	2,608,300	604,582	220,012	86,568	-	(59,404)	3,460,058	2,507,079
Financial institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**3,765,040**	**1,969,659**	**1,183,894**	**1,088,593**	**-**	**(155,142)**	**7,852,044**	**3,742,253**

31.12.2021								
Off-Balance sheet receivables	Gross value as at December 31, 2020	Increase due to merger of entities	Restructured during the period	Discontinued to be considered restructured during the period.	Exchange rate impact	Other changes	Gross value as of December 31, 2021	Net value as of December 31, 2021
Receivables from retail	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-
Transaction and credit cards	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
Receivables from the corporate	**-**	**-**	**1,447**	**-**	**-**	**-**	**1,447**	**822**
Large companies	-	-	-	-	-	-	-	-
Small and medium-sized enterprises	-	-	1,447	-	-	-	1,447	822
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**-**	**-**	**1,447**	**-**	**-**	**-**	**1,447**	**822**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Credit Risk Exposure per Days past Due, Rating and Stage

The Bank continuously develops models for ranking clients/exposures by rating and expands their application by portfolio segments. In the tables for the 2022, credit risk exposure is shown according to the client's rating and the levels of the portfolio segments where the rating model is implemented. For receivables where the rating model has not been implemented, exposure to credit risk is shown by days overdue and per stages.
Total loans are presented separately per days past due, comparatively as of December 31, 2022 and December 31, 2021:

December 31, 2022	Stage 1	Stage 2	Stage 3		
Loans due from banks - *RSD 000*	12-month ECL, cumulative	Lifetime ECL, cumulative	Lifetime ECL, cumulative	POCI assets, cumulative	Total, cumulative
Not past due	11,300,948	1,221	-	-	**11,302,169**
Up to 30 days past due	1,124	-	-	-	**1,124**
From 31 to 60 days past due	-	-	-	-	**-**
From 61 to 90 days past due	-	-	-	-	**-**
Non-performing	-	-	-	-	**-**
Not past due	-	-	-	-	**-**
Up to 30 days past due	-	-	-	-	**-**
From 31 to 60 days past due	-	-	-	-	**-**
From 61 to 90 days past due	-	-	-	-	**-**
Over 90 days past due	-	-	383,895	-	**383,895**
Gross carrying value	**11,302,072**	**1,221**	**383,895**	**-**	**11,687,188**
Impairment allowance	88,352	63	383,895	-	**472,310**
Net carrying value	**11,213,720**	**1,158**	**-**	**-**	**11,214,878**

December 31, 2021	Stage 1	Stage 2	Stage 3		
Loans due from banks - *RSD 000*	12-month ECL, cumulative	Lifetime ECL, cumulative	Lifetime ECL, cumulative	POCI assets, cumulative	Total, cumulative
Not past due	8,834,767	-	-	-	**8,834,767**
Up to 30 days past due	996	-	-	-	**996**
From 31 to 60 days past due	-	-	-	-	**-**
From 61 to 90 days past due	-	-	-	-	**-**
Non-performing	-	-	-	-	**-**
Not past due	19	-	-	-	**19**
Up to 30 days past due	-	-	-	-	**-**
From 31 to 60 days past due	-	-	-	-	**-**
From 61 to 90 days past due	-	-	-	-	**-**
Over 90 days past due	-	-	362,694	-	**362,694**
Gross carrying value	**8,835,782**	**-**	**362,694**	**-**	**9,198,476**
Impairment allowance	74,201	-	362,694	-	**436,895**
Net carrying value	**8,761,581**	**-**	**-**	**-**	**8,761,581**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Credit Risk Exposure per Days past Due, Rating and Stage (continued)

December 31, 2022	Stage 1	Stage 2	Stage 3		
Retail loans, not subject to rating* - *RSD 000*	12-month ECL, cumulative	Lifetime ECL, cumulative	Lifetime ECL, cumulative	POCI assets, cumulative	Total, cumulative
Not past due	5,443,694	297,955	-	-	**5,741,649**
Up to 30 days past due	170,489	122,177	-	29	**292,695**
From 31 to 60 days past due	-	23,721	-	-	**23,721**
From 61 to 90 days past due	1	10,306	-	-	**10,307**
Non-performing	-	-	-	-	**-**
Not past due	-	-	67,390	1	**67,391**
Up to 30 days past due	-	-	16,046	10	**16,056**
From 31 to 60 days past due	-	-	7,653	39	**7,692**
From 61 to 90 days past due	-	-	1,498	-	**1,498**
Over 90 days past due	-	-	817,739	14,682	**832,421**
Gross carrying value	**5,614,184**	**454,159**	**910,326**	**14,761**	**6,993,430**
Impairment allowance	43,276	48,612	719,819	14,637	**826,344**
Net carrying value	**5,570,908**	**405,547**	**190,507**	**124**	**6,167,086**

December 31, 2021	Stage 1	Stage 2	Stage 3		
Retail loans, not subject to rating* - *RSD 000*	12-month ECL, cumulative	Lifetime ECL, cumulative	Lifetime ECL, cumulative	POCI assets, cumulative	Total, cumulative
Not past due	6,812,249	284,660	-	39	**7,096,948**
Up to 30 days past due	249,647	158,576	-	7	**408,230**
From 31 to 60 days past due	727	60,035	-	3	**60,765**
From 61 to 90 days past due	561	24,214	-	-	**24,775**
Non-performing	-	-	-	-	**-**
Not past due	3,966	-	62,643	13	**66,622**
Up to 30 days past due	2	-	16,260	-	**16,262**
From 31 to 60 days past due	237	-	13,385	2	**13,624**
From 61 to 90 days past due	173	-	4,825	1	**4,999**
Over 90 days past due	-	-	1,085,957	32,296	**1,118,253**
Gross carrying value	**7,067,562**	**527,485**	**1,183,070**	**32,361**	**8,810,478**
Impairment allowance	49,561	32,503	786,327	31,953	**900,344**
Net carrying value	**7,018,001**	**494,982**	**396,743**	**408**	**7,910,134**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Credit Risk Exposure per Days past Due, Rating and Stage (continued)

December 31, 2022	Stage 1	Stage 2	Stage 3		
Housing loans - *RSD 000*	12-month ECL, cumulative	Lifetime ECL, cumulative	Lifetime ECL, cumulative	POCI assets, cumulative	Total, cumulative
Rating 1	45,711,751	275,651	-	18,352	**46,005,754**
Rating 2	37,680,281	236,452	-	84,055	**38,000,788**
Rating 3	4,483,462	41,183	-	2,451	**4,527,096**
Rating 4	5,301,789	62,528	-	8,157	**5,372,474**
Rating 5	5,570,014	40,035	-	16,609	**5,626,658**
Rating 6	3,104,501	5,830,022	-	74,400	**9,008,923**
Rating 7	1,231,721	2,482,158	-	71,088	**3,784,967**
Rating 8	-	2,317,672	-	34,450	**2,352,122**
Rating 9	-	1,081,290	-	27,173	**1,108,463**
Default	-	-	1,299,561	170,471	**1,470,032**
Without rating	12,185,587	-	-	-	**12,185,587**
Gross carrying value	**115,269,106**	**12,366,991**	**1,299,561**	**507,206**	**129,442,864**
Impairment allowance	245,323	443,796	520,247	125,591	**1,334,957**
Net carrying value	**115,023,783**	**11,923,195**	**779,314**	**381,615**	**128,107,907**

December 31, 2021	Stage 1	Stage 2	Stage 3		
Housing loans - *RSD 000*	12-month ECL, cumulative	Lifetime ECL, cumulative	Lifetime ECL, cumulative	POCI assets, cumulative	Total, cumulative
Rating 1	70,302,757	849,197	-	52,581	**71,204,535**
Rating 2	10,144,262	108,711	-	21,389	**10,274,362**
Rating 3	3,330,570	52,192	-	30,734	**3,413,496**
Rating 4	2,355,009	18,375	-	28,648	**2,402,032**
Rating 5	905,132	35,583	-	9,027	**949,742**
Rating 6	2,170,961	3,765,727	-	17,514	**5,954,202**
Rating 7	302,169	408,731	-	2,384	**713,284**
Rating 8	-	1,764,275	-	29,202	**1,793,477**
Rating 9	-	2,715,907	-	54,459	**2,770,366**
Default	-	-	1,606,924	310,579	**1,917,503**
Without rating	14,130,514	14,108	-	-	**14,144,622**
Gross carrying value	**103,641,374**	**9,732,806**	**1,606,924**	**556,517**	**115,537,621**
Impairment allowance	309,444	725,587	723,898	239,661	**1,998,590**
Net carrying value	**103,331,930**	**9,007,219**	**883,026**	**316,856**	**113,539,031**

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Credit Risk Exposure per Days past Due, Rating and Stage (continued)

December 31, 2022	Stage 1	Stage 2	Stage 3		
Cash loans - RSD 000	12-month ECL, cumulative	Lifetime ECL, cumulative	Lifetime ECL, cumulative	POCI assets, cumulative	Total, cumulative
Rating 1	3,031,614	-	-	-	**3,031,614**
Rating 2	11,566,419	6,621	-	567	**11,573,607**
Rating 3	16,983,339	8,711	-	1,332	**16,993,382**
Rating 4	19,831,599	9,160	-	1,416	**19,842,175**
Rating 5	11,657,740	10,342	-	289	**11,668,371**
Rating 6	12,612,680	21,912	-	2,663	**12,637,255**
Rating 7	6,401,998	239,276	-	55	**6,641,329**
Rating 8	933,722	5,104,985	-	2,316	**6,041,023**
Rating 9	-	3,723,843	-	157	**3,724,000**
Default	-	-	9,661,947	71,267	**9,733,214**
Without rating	24,739,552	72,509	79,279	-	**24,891,340**
Gross carrying value	**107,758,663**	**9,197,359**	**9,741,226**	**80,062**	**126,777,310**
Impairment allowance	958,155	618,816	6,600,463	62,028	**8,239,462**
Net carrying value	**106,800,508**	**8,578,543**	**3,140,763**	**18,034**	**118,537,848**

December 31, 2021	Stage 1	Stage 2	Stage 3		
Cash loans - RSD 000	12-month ECL, cumulative	Lifetime ECL, cumulative	Lifetime ECL, cumulative	POCI assets, cumulative	Total, cumulative
Rating 1	3,015,123	117	-	-	**3,015,240**
Rating 2	10,575,564	3,627	-	219	**10,579,410**
Rating 3	16,020,926	4,920	-	2,270	**16,028,116**
Rating 4	19,130,194	11,565	-	483	**19,142,242**
Rating 5	11,398,877	16,163	-	2,681	**11,417,721**
Rating 6	11,427,903	15,085	-	4,658	**11,447,646**
Rating 7	5,572,395	267,343	-	199	**5,839,937**
Rating 8	1,637,282	4,603,255	-	5,024	**6,245,561**
Rating 9	-	3,877,051	-	792	**3,877,843**
Default	-	-	8,736,411	98,133	**8,834,544**
Without rating	27,405,089	45,420	-	-	**27,450,509**
Gross carrying value	**106,183,353**	**8,844,546**	**8,736,411**	**114,459**	**123,878,769**
Impairment allowance	817,176	690,671	5,478,753	75,947	**7,062,547**
Net carrying value	**105,366,177**	**8,153,875**	**3,257,658**	**38,512**	**116,816,222**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Credit Risk Exposure per Days past Due, Rating and Stage (continued)

December 31, 2022	Stage 1	Stage 2	Stage 3		
Corporate loans - *RSD 000*	12-month ECL, cumulative	Lifetime ECL, cumulative	Lifetime ECL, cumulative	POCI assets, cumulative	Total, cumulative
Rating 1	27,194,282	-	-	-	**27,194,282**
Rating 2	44,163,150	252,213	-	-	**44,415,363**
Rating 3	37,205,916	16,093,908	-	-	**53,299,824**
Rating 4	25,831,781	1,522,190	-	-	**27,353,971**
Rating 5	23,554,862	7,709,685	-	-	**31,264,547**
Rating 6	28,637,533	6,083,624	-	-	**34,721,157**
Rating 7	41,826,134	730,605	-	-	**42,556,739**
Rating 8	1,685,194	668,508	-	-	**2,353,702**
Rating 9	-	3,959,351	-	-	**3,959,351**
Default	-	-	5,158,223	428,915	**5,587,138**
Without rating	16,156,946	637,740	-	5	**16,794,691**
Gross carrying value	**246,255,798**	**37,657,824**	**5,158,223**	**428,920**	**289,500,765**
Impairment allowance	2,289,271	3,260,869	3,942,361	330,811	**9,823,312**
Net carrying value	**243,966,527**	**34,396,955**	**1,215,862**	**98,109**	**279,677,453**

December 31, 2021	Stage 1	Stage 2	Stage 3		
Corporate loans - *RSD 000*	12-month ECL, cumulative	Lifetime ECL, cumulative	Lifetime ECL, cumulative	POCI assets, cumulative	Total, cumulative
Rating 1	18,177,407	77,546	-	2	**18,254,955**
Rating 2	44,117,140	185,506	-	22	**44,302,668**
Rating 3	31,597,647	244,531	-	6	**31,842,184**
Rating 4	23,217,709	390,648	-	1	**23,608,358**
Rating 5	48,418,874	808,499	-	-	**49,227,373**
Rating 6	35,620,443	568,031	-	-	**36,188,474**
Rating 7	8,265,893	1,321,380	-	1	**9,587,274**
Rating 8	2,928,528	1,159,977	-	-	**4,088,505**
Rating 9	59	4,931,793	-	-	**4,931,852**
Default	-	-	7,279,225	481,272	**7,760,497**
Without rating	29,011,838	4,946,969	-	75	**33,958,882**
Gross carrying value	**241,355,538**	**14,634,880**	**7,279,225**	**481,379**	**263,751,022**
Impairment allowance	1,812,100	763,796	5,645,278	352,613	**8,573,787**
Net carrying value	**239,543,438**	**13,871,084**	**1,633,947**	**128,766**	**255,177,235**

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Credit Risk Exposure per Days past Due, Rating and Stage (continued)

Total loans	Gross carrying value at 31.12.2022	Impairment allowance at 31.12.2022	Gross carrying value at 31.12.2021	Impairment allowance at 31.12.2021
Not past due	535,840,302	(8,866,037)	492,363,848	(6,284,361)
Up to 30 days past due	13,164,860	(517,287)	11,424,698	(518,690)
From 31 to 60 days past due	889,084	(173,211)	971,392	(169,421)
From 61 to 90 days past due	614,280	(162,500)	992,067	(530,277)
From 91 to 180 days past due	1,039,812	(439,806)	1,362,433	(647,211)
Over 180 days past due	12,853,219	(10,537,544)	14,061,927	(10,822,202)
Total	**564,401,557**	**(20,696,385)**	**521,176,365**	**(18,972,162)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Credit risk exposure per industry and geographic concentration as of December 31, 2022:

December 31, 2022	Vojvodina		Belgrade		Šumadija and Western Serbia		Southern and Eastern Serbia		Kosovo and Metohija		Foreign countries	
RSD 000	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing
Gross book value												
Cash and balances held with the central bank	**10,848,987**	**-**	**113,283,766**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Pledged financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**445,087**	**-**
Financial assets measured at FVtOCI	**-**	**-**	**41,437,631**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retail segment loans	**79,637,918**	**4,039,874**	**90,012,318**	**3,418,263**	**47,180,227**	**2,817,178**	**33,793,896**	**1,913,351**	**290,544**	**26,519**	**82,294**	**1,222**
Housing loans	37,653,509	500,904	59,735,095	530,664	19,044,609	328,992	11,381,881	109,472	76,312	-	81,426	-
Consumer and cash loans	39,489,516	3,164,027	28,304,761	2,685,392	27,251,465	2,249,184	21,711,120	1,689,207	206,196	24,659	-	-
Transaction account loans and credit cards	331,031	36,658	509,904	49,762	212,242	25,629	176,249	25,275	795	334	353	1,164
Other receivables	2,163,862	338,285	1,462,558	152,445	671,911	213,373	524,646	89,397	7,241	1,526	515	58
Corporate segment loans	**116,829,750**	**1,304,270**	**122,033,392**	**2,287,549**	**33,088,478**	**1,279,044**	**11,151,459**	**716,280**	**-**	**-**	**810,543**	**-**
Industry sector A	18,693,465	254,734	451,409	787	1,598,089	6,647	90,058	235,615	-	-	-	-
Industry sectors B, C and E	37,352,505	647,220	15,971,387	1,110,953	18,361,761	1,034,392	3,216,216	89,519	-	-	145,165	-
Industry sector D	33,816,812	-	7,988,860	-	161,532	-	-	-	-	-	-	-
Industry sector F	5,867,826	19,134	11,152,801	133,700	1,196,964	27,536	2,317,380	254,508	-	-	-	-
Industry sector G	12,607,610	287,699	32,356,066	565,584	8,462,067	147,043	4,316,671	84,145	-	-	-	-
Industry sectors H, I and J	2,762,738	80,298	27,801,628	86,870	1,265,045	46,060	619,290	37,611	-	-	-	-
Industry sectors L, M, N, P, Q, R and S	5,728,794	15,185	26,311,241	389,655	2,043,020	17,366	591,844	14,882	-	-	665,378	-
Loans and receivables due from banks and other financial institutions	**1,556**	**1,669**	**1,671,833**	**-**	**2,107**	**-**	**377**	**-**	**-**	**-**	**9,627,420**	**382,226**
Total on-balance sheet exposure	**207,318,211**	**5,345,813**	**368,438,940**	**5,705,812**	**80,270,812**	**4,096,222**	**44,945,732**	**2,629,631**	**290,544**	**26,519**	**10,965,344**	**383,448**
Credit commitments	17,872,980	-	37,890,867	144,859	5,558,079	12,733	4,629,849	-	-	-	1,967,561	-
Guarantees and sureties issued	24,234,451	27,096	56,874,779	38,382	13,687,072	13,865	6,327,220	18,018	3,033	117	4,496	598
Total off-balance sheet exposure	**42,107,431**	**27,096**	**94,765,646**	**183,241**	**19,245,151**	**26,598**	**10,957,069**	**18,018**	**3,033**	**117**	**1,972,057**	**598**
Total financial liabilities	**249,425,642**	**5,372,909**	**463,204,586**	**5,889,053**	**99,515,963**	**4,122,820**	**55,902,801**	**2,647,649**	**293,577**	**26,636**	**12,937,401**	**384,046**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Credit risk exposure per industry and geographic concentration as of December 31, 2021:

December 31, 2021	Vojvodina		Belgrade		Šumadija and Western Serbia		Southern and Eastern Serbia		Kosovo and Metohija		Foreign countries	
RSD 000	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing
Gross book value												
Cash and balances held with the central bank	**8,028,955**	**-**	**68,217,008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Pledged financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**463,080**	**-**
Financial assets measured at FVtOCI	**-**	**-**	**44,947,352**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retail segment loans	**74,080,473**	**3,923,008**	**83,666,267**	**3,502,505**	**45,912,144**	**2,687,384**	**32,234,553**	**1,820,816**	**274,712**	**26,498**	**86,910**	**11,598**
Housing loans	32,379,024	632,292	53,185,188	709,105	17,698,642	424,690	10,203,507	141,392	69,881	1,981	83,875	8,044
Consumer and cash loans	38,775,553	2,880,585	28,153,519	2,525,792	27,160,170	1,982,678	21,191,059	1,528,697	192,302	22,031	56	177
Transaction account loans and credit cards	819,445	169,050	866,979	153,129	581,020	116,403	470,288	97,185	3,430	1,429	1,394	1,920
Other receivables	2,106,451	241,081	1,460,581	114,479	472,312	163,613	369,699	53,542	9,099	1,057	1,585	1,457
Corporate segment loans	**101,617,883**	**1,674,193**	**108,357,795**	**3,595,620**	**34,591,745**	**1,695,143**	**9,800,090**	**803,568**	**31**	**202**	**1,614,752**	**-**
Industry sector A	12,823,152	374,317	1,132,409	320	1,378,183	19,323	93,691	245,153	-	-	-	-
Industry sectors B, C and E	35,540,320	562,850	15,396,031	1,216,381	18,374,159	1,025,593	2,659,574	118,171	-	8	187,735	-
Industry sector D	27,331,166	-	6,029,195	185	85,757	165	100,193	22	-	-	7	-
Industry sector F	5,512,374	27,612	10,145,290	140,097	1,199,113	373,546	1,642,005	275,370	1	-	-	-
Industry sector G	11,642,096	596,854	26,835,474	1,731,922	9,739,726	192,741	3,989,008	120,418	22	188	2	-
Industry sectors H, I and J	3,180,192	65,867	22,713,016	338,976	1,439,042	49,433	739,531	26,169	2	5	1,414,227	-
Industry sectors L, M, N, P, Q, R and S	5,588,583	46,693	26,106,380	167,739	2,375,765	34,342	576,088	18,265	6	1	12,781	-
Loans and receivables due from banks and other financial institutions	**5,129**	**1,709**	**2,751,578**	**356**	**1,124**	**14**	**116**	**10**	**-**	**-**	**6,077,815**	**360,624**
Total on-balance sheet exposure	**183,732,440**	**5,598,910**	**307,940,000**	**7,098,481**	**80,505,013**	**4,382,541**	**42,034,759**	**2,624,394**	**274,743**	**26,700**	**8,242,557**	**372,222**
Credit commitments	12,717,421	2,000	25,006,501	65,885	4,582,585	-	4,365,664	66	-	-	2,421,159	-
Guarantees and sureties issued	23,295,946	32,592	74,896,712	41,518	14,973,878	16,464	5,520,670	18,240	3,674	94	1,771,389	517
Total off-balance sheet exposure	**36,013,367**	**34,592**	**99,903,213**	**107,403**	**19,556,463**	**16,464**	**9,886,334**	**18,306**	**3,674**	**94**	**4,192,548**	**517**
Total financial liabilities	**219,745,807**	**5,633,502**	**407,843,213**	**7,205,884**	**100,061,476**	**4,399,005**	**51,921,093**	**2,642,700**	**278,417**	**26,794**	**12,435,105**	**372,739**

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Industry sector A	Agriculture, forestry and fisheries
Industry sectors B, C and E	Mining and quarrying, manufacturing and processing industry, water supply, waste water management, waste disposal control and similar activities
Industry sector D	Electricity, gas, steam and air conditioning supply
Industry sector F	Construction industry
Industry sector G	Wholesale and retail trade and repair of motor vehicles and motorcycles
Industry sectors H, I and J	Transport and storage, hotel and restaurant services, information and communications
Industry sectors L, M, N, P, Q, R and S	Real estate, professional, scientific and technical activities, arts, entertainment and leisure

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Collaterals

A security instrument (collateral) is defined as property or assets offered to securitize repayment of a loan or settlement of another liability. The primary source of collection of receivables for the Bank is the borrower's operating cash flow, while the collateral represents a secondary source of loan recovery.

The Bank's Rulebook in Collaterals defines the volume of acceptable collaterals per all loans and receivables and term for their acceptance depending on their value, as well as other security instruments the real value of which cannot be determined yet the Bank obtains those in order to mitigate the assumed credit risk.

The following are acceptable collateral types:

- Monetary deposits and securities – pledge liens instituted over cash deposits and securities;
- Mortgages instituted on residential (apartments and houses) and non-residential (commercial property, business premises, land and other non-residential property) real estate;
- Pledge liens instituted over movable assets (inventories, goods, vehicles, equipment, machinery, agro produce, gold, precious metals and precious stones, works of art) and over receivables; and
- Guarantees and sureties – bank guarantees (issued by domestic and foreign banks) acceptable to the Bank and co-sureties (guarantor).

LTV ratio represents the amount of a loan or a receivable relative to the appraised market value of the real estate received as collateral securing the loan.

The Bank's mortgage loans broken down per LTV ratio value for the retail and corporate loan portfolios as of December 31, 2022 and December 31, 2021 are presented in the tables below.

Due to the characteristics and the risk level of the portfolio, the retail segment loans allocated to Stage 3, i.e., Stage 3 receivables secured with mortgages due form retail customers, are presented separately as of December 31, 2022 and December 31, 2021. All the figures are stated in RSD '000.

RSD 000	31.12.2022		31.12.2021	
LTV ratio - Retail loans	Receivables secured with mortgages assigned over property	Impairment allowance of the receivables secured with mortgages assigned over property	Receivables secured with mortgages assigned over property	Impairment allowance of the receivables secured with mortgages assigned over property
Below 50%	36,636,296	492,311	23,949,802	556,411
From 50% to 70%	41,391,802	359,308	38,677,272	605,760
From 70% to 90%	47,596,992	417,559	47,083,543	542,036
From 90% to 100%	2,058,158	70,202	3,138,659	97,015
From 100% to 120%	1,285,869	51,730	1,881,305	74,279
From120% to 150%	566,333	41,987	948,382	75,679
Over 150%	368,413	51,495	605,498	134,722
Total	**129,903,863**	**1,484,592**	**116,284,461**	**2,085,902**
Average LTV	61.67%		65.10%	

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Collaterals (continued)

RSD 000	31.12.2022		31.12.2021	
LTV ratio - Retail loans, Stage 3 loans	Receivables secured with mortgages assigned over property	Impairment allowance of the receivables secured with mortgages assigned over property	Receivables secured with mortgages assigned over property	Impairment allowance of the receivables secured with mortgages assigned over property
Below 50%	854,761	323,755	766,479	337,837
From 50% to 70%	361,982	161,884	588,425	263,998
From 70% to 90%	270,521	149,058	427,053	213,772
From 90% to 100%	72,144	52,237	94,012	62,095
From 100% to 120%	55,920	39,142	79,272	53,119
From120% to 150%	17,090	16,697	11,950	10,817
Over 150%	32,326	30,047	98,899	83,927
Total	**1,664,744**	**772,820**	**2,066,090**	**1,025,565**
Average LTV	56.52%		66.40%	

RSD 000	31.12.2022		31.12.2021	
LTV ratio – Corporate loans	Receivables secured with mortgages assigned over property	Impairment allowance of the receivables secured with mortgages assigned over property	Receivables secured with mortgages assigned over property	Impairment allowance of the receivables secured with mortgages assigned over property
Below 50%	24,354,313	852,087	23,191,080	635,035
From 50% to 70%	16,478,195	892,839	16,790,918	420,653
From 70% to 90%	13,501,736	164,411	9,830,658	269,527
From 90% to 100%	14,970,619	172,898	5,562,419	133,353
From 100% to 120%	4,778,137	150,862	11,442,997	130,460
From120% to 150%	8,187,679	271,050	10,502,286	1,030,567
Over 150%	22,760,107	2,105,369	20,421,782	1,756,068
Total	**105,030,786**	**4,609,516**	**97,742,140**	**4,375,663**
Average LTV	120.64%		140.00%	

In accordance with the effective regulations and the Bank's internal bylaws, the Bank is required to obtain timely appraisals of the collaterals securing the loans.

Collaterals held by the Bank as of December 31, 2022 and December 31, 2021 per type, number and appraised value are presented in the table below:

	December 31, 2022		December 31, 2021	
Collateral type - in *RSD 000*	Number of collaterals held by the Bank	Appraised collateral value	Number of collaterals held by the Bank	Appraised collateral value
Mortgage liens	37,917	450,709,033	34,848	370,116,354
Deposits	477	4,994,278	509	4,657,999
Pledge liens	1,320	107,024,265	1,223	78,219,938
Guarantees	9,073	65,125,753	7,179	50,781,101

43. RISK MANAGEMENT (continued)

43.4. Credit Risk (continued)

Collaterals (continued)

The aggregate fair value of the sold collaterals is presented in the table below:

RSD 000	December 31, 2022	December 31, 2021
Fair value	3,160,249	527,587

Write-Off of Receivables

The Bank will reduce the gross carrying value of a financial asset when it no longer realistically expects either partial or full recovery of the financial asset. Write-off is an event of derecognition of a financial asset.

Additionally, the Bank makes the accounting write-off and transfers to the off-balance sheet items financial assets with low likelihood of recoverability.

In 2022, the Bank realized a total write-off of balance sheet receivables in the amount of RSD 2,452,555 thousand (RSD 2,563,626 thousand in 2021), out of which RSD 228,208 thousand was directly written off (RSD 266,567 thousand in 2021), while transfer to off-balance sheet records amounted to RSD 2,224,348 thousand (in 2021 RSD 2,297,059 thousand).

43.5 Operational Risk

Operational risk is the risk from potential adverse effects on the Bank’s financial result and capital due to (intentional or accidental) omissions or errors in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems in the Bank, as well as due to unforeseen external events. Operational risk, by definition, does not include strategic and reputational risk, with a note that reputational risk is closely related to operational risk and may appear due to the realization of operational risk. Special areas of operational risk include: information system risk, conduct risk, model risk.

The process of operational risk management in the Bank consists of the following components:

a) collection of information on the operational risk events,
b) operational risk identification and assessment (RCSA – Risk Control&Self Assessment),
c) scenario analysis, and
d) key risk indicators
e) measures to obtain operational risks

The main objective of operational risk management in the Bank is to ensure that the level of operational risk exposure complies with the Bank's risk management strategy and policies.

Collection of information on the operational risk events
The Bank has a system in place for reporting from each of its organizational units, where reporting officers collect data on operational risk events occurred. Such events are reported through the internally developed operational risk database. There are limits set up for entry of the events into the operational risk database as well as for additional measures to address and overcome operational risks the Bank is exposed to. The Bank performs quarterly analyses of the operational risk events reported, in order to improve and intensify the control system for elimination/reduction of losses arising from the operational risk events and in the same dynamic, reports to all relevant stakeholders about the Bank's exposure to operational risks.

Operational risk identification and assessment

The main goal of the self-assessment of operational risks is the identification of all potential operational risks in all processes that take place in the Bank, their evaluation from the aspect of the potential amount of loss and the probability of occurrence. During the self-assessment, the identification and evaluation of existing controls is performed for each identified operational risk individually. The results of the self-assessment should be defined measures to reduce the operational risks that have been identified.
All organizational parts in the Bank participate in the self-assessment of operational risks, as well as all members of the Banking Group in which the Bank is the parent company.

43. RISK MANAGEMENT (continued)

43.5 Operational Risk (continued)

Scenario Analysis

Scenario analysis is performed once a year. The main purpose of the scenario analysis is to determine the Bank’s operational risk exposure based on the predefined scenarios, i.e., to determine the probability and potential financial effects of the occurrence of the said predefined scenarios. Scenario analysis is intended to encompass operational risks that are less likely to occur but produce greater potential negative financial effects. The analysis is also performed for definition of additional measures for addressing and overcoming operational risks.

Key Risk Indicators

The Bank applies Key Risk Indicators (KRI) to monitor operational risk exposure. Key risk indicators are measures through which exposures to individual identified risks are monitored over time, in order to identify changes in exposure. By defining key risk indicators, the Bank achieves a proactive approach to operational risk management.

The Bank has developed a system of the key risk indicators used for monitoring of the Bank’s exposure to individual operational risks, with defined limits for such risks. The set up limits represent the tolerance thresholds for acceptance of operational risks. In case the set limits are exceeded, additional measures for addressing and overcoming of operational risks are defined.

The Bank has developed an internal framework for monitoring operational risk through key risk indicators, while simultaneously monitoring key risk indicators predefined by the Parent Bank. All established key risk indicators are adequately mapped and distributed to operational risk categories as defined by the Basel Agreement.

Business Continuity Plan (BCP)

In order to ensure the continuity of operation, the Bank's Board of Directors has adopted the Rulebook on Business Continuity with appendices (Impact Scale, Emergency Scale, List of Critical Processes, Members of the Crisis Management Committee and Process Owners and BCP Coordinators) and 25 separate Business Continuity Plans (BCPs) for the Bank’s critical organizational units. Moreover, the Bank’s Board of Directors has adopted the Instruction for Crisis Management and Communication during Crisis.

The Bank manages continuity of business operations based on the business impact analysis (BIA) and risk assessment.

Its purpose is to minimize operational, financial, legal, reputational and other material consequences brought about by interruption of operations as well as to ensure functioning of the critical business functions and/or their restoration to use within predefined timelines. BCP allows for normal course of operations to be established in a reasonable time frame (recovery time objective - RTO), in the instances of significant unanticipated partial or full stoppage in business operations.

The Bank tests its BCP on a regular basis, at least annually.
Also, at the beginning of the year, the Bank defines all planned BCP testing activities through the BCP calendar, which is coordinated with the respectable directorates of the IT Sector.

Externalization (Outsourcing) Risk

The Bank manages externalization risk via assessments and established control mechanisms before executing contracts with third parties or suppliers of services and undertakes the necessary protective measures against the adverse effects of externalization risk on its operation and reputation.
The bank has a clearly established procedural and operational framework for the functioning of the mentioned process, which is also regulatory defined, with the existence of a set of control points in the process itself.

New Product Introduction Risk

The Bank actively manages new product introduction inasmuch as its overall risk management system includes and actively manages all risks arising from the new product introduction.

43. RISK MANAGEMENT (continued)

43.5 Operational Risk (continued)

Information System Risk

The Bank has developed a process of information system risk management which includes risk identification measurement, assessment, mitigation, monitoring and control. The Bank manages the information system risk in such a manner that it allows for unhindered managing safety of this system, its functionality and continuity of the Bank's operations.

Legal risk

Risk of negative effects on the financial result and capital of the Bank based on court or out-of-court proceedings related to the Bank's operations (obligations, labor relations, etc.).

Capital requirement for operational risk

For the purpose of calculating the regulatory capital requirement for operational risk, the Bank uses the approach of the basic indicator in accordance with the Decision on the capital adequacy of the Bank and at the group level, an advanced approach based on an internal model for measuring operational risk is applied.

Management structure

In order for operational risk management to be effective, it is necessary to have an appropriate management structure, led by a specialized Operational Risk Management Committee (ORC), as well as an appropriate organizational structure, the backbone of which is the Operational Risk Management Department, which proposes policies, plans and procedures for operational risk management, as well as the necessary management tools (data collection, KRI, RCSA, scenario analysis, etc.), and in cooperation with the process owners and all business lines of the Bank, continuously works to improve the operational risk management framework, works to find effective solutions for reducing risks through the creation and monitoring of the implementation of action plans.

43.6 Country Risk

Country risk relates to the country of origin of the Bank’s counterparty, i.e., it represents a possibility of negative effects on the Bank’s financial result and capital due to its inability to collect receivables from abroad caused by political, economic and social conditions in the borrower’s country of origin.
The Bank manages the country risk by analyzing the borrowers’ countries of origin, monitoring the credit ratings of these countries, setting up country risk exposure limits for certain countries and monitoring its exposures to certain countries and compliance with the limits set. Taking risks against banks outside the territory of the Republic of Serbia, the country risk assessment is also taken into account when approving the limit.

43.7 Counterparty Risk

Counterparty risk is the possibility of negative effects on the Bank's financial result and capital due to non-settlement of the obligation of the other contractual party in the transaction before the final settlement of the cash flows of the transaction, i.e. the settlement of monetary obligations for that transaction.
The Bank has defined the risk management process for counterparty risk through the appropriate policy, as well as other internal acts. In order to manage the counterparty risk, the Bank conducts regular analysis and monitoring of the rating of other contracting parties, establishes limits for other contracting parties by types of transactions and maturity of those transactions. Exposure to other contracting parties and limit utilization are monitored on a daily basis.

43.8 Investment Risk

The Bank's investment risks are risks associated with the Bank’s equity investments in other legal entities and its own capital expenditures, which are made and monitored in accordance with the regulations of the National Bank of Serbia. The Bank has an appropriate policy and the relating bylaws in place to govern the investment risk management process, while The risk is mitigated by adequate internal limit system. During 2022, and as at December 31, 2022, the Bank continuously took into account investment risks and investment risks were within the legally prescribed indicators.

43.9 Concentration Risk

In accordance with the Bank's adopted procedures, the Risk Management Division monitors the limits and concentrations of the Bank’s exposures to certain single legal entities or groups of related entities and entities related to the Bank, and ensures that such exposures are maintained within the limits defined by NBS. The Bank’s exposure to a single entity or a group of related entities may not exceed 25% of the Bank’s capital. The sum of the large Bank’s exposures cannot exceed 400% of its capital. The Bank did not exceed the legal limits as of December 31, 2022. As of Decembar 31, 2022, the Bank did not exceed any of the prescribed limits.

43. RISK MANAGEMENT (continued)

43.10 ESG risk

In accordance with the regulatory environment, which includes the expectations of domestic and international supervisory bodies, and since the Bank is a member of OTP Banking Group, the Bank has developed a framework for identifying and managing the so-called ESG risks in the economic lending process (E-environmental, S-social, G-governance), as an instrument for the transition to a sustainable economy. The Environmental risk assessment also includes an assessment of the impact of climate change on the client's business. In this regard, the process of lending to legal entities has been improved by introducing the following elements:

- ESG Exclusion List – a list of activities and behaviors whose controversial nature and influence make them incompatible with the values of OTP Group, i.e. whose financing is avoided;
- ESG Heat Map by Sectors – contains the classification of economic activities with appropriate, predetermined categories of ESG risk
- ESG risk assessment (individual assessment of ESG risk levels in case of clients with materially significant amounts of exposure).

44. CAPITAL MANAGEMENT

The capital management framework is intended for provision of sufficient capital to support the Bank in basic risk management and achievement of regulatory objectives and management's objectives regarding the credit rating. Capital management refers to the definition of the optimum capital the Bank needs to maintain taking into account the existing quality of assets and future crediting strategies.

The Bank's Capital Management Plan defines and ensures the following:

- Effective capital planning taking into account the prescribed capital adequacy, risk profile and the Bank; business objectives;
- Manner of achieving and maintaining adequate regulatory and internally available capital and capital adequacy ratios in order to secure feasible operations of the Bank in the event of unexpected losses and avoid exceeding regulatory limits.

As the Bank's regulator, the National Bank of Serbia defines and supervises compliance with the regulations on the Bank's regulatory capital and capital adequacy. The Bank reports on the capital adequacy to the National Bank of Serbia on a quarterly basis. The Bank monitors the capital adequacy ratios on a monthly basis.

In accordance with Basel III Standards, the Bank is required to calculate the following ratios:

- the common equity Tier 1 capital ratio, which represents the Bank's common equity capital relative to its total risk-weighted assets, expressed as a percentage;
- the core Tier 1 capital adequacy ratio, which represents the Bank's core (Tier 1) capital relative to its total risk-weighted assets, expressed as a percentage; and
- the total capital adequacy ratio, which represents the Bank's total capital relative to its total risk-weighted assets, expressed as a percentage.

The Bank is required to maintain its capital adequacy ratios listed above at the following minimum prescribed levels:

- 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%.

The Bank is also required to calculate and maintain the capital buffers in accordance with the regulations of NBS.

Capital buffers represent additional common equity share capital the Bank is obligated to maintain above the prescribed regulatory minimum, i.e., the capital that cannot be used for maintenance of the minimum prescribed capital adequacy ratios.

The following capital buffers are to be calculated and maintained in accordance with NBS regulations:

- capital conservation buffer,
- countercyclical capital buffer,
- capital buffer for a systemically important bank, and
- systemic risk buffer.

The Bank has been designated as a systemically important bank by the national Bank of Serbia.

The Bank is required to maintain the minimum amount of capital in RSD equivalent to EUR 10 million at the official middle exchange rate. The Bank is required to maintain at all times its capital at a level required for covering all the risks to which it is exposed or may be exposed in its operations.

The Bank's regulatory capital is the sum of the core (Tier 1) capital and supplementary (Tier 2) capital, where the core (Tier 1) capital is comprised of the common equity Tier 1 capital (CET 1) and additional Tier 1 capital.

44. CAPITAL MANAGEMENT (continued)

Elements of the Bank's regulatory capital and its capital adequacy ratio are provided in the table below:

	31.12.2022	31.12.2021
RSD 000	Basel III	Basel III
Core capital		
Face value of shares paid in except for preferred cumulative shares	56,830,752	56,830,752
Share premium	2,564,892	2,564,892
Prior years' accumulated losses	-	(1,451,822)
Intangible assets	(1,254,606)	(1,214,245)
Revaluation reserves and other unrealized gains	78,661	787,665
Unrealized losses on securities at FVtOCI	(300,339)	(142,387)
Other reserves	30,701,394	26,396,554
Regulatory adjustment of the common equity Tier 1 capital	(42,319)	(54,279)
Gross receivables from a private individual debtor per approved consumer loans, cash loans and other loans where the credit indebtedness of the debtor prior to loan approval exceeded the percentage set in line with the Decision on Classification or will exceed it due to loan approval	(46,756)	(72,886)
Gross receivables from a private individual debtor (except for farmers and sole traders–entrepreneurs) per approved consumer loans, cash loans and other loans, which per contractual maturity criterion qualify for common equity capital deductibles	(278,961)	(194,783)
Common equity Tier 1 capital	**88,252,718**	**83,449,461**
Additional Tier 1 capital		
Core capital – Tier 1	**88,252,718**	**83,449,461**
Qualifying subordinated liabilities	14,652,450	13,284,460
Supplementary Tier 2 capital	**14,652,450**	**13,284,460**
Total regulatory capital	**102,905,168**	**96,733,921**
Risk-weighted assets		
Risk-weighted credit risk exposures	431,414,167	423,168,498
Risk-weighted foreign exchange risk exposures	2,156,678	-
Risk-weighted market (price) risk exposures	453,372	738,442
Credit exposure adjustment risk	329,581	225,756
Risk-weighted operational risk exposures	52,922,704	50,006,363
Common Equity Tier 1 capital ratio (CET1 ratio)	**18.11%**	**17.60%**
Tier 1 capital ratio (T1 ratio)	**18.11%**	**17.60%**
Total capital adequacy ratio	**21.12%**	**20.40%**
Total capital buffer requirements (%)	**6.67%**	**6.50%**

44. CAPITAL MANAGEMENT (continued)

As of December 31, 2021, the Bank achieved the following adequacy indicators in compliance with the regulations of the National Bank of Serbia, as provided in the table below:

	Prescribed	31.12.2022	31.12.2021
Amount of the Bank's capital	EUR 10 million	877 mil EUR	823 mil EUR
Total capital adequacy ratio	Minimum 8 %	21.12%	20.40%
Core capital Tier 1 ratio	Minimum 6%	18.11%	17.60%
Common equity Tier 1 capital ratio	Minimum 4.5%	18.11%	17.60%
Concentration risk ratio	Maximum 50%	5.27%	9.17%
The sum of the Bank's investments	Maximum 60%	11.56%	12.89%
Investments in non-FSI entities	Maximum 10%	0.01%	0.01%
Exposure to a single entity/a group of related entities	Maximum 25%	19.10%	16.71%
Sum of all large Bank's exposures	Maximum 400%	75.14%	59.04%
Liquidity ratios			
a) quick liquidity ratio	Minimum 0.5	1.87	1.62
b) liquidity ratio	Minimum 0.8	2.05	1.79
Liquidity coverage ratio	Minimum 100%	143.82%	133.64%
Foreign exchange risk ratio	Maximum 20%	2.10%	0.24%

The Bank monitors and controls the above listed adequacy indicators prescribed by NBS on an ongoing basis. In 2022, as well as in 2021, the Bank was in full compliance with the prescribed values of adequacy/performance indicators.

45. FAIR VALUES OF THE FINANCIAL INSTRUMENTS

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.

Fair value is calculated based on the market information available as of the reporting date using valuation models.

Methods, Assumptions and Valuation Techniques Used in Determining Fair Value

The calculation of fair value is based primarily on external data sources (dealer quotations for government bonds and available stock exchange prices).

Bonds for which quotations are not available in adequate numbers or quotations are not up to date are valued by discounting future cash flows using a predefined curve for the relevant currency.

OTC derivatives are valued by discounting future cash flows using defined yield curves for a specific product and a specific currency. Yield curves for derivatives (FXS-curves) are stored daily in the position storage system of the OTP Banking Group (condor + system). Using the model, bonds are also valued if there is no adequate number of quotations or quotations are not up to date.

To assess the fair value of the Bank's financial instruments, market and income approaches were used, i.e. information on similar financial instruments from the market, such as the applicable interest rate, maturity and sector affiliation, was used.

45. FAIR VALUES OF THE FINANCIAL INSTRUMENTS (continued)

Methods, Assumptions and Valuation Techniques Used in Determining Fair Value (continued)

The Bank uses the following hierarchy upon determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for identical assets or liabilities (unadjusted); The fair value determined on the basis of quotations can be Level 1 if the frequency and volume of trading are satisfactory and there is consistency of prices. Derivatives that are traded in an organized manner, on the stock exchange, as well as shares and bonds for which there is an active market, are classified as Level 1.

Level 2: inputs observable for a given asset or liability either directly or indirectly that make use of information on the similar financial instruments present in active markets, quoted prices for identical or similar assets that are inactive or other market information from which the value of financial instrument can be derived (e.g. interest rates and yield curves observable in the usual quoted intervals); Instruments for which market quotes exist but whose market cannot be considered active due to limited liquidity are classified as Level 2. If market quotes are not available but fair value is determined using a valuation model (discounting future cash flows), all parameters models (yield curves, spreads) are available on the market, Level 2 is also assigned. OTC derivatives and less liquid stocks and bonds are classified as Level 2 instruments and

Level 3: unobservable inputs for financial assets and liabilities used unless relevant observable inputs are available; the Bank uses mark-to-model approach which deploys other than market information derived based on a theoretical model adequate for determining the value of financial instruments. Instruments whose fair value is determined on the basis of quotations that are not up-to-date or using models whose all inputs are not commercially available are classified as Level 3 of the hierarchy. Market-unavailable parameters most often refer to credit spreads that are derived from internally calculated measures. Shares for which there are no quotations, illiquid bonds, as well as loans and deposits are classified as Level 3.

In estimating the fair value of financial instruments as at 31 December 2022, the Bank used inputs of hierarchical levels 1, 2 and 3.

Financial Instruments Measured at Fair Value

Financial assets held at fair value of financial assets valued at fair valued through other comprehensive income are measured at fair value based on the available market inputs, i.e., using quoted market prices at the reporting date. If no such information is available, other valuation techniques are used to arrive at the fair value of these instruments.

In assessing the value of Treasury bills and Government bonds, the Bank used valuation techniques that it considered appropriate in the circumstances and for which it has sufficient data available to measure fair value, with maximum use of relative observable inputs, and striving to use inconspicuous inputs. The fair value of actively traded government bonds, quoted on the Bloomberg platform, and rated with a BVAL rating greater than or equal to 7 (on a scale of 1 to 10), are classified as Level 1 instruments.

The Bank elected to apply the combined market and income approaches and based its fair value assessment on the Level 2 inputs. The fair values were determined based on:

- prices available for RSD and EUR-denominated securities, i.e., the Bank used prices published by Bloomberg as of December 31, 2022, based on which a RSD zero coupon curve was generated for cash flow discounting purposes; the curve values are stored within the Kondor+ front office system; and
- prices obtained for specific maturities.

Shares for which there are no quotations, illiquid bonds are classified as Level 3 instruments. The fair value of currency swaps and forwards is calculated based on the discounting of estimated future cash flows. For discounting, the Bank uses market interest rates for financial instruments with the same remaining maturity.
The fair value of interest rate swaps is calculated as the difference between the discounted future cash flow at a fixed rate and the discounted future cash flow at a variable rate.
As at December 31, 2022, the Bank did not have in its portfolio bonds whose fair value is valued through the income statement, because the limits for this type of instrument in the trading book were abolished after the onset of the Russian-Ukrainian crisis.

45. FAIR VALUES OF THE FINANCIAL INSTRUMENTS (continued)

Financial Instruments with Far Values Approximate to their Carrying Values

For highly liquid financial assets and liabilities with short-term maturities (up to a year) it is assumed that their carrying values approximate their fair values. This assumption is also used for demand deposits, savings deposits and financial assets and liabilities with market-adjusted prices (subject to repricing, products at variable interest rates).

The following tables provide comparison of the carrying values and fair values of the financial instruments not carried at fair value. Non-financial assets and liabilities are not included:

	December 31, 2022				December 31, 2021			
RSD 000	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets	**-**	**448,484**	**-**	**448,484**	**-**	**257,848**	**-**	**257,848**
Receivables under derivatives	-	448,484	-	448,484	-	257,848	-	257,848
Securities	**560**	**41,456,408**	**15,699**	**41,472,668**	**49,258,371**	**4,526,331**	**29,665**	**53,814,367**
Securities at FVtPL	-	-	-	-	8,837,351	-	-	8,837,351
Securities at FVtOCI	560	41,456,408	15,699	41,472,668	40,421,020	4,526,331	29,665	44,977,016
Financial liabilities	**-**	**398,327**	**-**	**398,327**	**-**	**206,738**	**-**	**206,738**
Derivative liabilities	-	398,327	-	398,327	-	206,738	-	206,738

The Bank used as an input in measuring fair value for assets and liabilities that are not measured at fair value but fair value is provided, whereby the calculated fair value deviates from bookkeeping, official and easily verified data.

The Bank obtained the inputs, i.e., data on the prevailing interest rates applicable to the contracts with similar characteristics, from the official website of the National Bank of Serbia, using:

- interest rates applied by banks to the retail/non-FSI loans per currency – newly approved loans as of November 30, 2022, and the most recent market data – as inputs for assessment of fair values of loans and receivables due from customers; the Bank classified such information as Level 3 inputs;

- interest rates applied by banks to the retail/non-FSI deposits, per currency – newly received deposits as of November 30, 2022, and the most recent market data – as inputs for assessment of fair values of deposits and other liabilities to form customers; the Bank classified such information as Level 3 inputs.

45. FAIR VALUES OF THE FINANCIAL INSTRUMENTS (continued)

The following table shows a comparison of the carrying amount and fair value of financial instruments that are not carried at fair value.

The following table does not include non-financial assets and liabilities:

	December 31, 2022				
RSD 000	Level 1	Level 2	Level 3	Total	Carrying value
Cash and balances held with the central bank	-	140,512,381	-	140,512,381	140,512,381
Pledged financial assets	-	445,087	-	445,087	445,087
Loans and receivables due from banks and other financial institutions	-	-	11,214,878	11,214,878	11,214,878
Loans and receivables due from customers	-	-	533,655,960	533,655,960	532,490,294
Other assets	-	-	2,778,515	2,778,515	2,778,515
	-	**140,957,468**	**547,649,353**	**688,606,821**	**687,441,155**
Deposits and other liabilities due to banks, other financial institutions and the central bank	-	-	169,901,049	169,901,049	170,000,624
Deposits and other liabilities due to customers	-	-	448,685,226	448,685,226	448,758,309
Other liabilities	-	-	2,721,540	2,721,540	2,721,540
	-	**-**	**621,307,815**	**621,307,815**	**621,480,473**

	December 31, 2021				
RSD 000	Level 1	Level 2	Level 3	Total	Carrying value
Cash and balances held with the central bank	-	90,624,576	-	90,624,576	90,624,576
Pledged financial assets	-	463,080	-	463,080	463,080
Loans and receivables due from banks and other financial institutions	-	-	8,761,581	8,761,581	8,761,581
Loans and receivables due from customers	-	-	492,657,849	492,657,849	493,442,622
Other assets	-	-	3,469,875	3,469,875	3,469,875
	-	**91,087,656**	**504,889,305**	**595,976,961**	**596,761,734**
Deposits and other liabilities due to banks, other financial institutions and the central bank	-	-	166,985,218	166,985,218	166,985,806
Deposits and other liabilities due to customers	-	-	382,573,251	382,573,251	382,573,400
Other liabilities	-	-	6,279,469	6,279,469	6,279,469
	-	**-**	**555,837,938**	**555,837,938**	**555,838,675**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

46. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows a breakdown of assets and liabilities by when they are expected to be due or settled:

	31.12.2022		31.12.2021	
RSD 000	*<12 months*	*>12 months*	*<12 months*	*>12 months*
Cash and balances held with the central bank	140,512,381	-	90,624,576	-
Pledged financial assets	-	445,087	-	463,080
Receivables under derivative financial instruments	71,060	377,424	71,665	186,183
Securities	14,266,140	27,206,528	17,673,229	36,141,138
Loans and receivables due from banks and other financial institutions	11,188,084	26,794	8,738,540	23,041
Loans and receivables due from customers	181,503,148	350,987,146	154,263,256	339,179,366
Investments in associates and joint ventures	-	149,650	-	149,650
Investments in subsidiaries	-	755,514	-	755,514
Intangible assets	-	1,254,606	-	1,214,245
Property, plant and equipment	-	11,507,553	-	12,329,180
Investment property	-	370,153	-	119,268
Current tax assets	-	-	190,978	-
Deferred tax assets	-	57,199	-	-
Non-current assets held for sale and discontinued operations	6,248	-	6,164	-
Other assets	1,789,801	1,537,429	3,441,664	28,211
TOTAL ASSETS	**349,336,862**	**394,675,083**	**275,010,072**	**390,588,876**
Liabilities under derivative financial instruments	22,088	376,239	25,028	181,710
Deposits and other liabilities due to banks, other financial institutions and the central bank	113,169,936	56,830,688	104,389,787	62,596,019
Deposits and other liabilities due to customers	441,491,887	7,266,422	370,693,598	11,879,802
Subordinated liabilities	83,328	14,665,300	27,039	14,697,763
Provisions	-	3,772,895	-	3,787,232
Deferred tax liabilities	-	-	-	27,600
Current tax liabilities	1,042,563	-	-	-
Other liabilities	979,262	3,953,351	4,999,656	1,279,813
TOTAL LIABILITIES	**556,789,064**	**86,864,895**	**480,135,108**	**94,449,939**

47. ADDITIONAL INFORMATION ON CASH FLOWS

RSD 000	31.12.2022	31.12.2021
In RSD:		
Gyro account (Note 18)	10,848,986	8,028,954
Cash on hand (Note 18)	10,256,232	8,375,285
Total RSD	**21,105,218**	**16,404,239**
In foreign currencies:		
Foreign currency accounts (Note 22)	4,882,772	5,936,136
Cash on hand in foreign currencies (Note 18)	6,165,628	6,056,408
Foreign currency cheques	-	60
Other monetary items in foreign currencies (Note 18)	87,797	5,156
Total cash funds in foreign currencies	**11,136,197**	**11,997,760**
Gold and other precious metals (Note 18)	57,538	54,196
Total cash and cash equivalents	**32,298,953**	**28,456,195**

For the purpose of preparing the statement of cash flows, the Bank includes the above items in cash and cash equivalents.

48. RECONCILIATION OF LIABILITIES AND RECEIVABLES

As of October 31, 2022, the Bank reconciled liabilities and receivables with legal entities and banks, in accordance with the Law on Accounting. Disclosure of non-compliant claims is given in accordance with the requirements of Article 22 of this Law.

The total amount of receivables and liabilities sent for compliance is RSD 1,015,724,936 thousand. The amount of reconciled liabilities and receivables is 98.11% of the total amount returned after reconciliation by clients, or 72.29% of the total amounts sent for reconciliation. The total amount of unmatched liabilities and receivables is RSD 13,912,963 thousand.

	2022	
RSD 000	Assets	Liabilities
Mismatched number	274	206
Total matching number	8,088	8,637
% of mismatched number	**3.39%**	**2.39%**
Total mismatched	11,440,276	2,472,687
Total matching amount	406,727,475	341,682,915
% of mismatched amount	**2.81%**	**0.72%**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2022

49. EXCHANGE RATES

The official middle exchange rates of the National Bank of Serbia for major currencies as determined at the interbank foreign exchange market and used in the translation of the statement of financial position components denominated in foreign currencies into dinars (RSD) as of the reporting date were as follows:

Currency	Official middle exchange rate on December 31, 2022	Official middle exchange rate on December 31, 2021
USD	110.1515	103.9262
CHF	119.2543	113.6388
EUR	117.3224	117.5821

50. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events subsequent to the balance sheet date that would require adjustments to the accompanying financial statements or disclosures in the notes to the financial statements as of December 31, 2022.

Novi Sad, March 16, 2023

Vladimir Pejčić Director of the Accounting Directorate	Branimir Spasić Member of the Executive Board	Predrag Mihajlović Chairman of the Executive Board

OTP banka Srbija a.d.
Novi Sad

otpbanka

Annual Business Report for 2022

Content

1.1

Foreword by the President of the Executive Board

Predrag Mihajlović

Dear Shareholders,

I believe that the previous 2022 was an extremely challenging year for all corporate and economy stakeholders, both in Serbia and worldwide. We faced the energy crisis caused by the war in Ukraine, which along with the pandemic crisis, had a multiple impact on the business environment. Despite all this, we managed to achieve record business results and this was also acknowledged by the international expert public with the Euromoney and The Banker awards for the Best Bank in Serbia. These annual accolades for the Best Bank are considered the market standard for excellence in banking and the most prestigious accolades in the financial world. When deciding on the best, financial experts and analysts compare banks' operations and evaluate success based on clearly defined criteria of market position, growth and performance, return on capital, strategic initiatives, technological development, and the quality and innovation of product and service offerings. As a result of the successfully implemented most complex integration in the region in the midst of the pandemic, excellent business results with growing profitability, operational efficiency and sound growth of the loan portfolio, OTP banka has distinguished itself as a leader on the banking market. In addition, one more prestigious magazine Global Finance proclaimed our Bank for the "Best Bank in FX Operations in Serbia in 2022", while the Euromoney magazine presented us with two more awards "Euromoney Market Leader in Serbia for Corporate Banking" and "Euromoney Market Leader in Serbia for Digital Solutions as highly regarded". Equally important, our projects and CSR activities have been recognized many times, which was made official at the very end of last year with the Socially Responsible Company Award in 2022, chosen by the Serbian Association of Managers.

All stated awards and accolades are yet another confirmation of our absolute commitment and expertise. We have succeeded in achieving record business results and a double-digit growth in all business segments with a total net loan balance of EUR 4.5 billion, with EUR 6.3 billion in assets, 2,692 employees and over 732,000 active clients. In 2022 the Bank achieved a positive operating result (before provisioning and tax) in the total amount of 16,274 million dinars. Retail loans increased by cca 6% comparing to 2021, with a market share of 18.9%. In the course of 2022, the Bank was a leader in the housing loan market with a total share of 22.1%. In terms of cash loans, the Bank also holds a leader position with a market share of 19.7%. Simultaneously, the Corporate Division managed to exceed the expected market share in the segment of placed corporate loans and achieve the level of 16.6%. Our strong support to the SME sector was demonstrated by signing the contract with the European Bank for Reconstruction and Development (EBRD) on the loan amounting to EUR 25 million for further lending to small and medium-sized enterprises (SME) in Serbia, primarily for SMEs operating in less economically developed areas of the country. We have additionally reinforced the position of the largest corporate and retail creditor, as well as the leader on the market of factoring, leasing and e-commerce services.

I am extremely proud to say that 2022 was the most successful year in the history of operations of OTP Group in Serbia. This also implies a responsible relationship towards natural resources and the environment, since sustainable banking rests on the premise that social and environmental objectives must be included in the creation of all financial policies and products. Precisely for this reason and in accordance with the Green Plan of the European Union, OTP Group has defined the ESG strategy pillars with the aim of becoming a regional leader in green financing and building a sustainable future. In June 2022, we at OTP banka Srbija adopted the ESG Sustainable Business Strategy, the implementation of which we have started and thereby committed ourselves to the fulfillment of set goals.

Our network comprising 155 branches in 91 cities and 266 ATMs is among the largest in our country, through which we want to maintain a personal contact with our clients. In 2022 we expanded accessibility for private banking clients by also opening a location in Novi Sad in order to provide comprehensive customer support in the domains of daily banking and investment services, as well as two OTP partner branches intended for partners, investors, brokers and third parties. At the same time, we are focused on innovation and digitization of operations, which provide clients with new benefits with a focus on enhancing digital banking and user experience.

We have defined the innovation strategy with four development directions and on this path we have realised more than 12 events with active participation of 1,180 colleagues. I would especially like to point out the format "INNOVATION Challenge", a challenge through which colleagues have the opportunity to learn how to develop ideas through different methodologies and thereby generate new ideas.
So far, there were 106 ideas during two challenges with active participation of 300 colleagues. This tells us that open communication exists among teams with an agile work principle and wish for creative thinking. I am glad that this was also recognised by HR professionals that presented to OTP banka the "Employer Partner" certificate, a prestigious HR accolade from consulting company "Selectio", as well as the "Human Driven Reshape" award for the best 2022 HR internship, for the BFF (back/front force) program, presented to us by ManpowerGroup.

Speaking of corporate social responsibility, we achieved excellent results and deservedly received numerous awards, which confirms that our activities and efforts to contribute to a sustainable future and a better and more humane society are recognized as examples of good practice. The Bank's priorities in this area are ecology, sports, culture, support to socially sensitive groups, financial education and support to smaller local communities. I would like to particularly single out the Generator Zero competition for innovative solutions aimed at reducing the carbon footprint, the social entrepreneurship fair Generator of Good Deeds, the literary competition for the first unpublished novel with the BOOKA publishing house, and the partnership on the global initiative "Priceless Planet Coalition" by Mastercard, which aims to reforest endangered areas of the planet. We have remained the official bank of the Olympic Committee of Serbia in the sixth Olympic cycle, as well as faithful institutional partners of the Galery of Matica srpska, and in 2022 we realized a large-scale monographic exhibition dedicated to the work of Uroš Predić, one of the most important Serbian painters.

Bearing in mind that we managed to complete 2022 with excellent results and initiatives, and knowing what challenging circumstances the whole world is facing, our awards have greater significance and give us optimism that we are ready to welcome the next year, determined to continue providing strong support to the economy and citizens.

Sincerely,

Predrag Mihajlović

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About OTP Group

OTP Group is the fastest growing banking group in Central and Eastern Europe, with unique knowledge of the region to which it is strategically committed, with exceptional profitability and stable capital and liquidity position. With integrity and determination OTP Group is working towards helping the development of the Central and Eastern European region to become the continent's growth engine.

OTP Group is headquartered in Hungary and has a diverse and transparent ownership structure. The banking group has been listed on the Budapest Stock Exchange since 1995.

We strive to provide excellent financial services through digital innovation, artificial intelligence and data-driven insights. We use synergy within our group and act as a driver of digital transformation of the region. The banking group provides universal financial services to over 16 million clients in 11 countries and employs more than 35,000 employees.

OTP Group is an inclusive, diverse and progressive European employer. OTP Group's future-oriented operations and development efforts focus on environmental, social and governance sustainability, while simultaneously aiming to reinforce its position as the best employer in the CEE region. We are developing financial literacy programs for the entire Group, while working to enable sustainable development across the region.

The predecessor of OTP Bank, National Savings Bank, was established in 1949 as a national, state-owned bank for the provision of services related to retail deposits and loans. Its activities and powers gradually expanded over the following years. In 1990, the National Savings Bank became a public company with a share capital of 23 billion forints. Its name was changed to National Savings and Commercial Bank. Subsequently, non-banking activities were separated from the bank, along with their supporting organizational units. The privatization of OTP Bank started in 1995. The ownership structure is currently characterized by diversity - shareholders are mostly private and institutional (financial) investors.

OTP Bank started its international expansion targeting Central and Eastern European countries, which offer great potential for economic growth similar to Hungary. As the most active consolidator in the banking sector in the region, the Group has successfully acquired and integrated 23 banks since the early 2000s. Currently, the Bank is the market leader in Hungary, Bulgaria, Serbia and Montenegro, and as of 06 February 2023 it also became the market leader in Slovenia after closing the deal for the purchase of 100% of the Slovenian Nova KBM d.d. banka. Completion of the integration process of two Slovenian subsidiaries: SKB banka purchased in 2019 and Nova KBM banka is expected in 2024. New bank will be the largest foreign subsidiary of OTP Group.

In addition to Hungary and Slovenia, OTP Group currently operates in Albania (OTP Albania), Bulgaria (DSK Bank), Croatia (OTP banka Hrvatska), Romania (OTP Bank Romania), Serbia (OTP banka Srbija), Ukraine (JSC OTP Bank), Russia (OAO OTP banka), Moldova (Mobiasbanca) and Montenegro (Crnogorska komercijalna banka) through its subsidiaries. Additionally, in December 2022, the acquisition process of Alpha Bank Albania was completed, which further strengthens OTP Group's position on the Albanian market. Also, the purchase and sale contract on the privatization of the Uzbekistan's Ipoteka Bank was signed in the same period, by which OTP Group entered a new 12th market. With the rich experience from previous acquisitions, the Group will contribute to further development of this dynamic market with its innovative products and services.

For the first nine months of 2022, OTP Group's consolidated profit after tax stood at HUF 439.1 billion, which is higher by 18% compared to previous year. The adjusted 1-9M ROE stood at 19.1%. For the same period, the Group realized HUF 645 billion operating profit (+33% y-o-y). Total income for that period increased by 27% y-o-y, within that the net interest income increased by 25%, while net fee and commission income grew slightly slower, by 21% y-o-y and other net non-interest income grew by 59%.

OTP Group is a pioneer in digitization and has been proactive for nearly 30 years in the field of digital transformation of its business and implementation of new technologies in the financial market. The strategic focus on innovation has opened up the possibility of working with more than 1,500 startup companies within the OTP Startup Booster program, which represents the most extensive innovation program of the Group, and in which OTP banka Srbija also participates. The goal of the program is to create new and innovative solutions for specific banking and organizational needs, as well as for broader socio-economic challenges, through long-term partnerships between OTP Group and startups, which has been recognized by multiple awards for the best incubator and accelerator program in Europe.

Sustainability is at the very top of OTP Group's priorities, with the aim of avoiding negative impacts on the environment and society, and exploiting the business improvement potential. OTP Group identifies its priorities in the field of sustainability in accordance with global challenges and trends, as well as with the expectations of stakeholders. Identified priorities include focusing on products that have a positive environmental and social impact, as well as financial education. In line with the Green Plan of the European Union, OTP Group has defined the ESG strategy pillars with the aim of becoming a regional leader in green financing and building a sustainable future. The Group has also signed the Principles for Responsible Banking of the United Nations, which is a unique framework for the sustainable operation of this sector, developed through a partnership between banks worldwide and the United Nations Environment Program Finance Initiative. We have thereby joined the world's largest banking community focused on sustainable financing.

In addition to the Best Bank award in Serbia received by OTP banka Srbija, the world magazine The Banker, recognizing the ambitious strategy of expansion, digital transformation and customer orientation, also awarded the parent OTP Bank in Hungary, as well as OTP Group members in Bulgaria, Slovenia and Albania. The prestigious magazine Euromoney also recognized that OTP is the best bank in five markets by presenting the "2022 Euromoney Excellence Awards" as the Best Bank to OTP Bank in Hungary, Bulgaria, Moldova and Albania, which proves its international expertise and leadership position in Central and Eastern Europe.

over
16 million
clients

more than
35,000
employees

11 countries
in Europe

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About OTP banka Srbija a.d. Novi Sad

In the year in which the world-renowned magazines "Euromoney" and "The Banker" have proclaimed the OTP Banka for the best bank in Serbia record-breaking business results are recorded. These are traditional prestigious accolades awarded to financial institutions that provide clients with the highest level of service, innovation and expertise. As a result of the successfully implemented most complex integration in the region in the midst of the pandemic, excellent business results with growing profitability, operational efficiency and sound growth of the loan portfolio, OTP banka has distinguished itself as a leader on the banking market. Following the completed integration, the Bank managed to keep and enhance the position of the largest corporate and retail creditor in 2021 and 2022, as well as the leader in the market of factoring, leasing and e-commerce services.

Our comparative advantage and what distinguishes us in the banking market are the trust of our clients, the commitment of our partners, the expertise and dedication of our employees, with the strong support of the parent OTP Group.

In 2022 a double-digit growth in all business segments was generated with a total net loan balance of EUR 4.5 billion, with EUR 6.3 billion in assets, 2,692 employees and over 732,000 active clients. In 2022 the Bank achieved a positive operating result (before provisioning and tax) in the total amount of 16,274 million dinars. Retail loans increased by ca 6% y-o-y, with a market share of 18.9%. In the course of 2022, the Bank was a leader in the housing loan market with a total share of 22.1%. In terms of cash loans, the Bank also holds a leader position with a market share of 19.7%. Simultaneously, the Corporate Division managed to exceed the expected market share in the segment of placed corporate loans and achieve the level of 16.6%. Our strong support to the SME sector was demonstrated by signing the contract with the European Bank for Reconstruction and Development (EBRD) on the loan amounting to EUR 25 million for further lending to small and medium-sized enterprises (SME) in Serbia, primarily for SMEs operating in less economically developed areas of the country.

Our network comprising 155 branches (out of which two are OTP partner branches intended for partners, investors, brokers and third parties) in 91 cities and 266 ATMs is among the largest in Serbia, maintaining thereby presence in the entire territory of the country.

OTP banka pays great attention to corporate social responsibility and with reason it has positioned itself as a green transition leader in Serbia in implementing ESG principles of action. In June 2022, OTP banka Srbija adopted the ESG Sustainable Business Strategy, the implementation of which we have started and thereby committed ourselves to the fulfillment of set goals. In addition, we are finding innovative ways to achieve energy efficiency and on the roof of our central building we have a solar power plant so that the produced electricity goes directly to the EPS supply system. All branches are connected to a system that enables turning off lighting everywhere at the same time, and we have signed the contract on complete supply of electricity from renewable sources (100% ZelEPS).

Our strategy is based on the sustainability principles, through achieving balance between economic, social and environmental impacts. The economic growth is incomplete for us if it does not imply a responsible attitude towards natural resources and the environment. We undertake and support initiatives that prevent creation of negative impacts on the environment. We are pleased that this was recognized by the professional public with numerous recognitions and awards in 2022. OTP banka Srbija was proclaimed the Socially Responsible Company of the year at the traditional awards ceremony of the Serbian Association of Managers, as a company that showed an exceptional contribution and responsible behaviour towards the social community in 2022.

Employees are our most important resource, which is why it is extremely important for us to provide them with a stimulating work environment that leads to their professional and personal development. Equal opportunities for all employees, respecting their opinion, examining their satisfaction, fostering team spirit, fair play relations and professional ethics are just some of the important values of our corporate culture. In this regard, we are also glad to have received the "Employer Partner" certificate, the prestigious HR recognition of the "Selectio" consulting firm, as well as the "Human Driven Reshape" award for the best 2022 HR internship for the BFF (back/front force) program presented to us by ManpowerGroup.

At the same time, we are focused on innovation and digitization of operations, which provides clients with new benefits with a focus on enhancing digital banking and user experience.

Working on the experience of our users is one of the key aspects of our activities. The manner in which we, as an organisation, treat our clients and provide them positive experience, impacts our reputation and business results to a large extent. We at OTP banka invest significant resources so as to recognise the needs of our users, level of their service and product satisfaction, but also what to improve in interactions with our Bank. We proudly emphasize that OTP banka is the first to have designed the system for continuous monitoring of its users' satisfaction, and in 2022 we received feedback from around 100,000 clients. We could make the conclusion from the answers received that clients most value kindness and professionalism of our employees, as well as the efficiency of the Bank's loan approval process, which confirms our leadership position on the market in this area. Based on the comments coming from our clients, we have implemented a series of changes and enhancements, the most important of which are: the look and functionality of the mBank and eBank applications, introduction of the EUR cash-out function at all ATMs of OTP banka, the possibility to cash-in dinars at ATMs at 32 locations throughout Serbia, enhancement of written communication from the Bank to clients, as well as improving the process for sending feedback to clients. By placing user experience in the focus of our activities, we want to show that we are committed to responsible business and building a satisfied and loyal client base. In support of our commitment and building a customer-oriented culture, the fact that the results of measuring client satisfaction with our services have increased by 18% compared to 2021 (according to the results of the TRI*M research, conducted by the IPSOS research agency) speaks for itself. Additionally, in cooperation with Google and Mastercard, during 2022 we have enabled to our customers swift, easy and secure payment by mobile phone via the Google Pay functionality.

A large number of initiatives and projects were realized throughout the year, of which are singled out the multiple-award winning Generator Zero Project, a competition for innovative solutions aimed at reducing the carbon footprint, the social entrepreneurship fair Generator of Good Deeds, the literary competition for the first unpublished novel with the publishing house BOOKA, and partnership on the global initiative "Priceless Planet Coalition" by Mastercard, which aims to reforest endangered areas of the planet. As the official bank of the Olympic Committee of Serbia, and in the sixth Olympic cycle, we realized a series of educational sports events "Olympic training with OTP banka" in Bor and Kruševac. We remained the institutional partner of the Gallery of Matica srpska and in 2022 we realized a large-scale monographic exhibition dedicated to the work of Uroš Predić, one of the most important Serbian painters.

OTP banka is a member of various business organizations and associations, through which it actively promotes highly ethical business standards and strives to contribute to the development of socially responsible and sustainable practices through specific engagement. Some of these associations are: Association of Serbian Banks, Serbian Chamber of Commerce, Serbian Chamber of Vojvodina, ACI Serbia, American Chamber of Commerce, French Chamber of Commerce, Responsible Business Forum, Serbian Philanthropic Forum, Association of Serbian Economists, Association of Economists of Vojvodina, Foreign Investors Council, Serbian Association of Managers, NALED, Serbian HR community, E-commerce Association of Serbia, Digital Serbia Initiative and Interactive Advertising Bureau (IAB). OTP banka is also a proud member of the Friends of UNICEF Club.

OTP Group also includes OTP Leasing Srbija, a leader in the leasing market by production, as well as OTP Osiguranje, which provides life insurance services through OTP banka, as an insurance agent.

The Bank is based in Novi Sad, at address Trg slobode 5, in the very city centre.

OTP Bank Hungary is the 100% owner of OTP banka Srbija. The activities of OTP banka have directly contributed to the achievement of as many as nine UN Sustainable Development Goals.

1.4

Macroeconomic environment and the Banking sector

While uncertainty surrounding the course of the coronavirus pandemic and the emergence of new virus variants was abated, the conflicts in Ukraine lead to the heightening of geopolitical tension which reflected on a more unfavourable global growth outlook and the build-up of inflationary pressures, primarily due to further hikes in the prices of energy, raw materials and food. The recession in the USA, economic slowdown in some European countries and a sharper than expected downturn in China due to the zero-Covid policy also had a negative impact on global economy during 2022.

In these conditions, leading central banks, the Federal Reserve and the European Central Bank, have tightened their monetary policies and increased their key rates faster than expected by markets during previous months. Having in mind that faster than expected normalisation of monetary policies in leading central banks could result in dented capital flows to emerging economies such as Serbia, the National Bank of Serbia has moderately tightened monetary conditions during 2022. Since April 2022, the key policy rate in Serbia has been raised by a total of 400 bp and in December it was 5.0%, while the rates on deposit and lending facilities were raised to 4.0% and 6.0%, respectively.

Amid elevated cost-push pressures and lingering geopolitical tensions, y-o-y inflation in Serbia, like in other countries, continued to rise and it measured 15.1% in December. The average inflation in 2022 was at 11.9% and it was driven by higher food and energy prices - factors on which monetary policy measures have a limited impact. Elevated producer and import prices pushed up y-o-y core inflation to 10.1% in December, though it stayed well below headline inflation mainly due to the preserved relative stability of the exchange rate. According to NBS projections, inflation will decline sharply in H2 2023 and retreat within the bounds of the target set by the NBS until the end of 2024.

According to the SORS preliminary estimate of economic developments in 2022, Serbia's real GDP growth stood at 2.3%. A strong contribution to industrial growth came from the rising physical volume of production in mining, but also from manufacturing, despite a hefty rise in global energy prices and persisting supply bottlenecks. On the other hand, agricultural production contracted because of the drought, while construction activity slackened amid soaring costs of construction material and other inputs. Total fixed investment remained stable owing to the strong inflow of FDI. The labour market continues to display positive trends, with a further rise in employment and wages and a decline in unemployment.

Economic growth during 2023 is expected to be led by decline in geopolitical tensions, external demand recovery and capital projects implementation, mostly in road, railway, energy and utility infrastructure. In the medium term, GDP growth is projected to be around 4% per annum, after the expected economic growth increase during 2024. The priority of Serbia's monetary policy in the medium term will be delivering price and financial stability, together with supporting growth of economy and employment, further expansion of the export sector and a favourable investment environment.

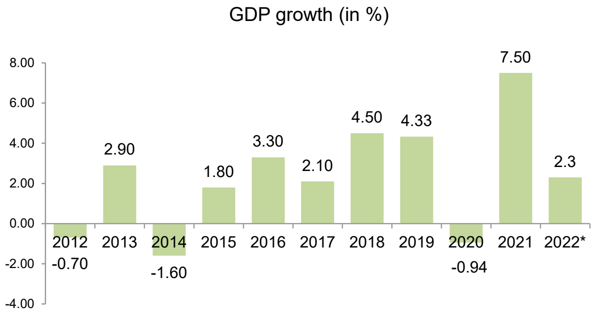
Economic activity

In the course of 2022, there was a slowdown in economic activity, as a result of a worse agricultural season, with the effects of a slowdown in global demand and continued growth in production costs. According to the SORS preliminary estimate of economic developments in 2022, Serbia's real GDP growth stood at 2.3%, as a result of the pick-up in industry and services.

GDP growth projection for 2023 is in the range of 2–3%. According to the expectations, GDP growth will pick up as of 2024 to around 3.5% and then return to its pre-pandemic growth trajectory of around 4% per annum in the medium term.

Risks from the international environment refer to effects of the

Ukraine conflict on the availability and world prices of energy products, and the global growth outlook. Domestic risks refer to the outcome of the next agricultural season, FDI inflows and the recovery of the energy sector.

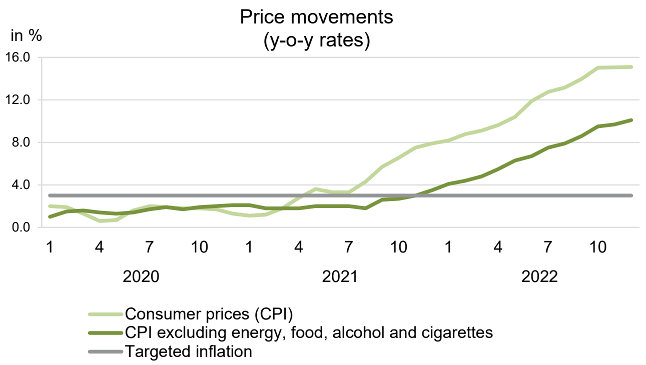


* NBS projection

Inflation

In December 2022, y-o-y inflation was 15.1%, while the average annual inflation in 2022 equalled 11.9%. Inflation y-o-y growth resulted mostly from elevated energy and food prices, i.e. categories beyond a direct impact of monetary policy. Relative to the end of 2021, food prices increased by 23.4%, primarily because of high global food prices, rising prices of input costs in food production and transport, as well as the negative effects of the drought that hit Serbia and most of Europe.

Core inflation was considerably lower than headline inflation and amounted to 10.1% in December 2022, supported to a significant degree by the preserved relative stability of the exchange rate in an extremely volatile global environment.



According to expectations, headline inflation will remain elevated at the beginning of 2023, after which it will be on a downward path, with a significant decline in the second half of 2023 and a return to the target band 3.0 ± 1.5% by the end of the projection period. Past monetary tightening, the anticipated waning of the effects of global factors that drove up the energy and food prices in the past period, and dented external demand amid a clouded global growth outlook will work towards the easing of inflationary pressures.

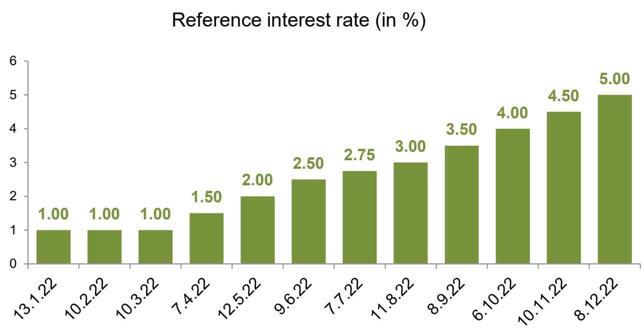
Monetary policy

During first three months, the reference interest rate was at the historically lowest level of 1%, at the same level as in 2021. Rising cost-push pressures from the international environment, elevated geopolitical tensions and volatile global energy and food prices influenced the National Bank of Serbia's decision to gradually raise main interest rates starting from April. At the end of 2022, the key reference rate was increased to 5%, while the rates on deposit and lending facilities were raised to 4.0% and 6.0%, respectively.

By making such decision, the National Bank of Serbia tightens monetary conditions and affects the limitation of the secondary effects of price growth through inflationary expectations, thereby helping inflation in Serbia to strike a downward trajectory and return within the target tolerance band.

Delivering price stability in the medium term and preserving the achieved financial stability will remain a priority of the monetary policy, along with supporting continued growth and development of the economy, as well as further growth of employment and preservation of a favorable investment environment.

Monetary tightening drove up interest rates in the money and lending markets, confirming the efficiency of the monetary policy transmission mechanism. In y-o-y terms, the deceleration of monetary aggregates growth was halted in Q3, as a result of the high base from the previous year and spending of the previously accumulated precautionary savings. A stable growth in lending continued to contribute positively to the rise in monetary aggregates, and higher savings interest rates worked in the same direction. Domestic lending continued to rise at y-o-y level in November. A moderate slowing of y-o-y growth of total loans in Q3 reflected the high base from the previous year and the maturing of guarantee scheme loans.

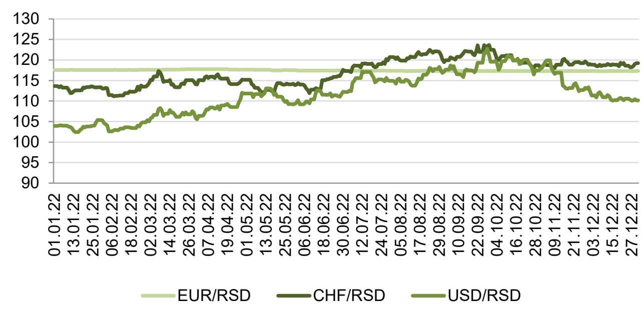


Exchange rate

During 2022, the dinar strengthened against the euro by 0.2% in nominal terms. The dinar's stability was mainly supported by the National Bank of Serbia, which intervened on the IFEM both on the purchase side and on the sales side.
Due to factors from the international environment such as geopolitical tensions and rising energy prices, strong depreciation pressures prevailed at the beginning of 2022. In Q3 2022, the supply of foreign currency in the IFEM by far outstripped the demand, but the National bank of Serbia eased the appreciation pressures by net purchasing foreign currency and contributed to a further increase in FX reserves.

By maintaining the relative stability of the dinar against the euro, the National bank of Serbia also significantly contributes to containing the spillover effect of soaring import prices on domestic prices, and to macroeconomic stability amid heightened global uncertainty.

Exchange rate movements during 2021

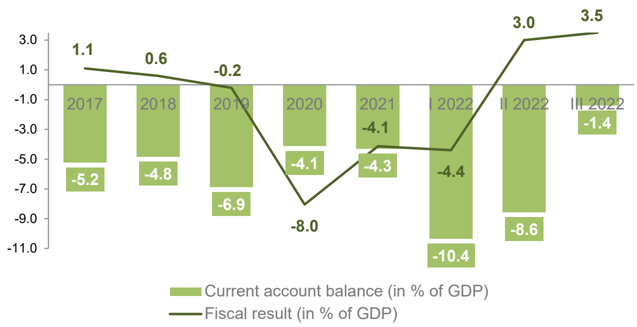


The fiscal result and the current account deficit

The current account deficit of EUR 2.8 billion in the nine months of 2022 was two times higher than in the same period of 2021 and resulted mostly from elevated energy import due primarily to soaring global energy prices. The current account deficit in the nine months was covered by net FDI inflow. Inflow of FDI to Serbia measured EUR 3.0 billion, the same as in the corresponding period last year.

The share of the current account deficit in GDP is expected to equal around 9% in 2023 and to contract to around 6% in the medium term.

The fiscal result and the current account deficit



Foreign trade

Goods exports in period from January to October 2022 increased by 27.2% y-o-y, while remaining diversified by sector and geography, underpinned by FDI inflows. In the same period, goods import went up by 36.1% y-o-y, mostly because of higher energy import prices and also due to elevated imports of equipment and consumer goods as the investment cycle continued and wages and employment went up.

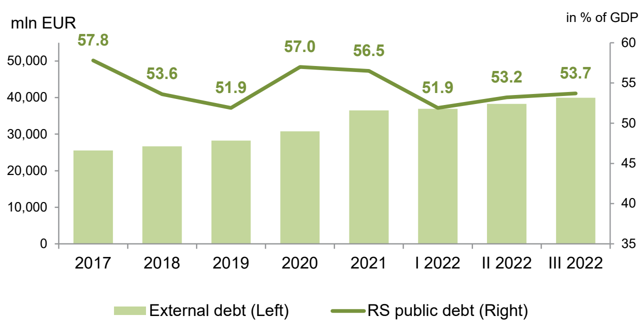
During 2023, the export of goods and services is expected to slow down because of subdued external demand caused by the poorer economic growth outlook in our key trade partners, most notably the euro area. FDI inflows are estimated at around EUR 3.8 billion in 2022, while in the medium term FDI inflow is projected to stay relatively high (around 4–5% of GDP per annum) and to be diversified by project and mostly directed at tradable sectors.

External debt and public debt

During first eleven months in 2022, public debt was lowered to the level of 53.5% of GDP (from 56.5% at the end of 2021). A deterioration of financial conditions affected the borrowing in the hard currency as it has unfolded at the slowest pace since 2015. The share of public debt in dollars was significantly cut – from 33.9% in 2016, to 12.5% in September 2022, which largely reduced the exposure to currency risk on account of the dollar's strengthening in the past months. In the following years, the IMF anticipates stabilisation of the share of public debt in GDP in both advanced, and emerging and developing economies.

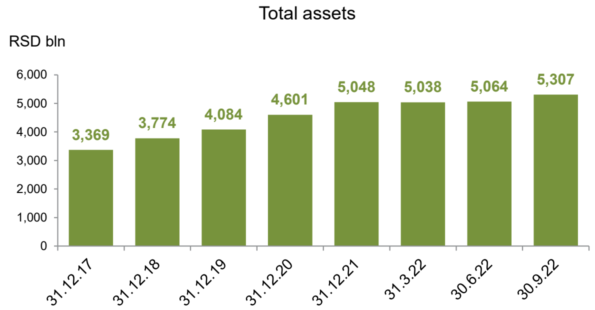
The volume of government securities issued in hard currencies in the January–September 2022 period dropped by more than 54% compared to the same period in 2021. In previous years, Serbia issued eurobonds in the international financial market at very favourable conditions and the funds raised were used for the
early repayment of previously issued securities at considerably higher yield rates. Owing to last years' issues at favourable conditions significant funds were provided for government financing in 2022.

Serbian external debt and public debt



Banking sector

At the end of Q3 of 2022, the Serbian banking sector numbered 22 banks, among which foreign-owned banks still have a dominant share. The total number of banks in Serbia decreased to 21 in Q4 2022. The banking market is very saturated since the five largest banks have 59.7% of the market share, which is higher compared to the end of 2021 (56.9%). Consolidation of the banking market can be expected in the future in order to reduce the number of banks and to strengthen the market power of the largest banks. At end of September 2022, total net balance sheet assets of the Serbian banking sector amounted to RSD 5,307 billion, and total capital RSD 713 billion.



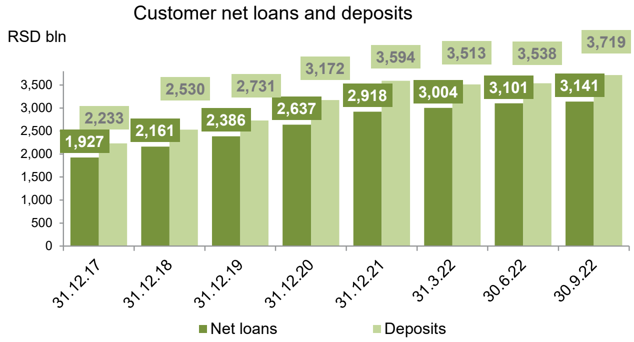
Net result in the overall banking sector achieved in the first nine months of 2022 amounted to RSD 55.6 billion, representing an increase of 34% compared to the same period previous year. A positive result was reported by 21 bank with total profit of RSD 55.7 billion, while 1 bank operated with a loss of RSD 0.1 billion.

Changes in key elements of banking sector profitability (in RSD mln)

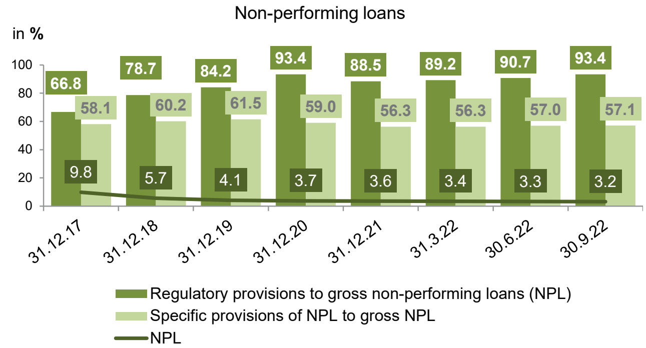
	30.9.2021	30.9.2022	Change
Net interest	96,129	109,043	13%
Net fees	32,992	53,496	62%
Credit losses	-7,678	-11,112	45%
Exchange rate effect	5,869	-5,680	-197%
Result	41,459	55,562	34%

Total net loans of the banking sector in Serbia at the end of the third quarter of 2022 increased by 7.6% comparing to end of previous year. Measured by the share of dinar in total receivables, the dinarisation of corporate and household receivables reached record 34.2% in November 2022.

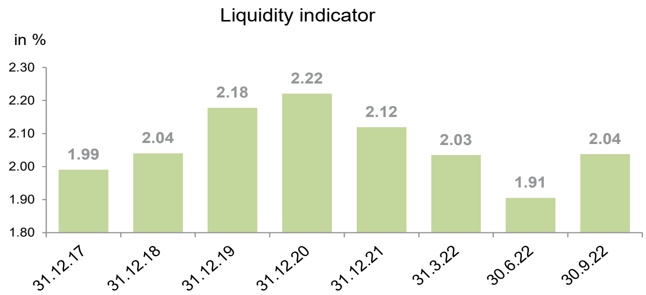
The main sources of financing of the banking sector in Serbia are still received deposits, which share in total liabilities was 70.1%. Total deposits at the end of the third quarter amounted to RSD 3,719 billion, which represents an increase of 3.5% as compared to end of last year. Since the beginning of the year till November, household savings gained RSD 19.4 billion, or 1.2%, which indicates citizens' confidence in the stability and safety of the banking sector.



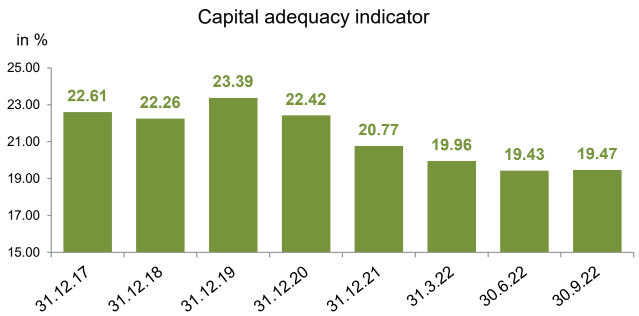
The gross NPL ratio was at level of 3.2% in September 2022. The NPL coverage remained high – in September, allowances for impairment to total loans stood at 93.4% of NPLs, and allowances for impairment to NPLs measured 57.1% of NPLs.



The Serbian banking sector is still characterized by very high liquidity. At the end of the third quarter of 2022, the average monthly liquidity ratio stood at 2.04% (regulatory minimum is 1%), while the narrower liquidity ratio stood at 1.64% (regulatory minimum is 0.7%).



The Serbian banking sector is well capitalised. At the end of September 2022, capital adequacy ratio of the Serbian banking sector averaged 19.47%, well above the National Bank of Serbia regulatory minimum (8%). This data indicates the high resilience of the banking sector in Serbia.



Source of data for Macroeconomic environment and banking sector: National Bank of Serbia

1.5

Retail banking

In 2022 the Retail banking has remained focused on needs of its clients and building of long-term relationship. Continuous growth of lending to individuals is one of the main indicators of the support that the Bank provides to its clients, i.e. individuals. In 2022, retail loans grew by approximately 6% compared to 2021, whereby the OTP Banka managed to achieve a market share of 18.9%.

In last four years the house construction financing growth, buying of apartments and house loans demand is noticeable. During 2022, the Bank was the leader on the house loans market with the 22.1% market share. In the middle of the year, the OTP Banka opened two OTP partner branches, intended for co-operation exclusively with partners: investors, real estate agents and entrepreneurs who have connections with potential clients. With this, the bank achieved additional differentiation on the market in order to be attractive to clients, and opened a place where both partners and new clients will feel different. During 2022, several dozen contracts were concluded with real estate agencies, investors, consulting firms and digital partners.

Favorable trends in Retail banking are result of optimal price level and products combination. Special actions and promotion campaigns for cash loans were organized that contributed to the 19.7% market share in the cash loan market.

Total deposits in Retail banking reached the level of RSD 204 billion. At the end of the year, a campaign for savings was launched, which led to an increase in the market share of OTP Bank's household deposits, which at the end of 2022 recorded a level of 11.2%.

As the Retail banking has in its focus customer satisfaction and an outstanding user experience, introducing of changes has continued, and within the system that encourages the innovation culture at the level of the Group, constant work on the offer that has useful value for clients and daily banking activities facilitation is implied.

During the last year a significant shift in favor of mobile banking is done. Users of banking services are increasingly demanding independence in their work, without the obligation to go to a branch. The tendency is that the branch will remain the dominant channel for some more complex banking products, as well as the place where clients will mostly consult with a bank employee. The increasing number of self-service devices, which are more and more common in our branches, also favors this. Certainly, this was preceded by the digitalization of the so-called background services within the Bank. Although this process is not visible to the user, it greatly affects his experience in contact with the bank. Our approach, in the OTP Bank, "Digitally where the client is" represents an additional challenge precisely for the improvement of processes that dominantly were functioning according to analog principles until recently. Clients expect from us to enable them to establish a business relationship with the Bank without coming to the branch, which includes account opening, applying for a cash loan, savings account opening, as well as purchasing an insurance policy.

In this sense, OTP Banka has launched the VKYC (Video Know Your Client) project, which will enable potential clients to become clients in just a few minutes of a video conversation with a bank agent, without coming to a branch. It is enough to have an identity document and a mobile device or a computer with a camera and an Internet connection. The ultimate goal is to provide them with such comfort that they can do all their business with the bank without ever appearing in a branch. On the other hand, the implementation of the Cloud certificate will round off the VKYC process, considering that it will enable the conclusion of contracts on the realization of banking products at a distance in accordance with the recent change in regulations. In addition, "Digitally where the client is" also means that users will be able to sign all documents in branches and receive them by mail, which means that OTP Banka contributes to the preservation of the environment and the reduction of the carbon footprint.

In cooperation with Google and Mastercard, the Bank enabled its customers to pay quickly, easily and securely by mobile phone via Google Pay. This service has been available to OTP Banka

Mastercard payment card users since August 23rd and is available in phones and smartwatches that support NFC technology. OTP banka is focused on innovation and digitization of its business, which provides clients with new benefits with a focus on improving digital banking and user experience. With the introduction of Google Pay, it once again confirmed its leadership position and orientation towards the needs of clients.

OTP Banka has participated substantially in lending to small and medium-size enterprises during this and the previous year. During 2022 year in the Small business segment, the Bank has realized loans to legal entities and entrepreneurs in total amount of RSD 12 billion approximately.

The European Bank for Reconstruction and Development has approved to the OTP Banka loan in the amount of EUR 25 million for further financing of small and medium-size enterprises in Serbia. The credit line will be used as a support for financing of private enterprises through the working capital and investment loans, primarily for small and medium-size enterprises that operate in economically less developed parts of the country.

The new credit line will enable small and medium-sized enterprises easier access to financing for the development and strengthening of competitiveness, on local and foreign markets, as well as strengthening its resistance in the medium and long term. The OTP Banka will try to direct part of the funds from this credit line to the financing of high-quality green projects, through investments in projects on renewable energy sources and energy efficiency.

The OTP Banka has developed model of services for private banking clients, which includes investment and financial consulting services, and know-how in assets management as well. Taking into account the fact that the private banking clients have very specific and extremely high expectations from their banks, the needs of these clients were recognized on time and they were provided with a wide range of customized services, professional knowledge of employees in the field of asset management within the exclusive Eminent package, as well as financial and investment advice. Licensed investment consultants recommend to each client individually how they may invest their funds both on local and foreign market in accordance with their profile, financial plans and other factors as well. Local market knowledge is crucial here, and the advantage is a possibility of mix of their expertises in different areas, such as corporate business, leasing or insurance.

1.6

Corporate Banking

Just three months after receiving the "Euromoney Award for Excellence 2022" for the best bank in Serbia, the world magazine Euromoney awarded OTP Banka another award "Euromoney Market Leader in Serbia for Corporate Banking". Taking into account the entire operation of the bank with a special focus on co-operation with the corporate clients, the expert editorial jury of Euromoney magazine decided that OTP banka is one of the best choices for business in the corporate segment in Serbia.

This confirmation comes in conditions of extremely strong competition in the banking sector, where we can see an intense struggle to acquire clients on the market. However, the Bank, together with its employees, managed to stand out through mutual co-operation, through improvement of the services dedicated to clients and with a personalized approach to each of them. The OTP Banka listens to the clients' needs, responds to their expectations and directs them towards new and more practical solutions.

In the segment of Corporate business, the OTP Banka records excellent results and with the achieved level of 2.5 billion euros remains in the first place with about 17% market share in lending to the corporate. Clients come from all industries, from entrepreneurs to small and medium-sized enterprises and large domestic and multinational companies. In other words, the bank has a clear overview of the economy, the needs and expectations of both public and business actors. This also means that the Bank can meet their needs and provide them with large-scale financing.

Increase of credit exposure is followed by the improvement of its quality and risk level through:

• Improvement of loans placement maturity directed towards long-term financing increase within the total loan portfolio;
• Portfolio diversification by financing types and by economy branches whom the client belongs to.

Increase of investment lending is noticeable by which the Bank keeps up with the market demands. Integration of banks open a possibility of financing of much bigger projects than it was a case before the integration. Besides that, the Bank's expertise is on much higher level, thus the Bank may take into consideration different investment profiles from construction works financing, production capacities to energy efficiency and green energy sources. OTP Banka continues to be active in project financing segment with a special focus on real estate construction sector.

Total gross corporate loans increased in 2022 through the improvement of co-operation with the existing and new clients. During the 2022 the Bank has approved significant amount of loans to mid-size and corporate enterprises. This affected the corporate loans to reach about 17% market share at the end of 2022. The majority of approved loans were working capital loans, by which the previous years trend continues.

In Corporate segment the total amount of deposits has increased significantly and a growth of almost 30% compared to the previous year is achieved. This tendency reflects the Bank's aspiration to base its growth on the active collection of client deposits, as part of the diversification of funding sources. The OTP Bank's corporate deposits recorded market share level of 13.4% at the end of 2022.

Through coordinated business lines and proven expertise, the Bank provides a whole range of innovative solutions adapted to the needs of clients, such as traditional and specialized financing, payments, cash management.

When the global transaction banking services are concerned, the OTP banka offers a whole range of cash management services, which fulfill even the most demanding requirements of domestic and international clients. Since 2013, the OTP has been the first bank on the factoring services market with the largest market share and a wide range of different types of factoring. In 2022 turnover and exposure to clients increased by over 35% compared to the same period last year. In addition to standard factoring-related products and services available on the market, the OTP Banka can additionally support international companies with a supply chain financing platform and international factoring services

What makes the OTP Banka to stand out on the market when it comes to factoring services is the fact that its clients perceive the bank as a partner and advisor on everyday financial challenges. Small and medium-sized enterprises can easily obtain liquid funds and collect their claims by handing them over to the bank before the due date. Large companies most often opt for the reverse factoring service, where the bank pays the client's obligations to its suppliers immediately after invoicing. In this domain, OTP Banka offers simple technological solutions, the highest standard of service and many years of experience.

The financing of "green projects" has been growing significantly in recent years, which indicates that the awareness of sustainable business and finding environmentally sustainable solutions is no longer a trend, but a real need and the direction in which our society is developing. OTP banka carefully assesses its direct and indirect impacts on the environment, undertakes initiatives aimed at preventing negative impacts, and initiates and supports initiatives that have a positive impact on the overall state of the environment.

The corporate lending process has been improved in the segment of identifying and managing the so-called ESG risks, where the main focus is on risks associated with climate change and other aspects that can negatively affect the environment. The process of credit improvement is based on the guidelines of the European Bank for Reconstruction and Development, which are adapted to the specific characteristics of OTP Group's operations. By applying this advanced practice, the Bank evaluates its activity, not only from the aspect of its environmental impact, but also takes into account criteria related to social justice and corporate governance, as well as ensuring compliance with relevant legal frameworks.

1.7

Risk management

General framework

Activities related to risk management at all organizational levels are guided by the mission of establishing and maintaining a framework for risk management that ensures long-term business stability and the achievement of value creation goals. The vision of the risk management function is to create innovative solutions for the sustainable development of the Bank and the Banking Group with a high awareness of risks.

The risk management structure is organized in accordance with the Law on Banks, the relevant decisions of the National Bank of Serbia, which define the area of risk management and capital adequacy, as well as the Bank's Risk Management Strategy.

The general objectives of the Bank's risk management are:

• Establishment of basic principles and standards for risk management in the Bank;
• Support the Bank's business strategy by ensuring that business goals are achieved with controlled risk;
• Improvement of the use and allocation of capital and increase of revenue from capital adjusted to risks by including risk in the measurement of business performance;
• Support the decision-making process by providing the necessary information relating to the risks;
• Ensuring consistency with best practices and compliance with local regulatory, quantitative and qualitative requirements;
• Providing cost-effective risk management by reducing overlapping and avoiding inadequate, excessive or outdated policies, processes, methodologies, models, controls and systems.

The main strategic goals of the Bank in risk management area are:

• Positive customer experience - ensuring a reliable and fast decision-making process regarding customer requests;
• Cooperation with a high level of awareness of risks - by developing professional cooperation focused on solutions and respecting transparent rules;
• Outstanding reputation - by continuously strengthening the value creation potential of our Bank and the banking group and by carrying out activities related to risk management in a prudent and transparent manner;
• Operational efficiency – developing reliable and efficient processes based on data and with a clear division of duties and responsibilities;
• Inspiring and attractive working environment - by creating an inspiring and innovative international professional community;
• Social responsibility – by supporting for positive aspects in the field of environmental protection, social issues and governance (ESG) in all its activities.

Credit risk

Credit risk is the most significant material risk the Bank is exposed to.

The process of identifying, continuous measurement, monitoring and control of credit risk is based on:

• consistent tools for scoring and ranking credit placements in order to standardize and improve credit assessment, as well as to establish a system of limits in line with the level of estimated risk;
• the process of regular monitoring of credit exposures harmonized with regulatory requirements, as well as with best practice standards and
• information system and analytical techniques that allow measurement of credit risk in all relevant activities and provide adequate information on the content of the loan portfolio, including the identification of possible concentration of risk.

In addition to adequate identification, measurement and monitoring and control of credit risk, the basic method of mitigating credit risk is ensuring the collateral for a loan. The

Bank's credit policies determine the types of eligible collateral in the form of funded and unfunded credit protection, whereas the conditions to obtain these collaterals, as well as the ratios for calculating the secured values in relation to the type of collateral for the purposes of loan processing, are in more detail regulated by other internal documents of the Bank.

The main types of collateral used by the Bank for the purposes of mitigating credit risk are: residential property mortgage, business property mortgage, pledge on equipment, inventory and receivables, letters of guarantee, financial assets (cash, securities) and sureties.

In accordance with the regulatory environment, which includes the expectations of domestic and international supervisory authorities, and as the Bank is a member of the OTP Group, the Bank has developed a framework for the identification and management of so-called ESG risks in the process of lending to the corporate clients (E- environmental, S-social, G-governance), as an instrument for the transition to a sustainable economy.

This process of lending to the corporate clients has been improved by introducing following elements:

• ESG Exclusion List – a list of activities and behaviors whose controversial nature and impact appear to be incompatible with the values of the OTP Group, i.e. whose funding is avoided;
• ESG Heat Map by sectors – contains a classification of economic activities with appropriate, predetermined categories of ESG risk;
• ESG risk assessment (individual assessment of ESG risk levels in the case of clients with materially significant amounts of exposure).

During 2022, in response to the challenges and growing risks in the international and local macroeconomic environment, the Bank adjusted its risk-taking framework, regularly assessed the possible impact of the aforementioned risks on the quality of the credit portfolio, as well as revised the assessment of expected credit losses, taking into account expected movements of macroeconomic factors and ensured an adequate level of provisions for those losses. Despite growing risks from the macroeconomic environment, the Bank realized a decrease of the NPL indicator in 2022, resulting in the value of the indicator of 3.36% as of 31.12.2022, as per the methodology of the National Bank of Serbia. The realised indicator was lower than the last year's by 0.6 percentage points, almost at the level of the NPL indicators of the banking sector, which is amounted to 3.2% in the third quarter 2022. The decrease in NPL indicators is the result of activities on the sale and collection of non-performing loans, write-off of bad assets that are fully impaired or assessed as non-performing, improvement of the loan portfolio quality, as well as by an increase in the performing loan portfolio.

Market risk

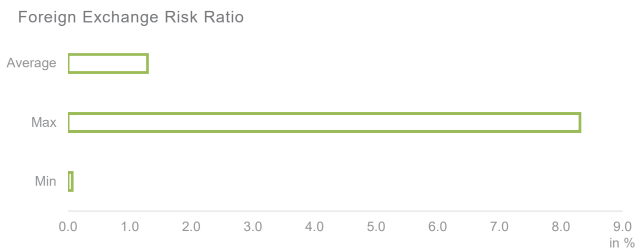
Market risk is the possibility of negative effects on the financial result and capital of the bank based on changes in the value of balance sheet and off-balance sheet items of the bank that occur due to changes in market conditions.

In terms of market risk, the Bank is exposed to:

• foreign exchange risk for all positions from which market risk can raise and which defines as risk of occurrence of negative effect on the bank's result and capital due to unfavorable movements of exchange rates and price of gold on the market,
• price risk based on debt securities arising from the trading book which defines as risk of occurrence of negative effect on the bank's result and capital due to changes of the market price (value) of the securities portfolio.

The Bank manages foreign exchange risk through a system of limits and continuous monitoring of compliance of FX positions with the limit. In addition, the Bank measures the foreign exchange risk indicator on a daily basis in accordance with the regulations of the National Bank of Serbia and maintains it within the prescribed limits.

In order to hedge foreign exchange risk, the Bank monitors daily changes in the market, pursuing a policy of low level of exposure to foreign exchange risk and monitoring the results obtained during the regular stress test which are reported to the ALCO, the Board of Directors and the Executive Board.



During 2022, the Bank has maintained the level of foreign exchange risk significantly below the regulatory level.

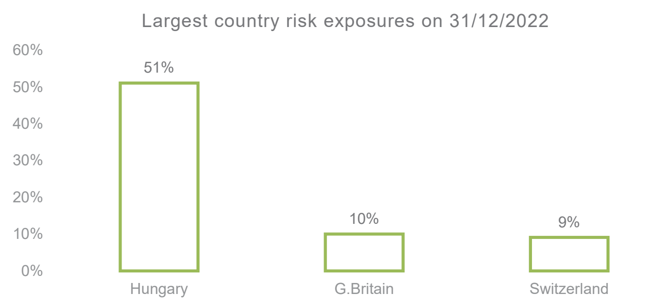
The trading book of a bank shall consist of all positions in financial instruments and commodities held either with trading intent or in order to hedge an exposure arising from positions in other financial instruments of the trading book and which are free of any restrictive covenants on their tradability or the ability to be hedged, as well as placements obtained for the purpose of making a profit from the difference between the purchase and sale price, i.e. on the basis of other price changes in a short period of time.

The Bank has positions in the trading book and accordingly has established and maintains appropriate functions of measuring, monitoring and controlling market risk, including:

• Market risk measurement processes that record all significant sources of market risk and assess the impact of changes in market risk factors in a way that is consistent with the scope of the Bank's activities. These measurement systems include VaR models and BPV models;
• Operational limits that ensure that exposures remain within levels which are consistent with internal policies and the Risk Management Strategy in terms of exposure to individual types of market risk, limitation of the open positions and establishing the stop loss limits;
• Measuring sensitivity to loss under stressful market conditions and taking these results into account when establishing certain limits for market risks;
• Adequate IT support for measuring, monitoring, controlling and reporting on market risk exposure with controls built into various risk measurement systems and applications;
• Reports that are regularly prepared and submitted to the Board of Directors, the Executive Board, senior management and all other relevant bodies.

Country risk

The bank is exposed to country risk for all types of financing in a foreign country, whether to the central government, a bank, a private company or an individual. Country risk is managed by the Bank through internally determined ratings, which represent the basis for establishing a system of limits on country risk exposures. Economic, political and other events and circumstances in the countries to which the Bank is exposed are continuously monitored and assessed. On average, the Bank was most exposed to Hungary.



Counterparty risk

The counterparty's risk is the possibility of negative effects on the Bank's financial result due to the counterparty to a transaction could default before the final settlement of the transaction's cash flows or settlement of monetary liabilities under that transaction.

The Bank has defined the basic principles for reporting, action that can be taken in case of exceeding the limit, as well as the methodology for determining the internal rating, determining the limit and the method of determining the maximum possible exposure to the certain counterparty.

The counterparty limit system consists of internal and regulatory limits. The counterparty limits are determined individually for each counterparty taking into account the result of the business analysis of the counterparty, the identification of a group of related parties and other relevant information that may be useful in determination of the acceptable level of the counterparty risk.

Operational risk

Operational risk is the risk of possible negative effects on the Bank's financial results and capital due to failure (unintentional and intentional) in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems in the Bank, and due to unforeseen external events. Operational risk also includes legal risk. Operational risk does not include strategic and reputational risk. Specific areas of operational risk include information system risk, unethical business risk (conduct risk), and model risk. The Bank's risk management system includes risks arising from the introduction of new products, services and activities related to the Bank's processes and systems, as well as risks arising from activities entrusted by the Bank to third parties.

Operational risk management includes activities for identification, monitoring and measurement of operational risks, which are carried out by monitoring the exposure to operational risk through:

• Collection of internal data on operational risks,
• Key risk indicators,
• Risk self-assessment,
• Scenario analysis,
• Assessment of operational risk when introducing / modifying new products and entrusting activities to third parties,
• Assess the impact of business interruptions.

Operational risk is an integral part of all products, activities, procedures and systems of the Bank. Operational risk management is an integral part of management functions at all levels and thus undergoes special methods of detection and assessment, definition of the limits, monitoring and control, all with the aim of developing appropriate risk mitigation measures and providing an opportunity to assess the risk profile of the Bank.

In order for operational risk management to be effective, it is necessary to have an appropriate management structure, led by a specialized Operational Risk Management Committee (ORC), as well as an appropriate organizational structure, based on the Operational Risk Management Department proposing policies, regulations, plans and procedures for operational risk management, as well as the necessary management tools (data collection, RCSA, Key Risk Indicators, Scenario Analysis, etc.).

For the purpose of calculating the regulatory capital requirement for operational risk, the Bank uses the approach of the basic indicator in accordance with the Decision on the capital adequacy of the Bank. Internal capital requirement for operational risk is quantified using a special approach based on internal losses and scenario analysis.

Business countinuity plan

In order to ensure business continuity, the Bank has implemented a Business Continuity Plan in order to enable uninterrupted and continuous operation of all significant systems and processes of the Bank, as well as limiting losses in emergency situations, and implies the existence of an alternative location (Disaster Recovery site). The Business Continuity Plan is based on business impact analysis and risk assessment. The key business activities for which it is necessary to maintain business continuity in emergency situations are identified. The Plan is regularly tested and updated in accordance with business changes, changes in products and activities, processes and systems, changes in the environment as well as changes in business policy and strategy of the Bank.

1.8

Liquidity management and interest rate risk

Interest rate risk

Interest rate risk is the risk of possible negative effects on the financial result and capital of the Bank based on positions in the banking book due to changes in interest rates. The main types of interest rate risk are: risk of repricing which means maturity mismatch risk (for fixed interest rate asset and liability items) and repricing risk (for variable interest rate items), yield curve risk, base risk and embedded options risk, i.e. optionality risk.

The interest rate risk management process involves monitoring, identifying, measuring and mitigating the impact that adverse interest rate movements may have on the Bank's result and capital.

In order to adequately manage interest rate risk, the Bank has established limits that are monitored on a regular basis. Compliance with the limits is reported to the competent committees. The Bank was in line with prescribed limits and thresholds during 2022.

Liquidity risk

Liquidity is the Bank's ability to provide sufficient liquid assets to unconditionally cover all due liabilities arising from balance sheet liabilities (withdrawal of deposits and other sources of financing), balance sheet assets (financing of new placements), as well as from off balance sheet items.

Liquidity management represents a continued process of reviewing needs for liquidity under different operating scenarios, as well as planning under extraordinary circumstances. It is the process of securing a satisfactory level of liquid assets on the basis of analysis of the demand for liquidity, on the basis of the results of stress tests, as well as changes in the balance sheet and off-balance sheet structure of the Bank.

The Bank in the liquidity management process shall attempt to:

• Continuously monitor and analyze all factors that affect the Bank's liquidity position;
• Maintain the required level of mandatory reserve in local and hard currencies in line with National Bank regulation;
• Continuously manage optimum daily liquidity by securing funds in sufficient amount and currency structure (for each currency) to secure smooth settlement of obligations, which includes an estimate of expected cash flows for a period of 30 days;
• Review and follow long-term liquidity position on the basis of liquidity gap projections, i.e. monitoring of matching of pecuniary inflows and outflows under balance sheet and off-balance items on the long term;
• Ensure diversification of sources of financing;
• Maintain liquidity reserves at an adequate level and in an adequate structure;
• Place liquidity excess in accordance with defined limits.

Liquidity level was significantly above minimum during 2022 while excess of liquidity the Bank has placed in debt securities issued by Republic of Serbia. In order to adequately manage liquidity risk, the Bank has defined limits for liquidity indicators. Liquidity indicators were in line with the defined limits.

Achieved liquidity indicators are presented in the following table:

Daily liquidity indicators	2022
Average during period	1.77
Highest	2.24
Lowest	1.44
On 31st December	2.05

In accordance with applicable regulations, the Bank also calculates Liquidity coverage ratio (LCR), which is a measure of the Bank's ability to provide sufficient liquidity assets in order to cover all due obligations under assumed stress conditions. The LCR was above the regulatory and internally prescribed limit in 2022, and on 31st December 2022 was 143.82%.

1.9

Capital management and capital adequacy ratios

The main strategic goal of the Bank in terms of capital management is to strive to use available capital sources economically and in accordance with the defined perspectives of the Bank's business development. The Bank's capital management policy gives priority to covering the Bank's potential losses, negative effects arising from exposure to risks, in relation to the realization of returns. In the process of capital management itself, the focus is on continuous monitoring of capital adequacy. The level of the Bank's capital that is considered adequate is the level of capital that ensures the implementation of the Bank's strategy and business policy and at the same time enables the coverage of all risks to which the Bank is exposed in its operations. Capital management is based on:

• The process of identification, measurement, i.e. risk assessment,
•Ensuring an adequate level of capital in accordance with the risks to which the Bank is exposed in its operations,
• Adequate incorporation of capital management into the Bank's management and decision-making system,
• Regular analysis, monitoring and verification of the Bank's capital management process.

The central function in the capital management process has the Bank's management - the Assembly, the Board of Directors and the Executive Board. The Bank's Assembly is responsible for deciding on all capital increases.

The Bank's Board of Directors is responsible for establishing a risk management strategy and supervising the risks assumed by the bank as part of its business activities, which are reflected to the level of bank capital adequacy, establishing a bank capital management strategy and adopting the Bank's business policy define the input data for the Bank's capital planning for the next business year.

As part of the capital management process, the Bank's Executive Board is responsible for incorporating capital planning into all business decisions and procedures related to business planning, timely informing the Board of Directors on capital needs and enabling adequate reporting to external bank supervisors on the level of capital adequacy.

The Bank's capital in 2022

The Bank's total capital consists of common equity TIER 1 capital, additional TIER 1 capital and TIER 2 capital.

TIER 1 capital consists of share capital based on ordinary shares, issue premium, revaluation reserves, profit reserves, losses from previous years, regulatory adjustments to the value of the Bank's share capital elements, intangible investments, deferred tax assets that depend on future profitability of the Bank except for those arising from temporary differences decreased for deferred tax liabilities and other deductible items defined by the Decision on Capital Adequacy.

TIER 2 capital consists of subordinated liabilities which are included in the Bank's TIER 2 capital in accordance with the valid Decision on capital adequacy.

In accordance with the current Decision on Capital Adequacy, the Bank is obliged to calculate the following indicators:

•an indicator of the common equity TIER 1 capital adequacy which is equal to the ratio of the common equity TIER 1 capital and risk assets and cannot be below 4.5%
• an indicator of the TIER 1 capital adequacy which is equal to the ratio of the TIER 1 capital and risk assets and cannot be below 6%
•an indicator of the total capital adequacy of the bank which is equal to the ratio of total capital and risk assets of the bank and cannot be below 8%.

Also, the Bank is obliged to maintain capital adequacy ratios increased in a way that allows it to cover the requirements for the combined protective layer of capital.

The Bank's risk assets represent the sum of the total amount of risk weighted exposures for credit risk, counterparty risk, price risk for trading book activities, foreign exchange risk, credit exposure adjustment risk for all business activities of the Bank and operational risk.

In 2022, the level of capital and the adequacy indicator had the following trend:

The Bank signed an Annex with OTP Malta on changing the maturity date of the subordinated line in the nominal amount of 3.5 billion dinars, so that this line could be fully included in TIER 2 capital of the Bank.

On 29.07.2022 the Bank's Board of Directors adopted a Decision on the application of a temporary measure related to the calculation of capital. Based on the decision, from July 31, 2022 until the end of 2023, the Bank excludes 70% of the amount of unrealized gains/losses based on changes in the value of debt instruments that are valued at fair value through other results in accordance with IFRS 9 from the calculation of the basic share capital, and whose issuer is Republic of Serbia, autonomous province and local self-government units of the Republic of Serbia.

Capital In 000 RSD	**31.3.2022**	**30.6.2022**	**30.9.2022**	**31.12.2022**
Total capital	**97,101,144**	**97,879,426**	**103,037,862**	**102,905,168**
Tier 1 capital	**83,971,640**	**83,203,738**	**88,373,124**	**88,252,718**
Common equity Tier 1 capital	**83,971,640**	**83,203,738**	**88,373,124**	**88,252,718**
Share capital	56,830,752	56,830,752	56,830,752	56,830,752
Issuing premium	2,564,892	2,564,892	2,564,892	2,564,892
Retained earnings	26,396,554	26,396,554	30,701,394	30,701,394
Losses from previous years	0	0	0	0
Revaluation reserves	-349,470	-1,151,976	-277,164	-221,678
Intangible assets	-1,178,910	-1,151,567	-1,160,199	-1,254,606
Deductible items related to DTI ratio and maturity exceeding in case of cash, consumer and other loans placed to retail segment	-248,105	-243,956	-245,272	-325,717
Deferred taxes depending on future profitability	0	0	0	0
Other CET 1 regulatory adjustments	-44,073	-40,961	-41,279	-42,319
Additional Tier 1 capital	0	0	0	0
Tier 2 capital	**13,129,504**	**14,675,688**	**14,664,738**	**14,652,450**
Subordinated liabilities	13,129,504	14,675,688	14,664,738	14,652,450
Total risk weighted assets	**478,957,145**	**492,523,824**	**499,558,030**	**487,276,502**
Total risk weighted assets for credit risk	428,419,066	442,250,932	448,684,292	431,414,167
Total risk weighted assets for market risk	358,574	211,333	457,675	2,610,050
Total risk weighted assets for operational risk	50,006,363	50,006,363	50,006,363	52,922,704
Total risk weighted assets for CVA risk	173,142	55,196	409,700	329,581
Total capital adequacy ratio 8%	**20.27%**	**19.87%**	**20.63%**	**21.12%**
Tier 1 capital adequacy ratio 6%	**17.53%**	**16.89%**	**17.69%**	**18.11%**
CET 1 capital adequacy ratio 4.5%	**17.53%**	**16.89%**	**17.69%**	**18.11%**

During 2022, the Bank maintained the level of capital adequacy within the regulatory framework.

The bank's net profit realized at the end of 2021 was 5,757 million dinars. During 2022, part of the profit in the amount of 1,452 million dinars was used to cover losses from previous years, while the rest of the undistributed profit in the amount of 4,305 million dinars was allocated to Other reserves.

1.10

Financial indicators of OTP Banka Srbija

In 000 RSD

Income Statement	2021	2022
Net interest income	15,363,612	21,137,140
Net fees and commissions income	5,706,835	8,270,905
Operating expenses*	-15,349,789	-14,759,143
Profit before tax	6,203,153	12,505,816
Profit after tax	5,756,661	10,861,689
Balance Sheet		
Cash and balances with central bank	90,624,576	140,512,381
Loans and receivables	502,204,203	543,705,172
Securities	53,814,367	41,472,668
Other assets	18,955,802	18,321,724
Total Assets	**665,598,948**	**744,011,945**
Deposits and other liabilities to other banks, financial organizations, central bank and other customers	549,559,206	618,758,933
Reserves	3,787,232	3,772,895
Subordinated liabilities	14,724,802	14,748,628
Other liabilities	6,513,807	6,373,503
Total liabilities	**574,585,047**	**643,653,959**
Total equity	**91,013,901**	**100,357,986**
Total liabilities and equity	**665,598,948**	**744,011,945**
Key performance indicators		
Capital adequacy ratio (CAR)	20.40%	21.12%
Net interest margin (total assets %)**	3.01%	3.00%
ROA**	1.47%	1.54%
ROE**	10.81%	11.35%
Number of employees	**2,789**	**2,692**
Number of branches and sub branches	**184**	**155**
Total assets market share	**13.2%**	**13.8%*** **

** Operating expenses include wages, salaries and other personnel expenses, depreciation costs and other expenses*

***Indicators for 2021 are adjusted for expenses related to integration and result of first 4 month of ex OTP banka*

**** as of 30.09.2022*

The OTP Banka is the second biggest bank in Serbia by assets and the leader on the local market in lending. Stable business performance of the Bank resulted in assets (balance sheet) increase, which on December 31, 2022 amounted to RSD 744,012 million, which represents the 11.8% increase compared to the previous year. Increase of loans and customers' receivables position, as well as funds placed with the central bank, had the most important influence on assets (balance sheet) increase. This increase has positively affected the loans market share that was on the level of 17.4% at the end of 2022 year.

Profit after tax in 2022 amounts to RSD 10,862 million which represents an increase of RSD 5.1 billion compared to the result of the previous year (if we include the result for the first four months of ex-OTP Banka, the increase would amount to RSD 2.9 billion).

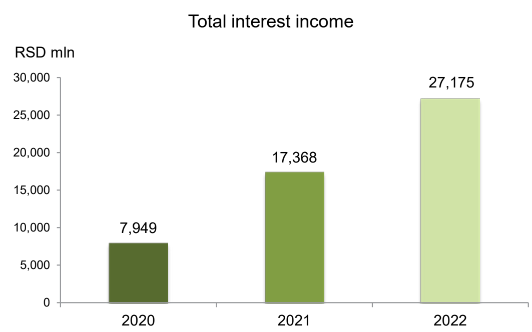
In 2022, the OTP Banka succeeded to maintain the capital adequacy ratio significantly above the minimum requirements, thus the ratio on December 31, 2022 year was 21.12%. Aiming to keep all business performance indicators in accordance with set limits, during 2022 year the Bank signed an Annex with the OTP Malta on the subordinated line maturity date change in the nominal amount of RSD 3.5 billion, so that this line could be fully included in the TIER 2 capital of the Bank.

INCOME STATEMENT

The Bank realized positive operating result (before impairment and taxes) in the amount of RSD 16,274 million in 2022 year, which is an increase of about RSD 9.7 billion compared to the previous year (if we take into account the result for the first four months of 2021 of ex-OTP Banka, the increase would amount to RSD 7.2 billion).

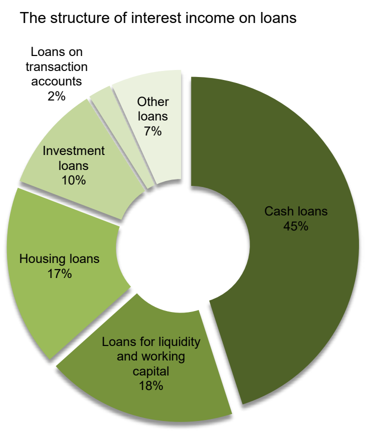
Income

The average key policy rate increase from 1% in 2021 to 2.6% in 2022 was also reflected in the increase in interest rates on the banking market. In accordance with that trend, the Bank has recorded interest income increase. Thanks to that as well as the Bank's intensive lending activity the total interest income in 2022 recorded the amount of RSD 27,175 million. This represents over a 50% increase compared to the previous year. If the income for the first four months of the ex-OTP Banka is added for 2021, an increase of 25% is noticeable due to increase in reference interest rates and due to increase of average performing loans volume.

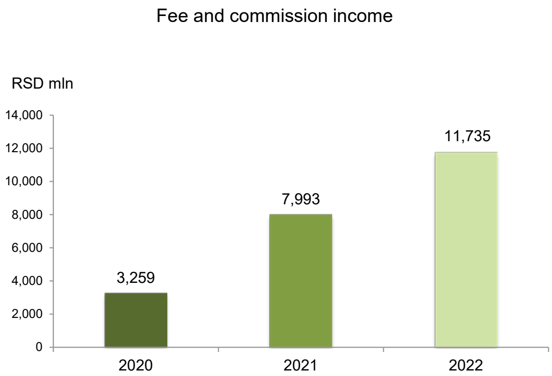


In total interest income structure, interest income on loans and government bonds have the highest share. Interest income on loans participate with 89.1%, and income from government bonds with 5.1% in total interest income.

Interest income on loans has the same share in total interest income as last year, but achieved an increase of RSD 8.7 billion compared to 2021. From the structural point of view interest income on cash loans participated with 45% in total interest income, while the housing loans and working capital and liquidity loans participate with 17% and 18% respectively in the total interest income.

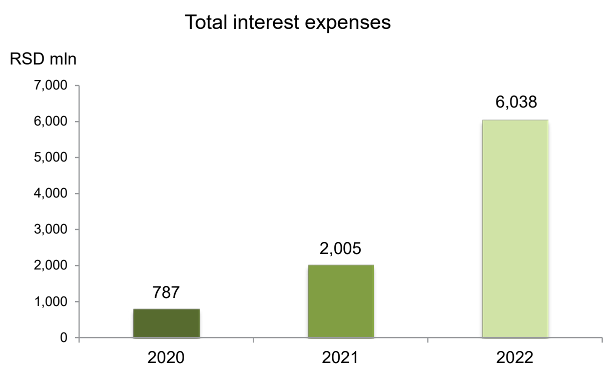


Fee and commission income in 2022 amounted to RSD 11,735 million, which represents a growth of 47% compared to the previous year, i.e. 21% if we look at the two banks combined for 2021. This is primarily result of income on payments and turnover fees, which make ~35% of total fee and commission income that is mainly performed by corporate clients. Also, significant participation in total fee and commission income have the cards transactions fees ~21% and the account maintenance fees ~17%.



Expenses

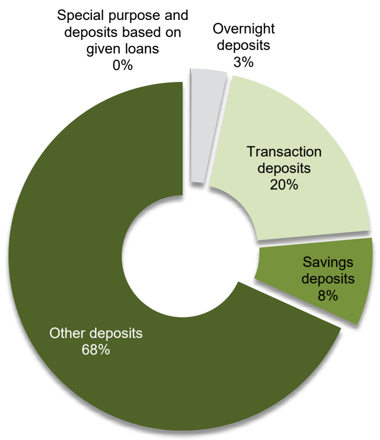
Total interest expenses in 2022 year are RSD 6,038 million that represents an increase of 201% compared to the last year, i.e. 139% if we look at the two banks combined for 2021, due to the increase in interest rates on the market as well as the significant amount of collected client deposits, primarily in the segment of companies and individuals.



In interest expenses structure the major part refers to interest expenses on deposits 76.9%, while interest expenses related to subordinated loans participate with 8.5%.

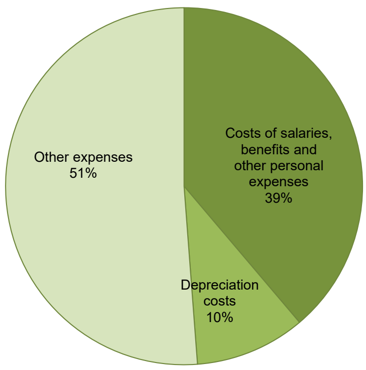
The largest share in the interest expenses on deposits have other deposits 68% followed by transaction deposits with 20% and savings deposits with 8% participation.

The structure of interest expense on deposits



Total operating expenses at the end of 2022 year were RSD 14,759 million that is below the 2021 year expenses by -4%. However, if we look at the two merged banks for the past year and add the costs for the first four months of 2021 of the ex-OTP Banka, this decrease amounts to 17.3% mainly coming from increased costs due to integration in 2021. In operating expenses structure, the major part take the other expenses, i.e. operating expenses 51%. Salary, salary related contribution expenses and other personnel expenses make 39% of total operating expenses, while depreciation costs account for 10% of the total operating expenses.

Structure of operating expenses - 2022



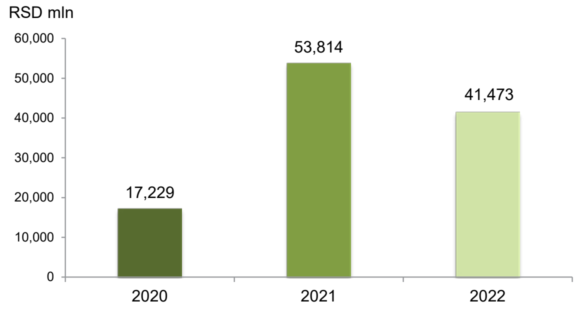
BALANCE SHEET

In 2022, the OTP Banka increased its balance sheet assets for RSD 78,413 million compared to the end of 2021 year, and thus managed to maintain its position on the banking market; this year it ranks second in the banking sector of Serbia in terms of total assets, and first place in terms of market share of net loans.

Securities

Securities, at the 31st of December, 2022 record a decrease of 23% compared to the 31st of December, 2021 and their share in the total assets is 5.6%.

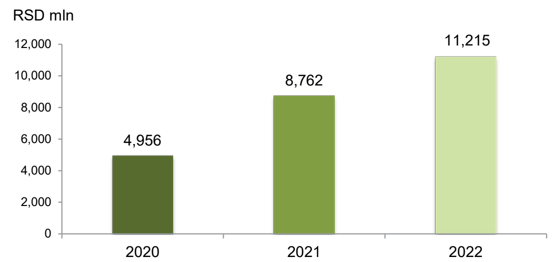
Securities



Loans and receivables from banks and other financial organizations

Net loans and receivables from banks and other financial organizations in 2022 are in accordance with achieved level of depositary and lending activities aiming to generate higher profitability of whole business.

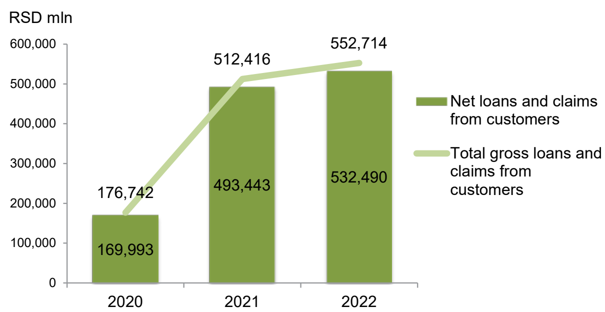
Net loans and receivables from banks and other financial organizations



Loans and receivables from customers

The OTP Banka increased the level of gross loans and receivables to customers during 2022 for 7.9% compared to the previous year. The increase in gross loans was recorded primarily in loans given to the corporate and housing loans given to the retail.

Loans and receivables from customers

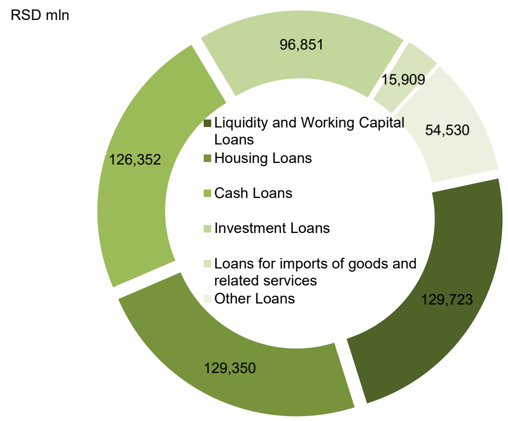


In terms of sectoral structure, in the structure of gross loans, corporate and loans to public entities contribute with share of 48.5%. The largest part of corporate loans are loans with a foreign currency clause and foreign currency loans.

Retail sector participates with 47.4% in total gross loans and receivables from customers. Cash loans represent the largest share in total gross retail loans of 48.2%, while mortgage loans took part of 49.4%.

From the products point of view, in the gross loans structure, working capital and liquidity loans have the largest share of 23.5%, while housing loans participate with 23.4% and cash loans with 22.9%.

Gross loans structure

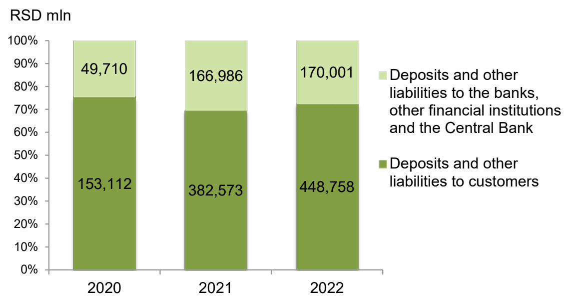


The ratio of gross loans to deposits from customers amounted to 123% as of 31.12.2022 and shows a decrease compared to last year (134%) as a result of an increase in deposits.

Deposits

Conditions for maintaining high level of liquidity and placement growth both to corporate entities and individuals were secured by increased level of deposits during 2022 year. Total deposits of the OTP Banka at the 31st of December, 2022 amounted to RSD 618.8 billion; the major part is coming from deposits from customers ~73%, while the financing from banks and other financial institutions was at the level of ~27%.

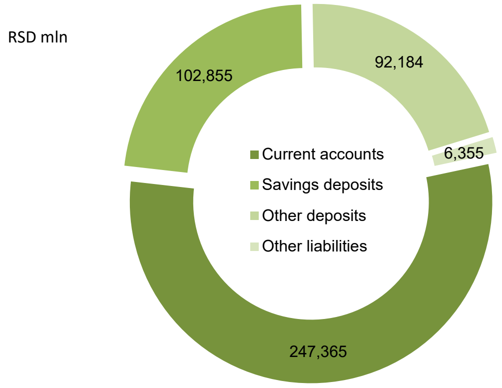
Total deposits of the bank



Savings deposits participate with 23% in total deposits, while transaction deposits have largest contribution of 55%.

FX deposits participate with 53% in total customer deposits, with the largest part referring to retail term FX deposits. On the other hand, deposits in local currency mostly come from legal entities.

Customer deposits and other liabilities structure



1.11

Plans for the future

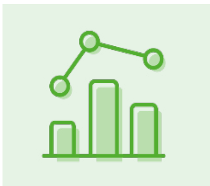
The OTP banka Srbija has defined the following strategic objectives for the 2023:

Four main strategic directions for the future:

1. BUILD AND IMPROVE DIGITAL CULTURE

2. DIGITIZE AND OPTIMIZE OPERATIONS

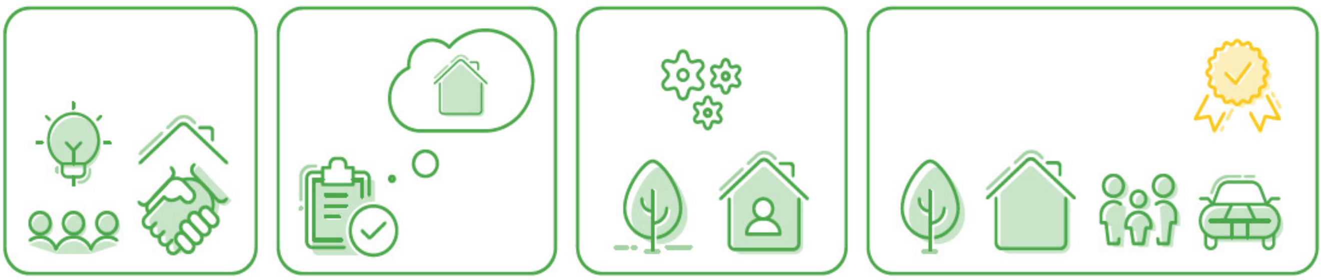
3. ENHANCE CUSTOMER SATISFACTION



4. IMPROVE DATA DRIVEN MANAGEMENT

- commitment to create a bank which will be a long-term choice of our clients;
- defines innovative and high quality products and services which will be offered to the clients;
- performing activities and overall business that our clients are accustomed to;
- corporate social responsibility and support to community, clients and socially vulnerable groups;

- strong risk management as a pillar of support in our Bank;
- the tendency to preserve the high capitalization of the Bank, while monitoring the internal indicators and indicators established by the NBS;
- maintaining optimal liquidity combining self-funding and group financing;



The vision of the Bank is to become the leader of the Serbian market in the customer service quality and innovative solutions with the following main attributes:

1. **STABLE**

2. **RELIABLE**

3. **CUSTOMER FOCUSED**

4. **INNOVATIVE**

Achieving this vision is only possible through the development and execution of a strategy that will not only transform the Bank into the leader of the Serbian market, but it will also support realization of a set of strategic KPIs. At the same time, it is important to nurture the bank's identified corporate values along the way:

1. **FOCUS ON CLIENTS**

2. **INNOVATIVENESS**

3. **EFFICIENCY**

4. **COOPERATION**

1.12

Significant events
after reporting date

There were no significant events and additional information after the reporting date that would require corrections or disclosures in the financial statements of the Bank for 2022.

Non-financial statement

for 2022

2.1

Foreword by the President of the Executive Board

Predrag Mihajlović

Dear Shareholders,

I believe that the previous 2022 was an extremely challenging year for all corporate and economy stakeholders, both in Serbia and worldwide. We faced the energy crisis caused by the war in Ukraine, which along with the pandemic crisis, had a multiple impact on the business environment. Despite all this, we managed to achieve record business results and this was also acknowledged by the international expert public with the Euromoney and The Banker awards for the Best Bank in Serbia. These annual accolades for the Best Bank are considered the market standard for excellence in banking and the most prestigious accolades in the financial world. When deciding on the best, financial experts and analysts compare banks' operations and evaluate success based on clearly defined criteria of market position, growth and performance, return on capital, strategic initiatives, technological development, and the quality and innovation of product and service offerings. As a result of the successfully implemented most complex integration in the region in the midst of the pandemic, excellent business results with growing profitability, operational efficiency and sound growth of the loan portfolio, OTP banka has distinguished itself as a leader on the banking market. In addition, one more prestigious magazine Global Finance proclaimed our Bank for the "Best Bank in FX Operations in Serbia in 2022", while the Euromoney magazine presented us with two more awards "Euromoney Market Leader in Serbia for Corporate Banking" and "Euromoney Market Leader in Serbia for Digital Solutions as highly regarded". Equally important, our projects and CSR activities have been recognized many times, which was made official at the very end of last year with the Socially Responsible Company Award in 2022, chosen by the Serbian Association of Managers.

All stated awards and accolades are yet another confirmation of our absolute commitment and expertise. We have succeeded in achieving record business results and a double-digit growth in all business segments with a total net loan balance of EUR 4.5 billion, with EUR 6.3 billion in assets, 2,692 employees and over 732,000 active clients. In 2022 the Bank achieved a positive operating result (before provisioning and tax) in the total amount of 16,274 million dinars. Retail loans increased by cca 6% comparing to 2021, with a market share of 18.9%. In the course of 2022, the Bank was a leader in the housing loan market with a total share of 22.1%. In terms of cash loans, the Bank also holds a leader position with a market share of 19.7%. Simultaneously, the Corporate Division managed to exceed the expected market share in the segment of placed corporate loans and achieve the level of 16.6%. Our strong support to the SME sector was demonstrated by signing the contract with the European Bank for Reconstruction and Development (EBRD) on the loan amounting to EUR 25 million for further lending to small and medium-sized enterprises (SME) in Serbia, primarily for SMEs operating in less economically developed areas of the country. We have additionally reinforced the position of the largest corporate and retail creditor, as well as the leader on the market of factoring, leasing and e-commerce services.

I am extremely proud to say that 2022 was the most successful year in the history of operations of OTP Group in Serbia. This also implies a responsible relationship towards natural resources and the environment, since sustainable banking rests on the premise that social and environmental objectives must be included in the creation of all financial policies and products. Precisely for this reason and in accordance with the Green Plan of the European Union, OTP Group has defined the ESG strategy pillars with the aim of becoming a regional leader in green financing and building a sustainable future. In June 2022, we at OTP banka Srbija adopted the ESG Sustainable Business Strategy, the implementation of which we have started and thereby committed ourselves to the fulfillment of set goals.

Our network comprising 155 branches in 91 cities and 268 ATMs is among the largest in our country, through which we want to maintain a personal contact with our clients. In 2022 we expanded accessibility for private banking clients by also opening a location in Novi Sad in order to provide comprehensive customer support in the domains of daily banking and investment services, as well as two OTP partner branches intended for partners, investors, brokers and third parties. At the same time, we are focused on innovation and digitization of operations, which provide clients with new benefits with a focus on enhancing digital banking and user experience.

We have defined the innovation strategy with four development directions and on this path we have realised more than 12 events with active participation of 1,180 colleagues. I would especially like to point out the format "INNOVATION Challenge", a challenge through which colleagues have the opportunity to learn how to develop ideas through different methodologies and thereby generate new ideas.

So far, there were 106 ideas during two challenges with active participation of 300 colleagues. This tells us that open communication exists among teams with an agile work principle and wish for creative thinking. I am glad that this was also recognised by HR professionals that presented to OTP banka the "Employer Partner" certificate, a prestigious HR accolade from consulting company "Selectio", as well as the "Human Driven Reshape" award for the best 2022 HR internship, for the BFF (back/front force) program, presented to us by ManpowerGroup.

Speaking of corporate social responsibility, we achieved excellent results and deservedly received numerous awards, which confirms that our activities and efforts to contribute to a sustainable future and a better and more humane society are recognized as examples of good practice. The Bank's priorities in this area are ecology, sports, culture, support to socially sensitive groups, financial education and support to smaller local communities. I would like to particularly single out the Generator Zero competition for innovative solutions aimed at reducing the carbon footprint, the social entrepreneurship fair Generator of Good Deeds, the literary competition for the first unpublished novel with the BOOKA publishing house, and the partnership on the global initiative "Priceless Planet Coalition" by Mastercard, which aims to reforest endangered areas of the planet. We have remained the official bank of the Olympic Committee of Serbia in the sixth Olympic cycle, as well as faithful institutional partners of the Galery of Matica srpska, and in 2022 we realized a large-scale monographic exhibition dedicated to the work of Uroš Predić, one of the most important Serbian painters.

Bearing in mind that we managed to complete 2022 with excellent results and initiatives, and knowing what challenging circumstances the whole world is facing, our awards have greater significance and give us optimism that we are ready to welcome the next year, determined to continue providing strong support to the economy and citizens.

Sincerely,

Predrag Mihajlović

2.2

About OTP Group

OTP Group is the fastest growing banking group in Central and Eastern Europe, with unique knowledge of the region to which it is strategically committed, with exceptional profitability and stable capital and liquidity position. With integrity and determination OTP Group is working towards helping the development of the Central and Eastern European region to become the continent's growth engine.

OTP Group is headquartered in Hungary and has a diverse and transparent ownership structure. The banking group has been listed on the Budapest Stock Exchange since 1995.

We strive to provide excellent financial services through digital innovation, artificial intelligence and data-driven insights. We use synergy within our group and act as a driver of digital transformation of the region. The banking group provides universal financial services to over 16 million clients in 11 countries and employs more than 35,000 employees.

OTP Group is an inclusive, diverse and progressive European employer. OTP Group's future-oriented operations and development efforts focus on environmental, social and governance sustainability, while simultaneously aiming to reinforce its position as the best employer in the CEE region. We are developing financial literacy programs for the entire Group, while working to enable sustainable development across the region.

The predecessor of OTP Bank, National Savings Bank, was established in 1949 as a national, state-owned bank for the provision of services related to retail deposits and loans. Its activities and powers gradually expanded over the following years. In 1990, the National Savings Bank became a public company with a share capital of 23 billion forints. Its name was changed to National Savings and Commercial Bank. Subsequently, non-banking activities were separated from the bank, along with their supporting organizational units. The privatization of OTP Bank started in 1995. The ownership structure is currently characterized by diversity - shareholders are mostly private and institutional (financial) investors.

OTP Bank started its international expansion targeting Central and Eastern European countries, which offer great potential for economic growth similar to Hungary. As the most active consolidator in the banking sector in the region, the Group has successfully acquired and integrated 23 banks since the early 2000s. Currently, the Bank is the market leader in Hungary, Bulgaria, Serbia and Montenegro, and as of 06 February 2023 it also became the market leader in Slovenia after closing the deal for the purchase of 100% of the Slovenian Nova KBM d.d. banka. Completion of the integration process of two Slovenian subsidiaries: SKB banka purchased in 2019 and Nova KBM banka is expected in 2024. New bank will be the largest foreign subsidiary of OTP Group.

In addition to Hungary and Slovenia, OTP Group currently operates in Albania (OTP Albania), Bulgaria (DSK Bank), Croatia (OTP banka Hrvatska), Romania (OTP Bank Romania), Serbia (OTP banka Srbija), Ukraine (JSC OTP Bank), Russia (OAO OTP banka), Moldova (Mobiasbanca) and Montenegro (Crnogorska komercijalna banka) through its subsidiaries. Additionally, in December 2022, the acquisition process of Alpha Bank Albania was completed, which further strengthens OTP Group's position on the Albanian market. Also, the purchase and sale contract on the privatization of the Uzbekistan's Ipoteka Bank was signed in the same period, by which OTP Group entered a new 12th market. With the rich experience from previous acquisitions, the Group will contribute to further development of this dynamic market with its innovative products and services.

For the first nine months of 2022, OTP Group's consolidated profit after tax stood at HUF 439.1 billion, which is higher by 18% compared to previous year. The adjusted 1-9M ROE stood at 19.1%. For the same period, the Group realized HUF 645 billion operating profit (+33% y-o-y). Total income for that period increased by 27% y-o-y, within that the net interest income increased by 25%, while net fee and commission income grew slightly slower, by 21% y-o-y and other net non-interest income grew by 59%.

OTP Group is a pioneer in digitization and has been proactive for nearly 30 years in the field of digital transformation of its business and implementation of new technologies in the financial market. The strategic focus on innovation has opened up the possibility of working with more than 1,500 startup companies within the OTP Startup Booster program, which represents the most extensive innovation program of the Group, and in which OTP banka Srbija also participates. The goal of the program is to create new and innovative solutions for specific banking and organizational needs, as well as for broader socio-economic challenges, through long-term partnerships between OTP Group and startups, which has been recognized by multiple awards for the best incubator and accelerator program in Europe.

Sustainability is at the very top of OTP Group's priorities, with the aim of avoiding negative impacts on the environment and society, and exploiting the business improvement potential. OTP Group identifies its priorities in the field of sustainability in accordance with global challenges and trends, as well as with the expectations of stakeholders. Identified priorities include focusing on products that have a positive environmental and social impact, as well as financial education. In line with the Green Plan of the European Union, OTP Group has defined the ESG strategy pillars with the aim of becoming a regional leader in green financing and building a sustainable future. The Group has also signed the Principles for Responsible Banking of the United Nations, which is a unique framework for the sustainable operation of this sector, developed through a partnership between banks worldwide and the United Nations Environment Program Finance Initiative. We have thereby joined the world's largest banking community focused on sustainable financing.

In addition to the Best Bank award in Serbia received by OTP banka Srbija, the world magazine The Banker, recognizing the ambitious strategy of expansion, digital transformation and customer orientation, also awarded the parent OTP Bank in Hungary, as well as OTP Group members in Bulgaria, Slovenia and Albania. The prestigious magazine Euromoney also recognized that OTP is the best bank in five markets by presenting the "2022 Euromoney Excellence Awards" as the Best Bank to OTP Bank in Hungary, Bulgaria, Moldova and Albania, which proves its international expertise and leadership position in Central and Eastern Europe.

over
16 million
clients

more than
35,000
employees

11 countries
in Europe

2.3

About OTP banka Srbija a.d. Novi Sad

In the year in which the world-renowned magazines "Euromoney" and "The Banker" have proclaimed the OTP banka for the best bank in Serbia record-breaking business results are recorded. These are traditional prestigious accolades awarded to financial institutions that provide clients with the highest level of service, innovation and expertise. As a result of the successfully implemented most complex integration in the region in the midst of the pandemic, excellent business results with growing profitability, operational efficiency and sound growth of the loan portfolio, OTP banka has distinguished itself as a leader on the banking market. Following the completed integration, the Bank managed to keep and enhance the position of the largest corporate and retail creditor in 2021 and 2022, as well as the leader in the market of factoring, leasing and e-commerce services.

Our comparative advantage and what distinguishes us in the banking market are the trust of our clients, the commitment of our partners, the expertise and dedication of our employees, with the strong support of the parent OTP Group.

In 2022 a double-digit growth in all business segments was generated with a total net loan balance of EUR 4.5 billion, with EUR 6.3 billion in assets, 2,692 employees and over 732,000 active clients. In 2022 the Bank achieved a positive operating result (before provisioning and tax) in the total amount of 16,274 million dinars. Retail loans increased by ca 6% y-o-y, with a market share of 18.9%. In the course of 2022, the Bank was a leader in the housing loan market with a total share of 22.1%. In terms of cash loans, the Bank also holds a leader position with a market share of 19.7%. Simultaneously, the Corporate Division managed to exceed the expected market share in the segment of placed corporate loans and achieve the level of 16.6%. Our strong support to the SME sector was demonstrated by signing the contract with the European Bank for Reconstruction and Development (EBRD) on the loan amounting to EUR 25 million for further lending to small and medium-sized enterprises (SME) in Serbia, primarily for SMEs operating in less economically developed areas of the country.

Our network comprising 155 branches (out of which two are OTP partner branches intended for partners, investors, brokers and third parties) in 91 cities and 268 ATMs is among the largest in Serbia, maintaining thereby presence in the entire territory of the country.

OTP banka pays great attention to corporate social responsibility and with reason it has positioned itself as a green transition leader in Serbia in implementing ESG principles of action. In June 2022, OTP banka Srbija adopted the ESG Sustainable Business Strategy, the implementation of which we have started and thereby committed ourselves to the fulfillment of set goals. In addition, we are finding innovative ways to achieve energy efficiency and on the roof of our central building we have a solar power plant so that the produced electricity goes directly to the EPS supply system. All branches are connected to a system that enables turning off lighting everywhere at the same time, and we have signed the contract on complete supply of electricity from renewable sources (100% ZelEPS).

Our strategy is based on the sustainability principles, through achieving balance between economic, social and environmental impacts. The economic growth is incomplete for us if it does not imply a responsible attitude towards natural resources and the environment. We undertake and support initiatives that prevent creation of negative impacts on the environment. We are pleased that this was recognized by the professional public with numerous recognitions and awards in 2022. OTP banka Srbija was proclaimed the Socially Responsible Company of the year at the traditional awards ceremony of the Serbian Association of Managers, as a company that showed an exceptional contribution and responsible behaviour towards the social community in 2022.
Employees are our most important resource, which is why it is extremely important for us to provide them with a stimulating

work environment that leads to their professional and personal development. Equal opportunities for all employees, respecting their opinion, examining their satisfaction, fostering team spirit, fair play relations and professional ethics are just some of the important values of our corporate culture. In this regard, we are also glad to have received the "Employer Partner" certificate, the prestigious HR recognition of the "Selectio" consulting firm, as well as the "Human Driven Reshape" award for the best 2022 HR internship for the BFF (back/front force) program presented to us by ManpowerGroup.

At the same time, we are focused on innovation and digitization of operations, which provides clients with new benefits with a focus on enhancing digital banking and user experience.

Working on the experience of our users is one of the key aspects of our activities. The manner in which we, as an organisation, treat our clients and provide them positive experience, impacts our reputation and business results to a large extent. We at OTP banka invest significant resources so as to recognise the needs of our users, level of their service and product satisfaction, but also what to improve in interactions with our Bank. We proudly emphasize that OTP banka is the first to have designed the system for continuous monitoring of its users' satisfaction, and in 2022 we received feedback from around 100,000 clients. We could make the conclusion from the answers received that clients most value kindness and professionalism of our employees, as well as the efficiency of the Bank's loan approval process, which confirms our leadership position on the market in this area. Based on the comments coming from our clients, we have implemented a series of changes and enhancements, the most important of which are: the look and functionality of the mBank and eBank applications, introduction of the EUR cash-out function at all ATMs of OTP banka, the possibility to cash-in dinars at ATMs at 32 locations throughout Serbia, enhancement of written communication from the Bank to clients, as well as improving the process for sending feedback to clients. By placing user experience in the focus of our activities, we want to show that we are committed to responsible business and building a satisfied and loyal client base. In support of our commitment and building a customer-oriented culture, the fact that the results of measuring client satisfaction with our services have increased by 18% compared to 2021 (according to the results of the TRI*M research, conducted by the IPSOS research agency) speaks for itself. Additionally, in cooperation with Google and Mastercard, during 2022 we have enabled to our customers swift, easy and secure payment by mobile phone via the Google Pay functionality.

A large number of initiatives and projects were realized throughout the year, of which are singled out the multiple-award winning Generator Zero Project, a competition for innovative solutions aimed at reducing the carbon footprint, the social entrepreneurship fair Generator of Good Deeds, the literary competition for the first unpublished novel with the publishing house BOOKA, and partnership on the global initiative "Priceless Planet Coalition" by Mastercard, which aims to reforest endangered areas of the planet. As the official bank of the Olympic Committee of Serbia, and in the sixth Olympic cycle, we realized a series of educational sports events "Olympic training with OTP banka" in Bor and Kruševac. We remained the institutional partner of the Gallery of Matica srpska and in 2022 we realized a large-scale monographic exhibition dedicated to the work of Uroš Predić, one of the most important Serbian painters.

OTP banka is a member of various business organizations and associations, through which it actively promotes highly ethical business standards and strives to contribute to the development of socially responsible and sustainable practices through specific engagement. Some of these associations are: Association of Serbian Banks, Serbian Chamber of Commerce, Serbian Chamber of Vojvodina, ACI Serbia, American Chamber of Commerce, French Chamber of Commerce, Responsible Business Forum, Serbian Philanthropic Forum, Association of Serbian Economists, Association of Economists of Vojvodina, Foreign Investors Council, Serbian Association of Managers, NALED, Serbian HR community, E-commerce Association of Serbia, Digital Serbia Initiative and Interactive Advertising Bureau (IAB). OTP banka is also a proud member of the Friends of UNICEF Club.

OTP Group also includes OTP Leasing Srbija, a leader in the leasing market by production, as well as OTP Osiguranje, which provides life insurance services through OTP banka, as an insurance agent. Non-financial data for OTP Leasing Srbija and OTP osigurnje are not included in this report.

The Bank is based in Novi Sad, at address Trg slobode 5, in the very city centre. OTP Bank Hungary is the 100% owner of OTP banka Srbija

The activities of OTP banka have directly contributed to the achievement of as many as nine UN Sustainable Development Goals.

Our representatives in the new convocation of management bodies of the Responsible Business Forum

Predrag Mihajlović, President of the Executive Board, was elected to the newly elected Presidency of the Responsible Business Forum (RBF), while Milena Mićanović, Head of Communications and PR, was elected to the Board of Directors. All members of the Presidency (three members) and the Board of Directors (five members) were elected based on votes of 20 out of 27 companies, members of the RBF, for a period of three years.

The membership of two representatives from the Bank's highest management in the newly elected convocation of management bodies of the Responsible Business Forum confirms the Bank's strong commitment to make sustainable and responsible business one of the priorities and most important indicators of the Bank's business success in the coming period.

"The Responsible Business Forum, of which the Bank is a long-term member, plays an extremely important role in the process of connecting, synchronizing and coordinating business, public and civil sectors, which represent key factors in the development of the entire society in the direction of sustainability. This synergistic role is of great importance for all members of the Forum, and the mentioned togetherness represents the best way to a better and more humane society", said Predrag Mihajlović, President of the Executive Board on this occasion.

Awards for OTP banka in 2022

OTP banka was proclaimed "Best Bank in Serbia" at the awarding of annual prizes by the world-renowned Euromoney magazine. This is the traditional Euromoney Award for Excellence 2022, awarded to financial institutions providing top quality services, innovation and expertise to clients.

"I am exceptionally proud that OTP banka has been awarded this prestigious award for Best Bank in Serbia. We are pleased that Euromoney magazine has recognized the importance of our business results and strategic orientation of our activities during one of the most demanding periods for the financial market. Behind us is the most complex banking integration in the region and we have achieved excellent business results with high profitability and continuous growth in all business segments. Our comparative advantage that distinguishes us on the banking market in clients' trust, determination of partners, expertise and commitment of our employees, with strong support of the parent OTP Group. This award is not just a great honour, it also implies responsibility to continue in the same direction in the forthcoming period, with the same enthusiasm", said Predrag Mihajlović, President of the Executive Board.

Just three months from receiving the Euromoney Award for Excellence 2022 for the Best Bank in Serbia, the world magazine Euromoney presented one more accolade to OTP banka "Euromoney Market Leader in Serbia for Corporate Banking". Taking into account Bank's operations in their entirety with a special focus on cooperation with the corporate sector, upon detailed analyses and interviews with colleagues from the Corporate Division the expert editorial jury of Euromoney magazine decided that OTP banka is one of the best choices for doing business in the corporate segment in Serbia.

At the traditional annual awards ceremony of the world financial magazine The Banker we were declared for The Best Bank in Serbia.

The Best Bank annual awards of the financial magazine The Banker, with almost a hundred years of business tradition within the global financial group Financial Times, are considered the market standard for excellence in banking and the most prestigious accolades in the financial world. Joy Macknight, editor of this magazine, stated on this occasion: "Pulling off a sizeable merger in the midst of a global pandemic is worthy of many tributes, which is part of the reason OTP Banka Srbija is the Bank of the Year 2022 winner for Serbia. In addition, it clinched the award with its strong financials, ESG strategy and the progress made in its digital transformation." When deciding on the best, financial experts and analysts compare banks' operations and evaluate success based on clearly defined criteria of market position, growth and performance, return on capital, strategic initiatives, technological development and the quality and innovation of products and services offered. Mr Predrag Mihajlović, President of the Executive Board received this prestigious award at the gala ceremony in London, which was held within the Global Banking Summit.

At the traditional awards ceremony of the Serbian Association of Managers, we were declared the Socially Responsible Company of the Year, as a company that in 2022 showed exceptional contribution and responsible behaviour towards the social community. The annual awards of the Serbian Association of Managers are traditionally presented to the best in Serbia - managers, employers, companies and individuals who advocate for the improvement of the business environment, the promotion of the managerial profession, best business practices and responsible business, as well as for a better life of all citizens as a whole.

“Benefactor 2022” is another recognition that we won as one of the most responsible companies in Serbia during the previous two years. This award is given as part of the “Best of Serbia” campaign organized by the Association “My Serbia” in cooperation with the Consumer Centre of Serbia and with the support of the City of Belgrade. The objective of the launched campaign is to encourage companies and individuals to invest in the development of the community in which they live and work, to protect the environment, as well as to help citizens in need of help. Another award for corporate social responsibility confirms that our activities and efforts to contribute to a sustainable future and a better and more humane society are recognized as examples of good practice.

2.3.1. Governance

In the spirit of responsible corporate governance, the Bank has in place guidelines to ensure that the Bank’s operations comply with internationally recognized corporate governance rules and standards and that public disclosure of data on its governance and operations makes it a transparent and verifiable company.

The Bank operates within an efficient corporate governance framework by establishing a unified system of authorizations, procedures, and controls, in accordance with the provisions of domestic regulations and best international practices, striving to protect the interests of all stakeholders in the corporate structure. The Bank’s priority is to create value for shareholders in combination with the implementation of socially responsible practices, activities, and initiatives.

In accordance with the Law on Banks, the bodies of the Bank are: the Assembly, the Board of Directors, and the Executive Board, of which the Board of Directors and the Executive Board are the governing bodies of the Bank.

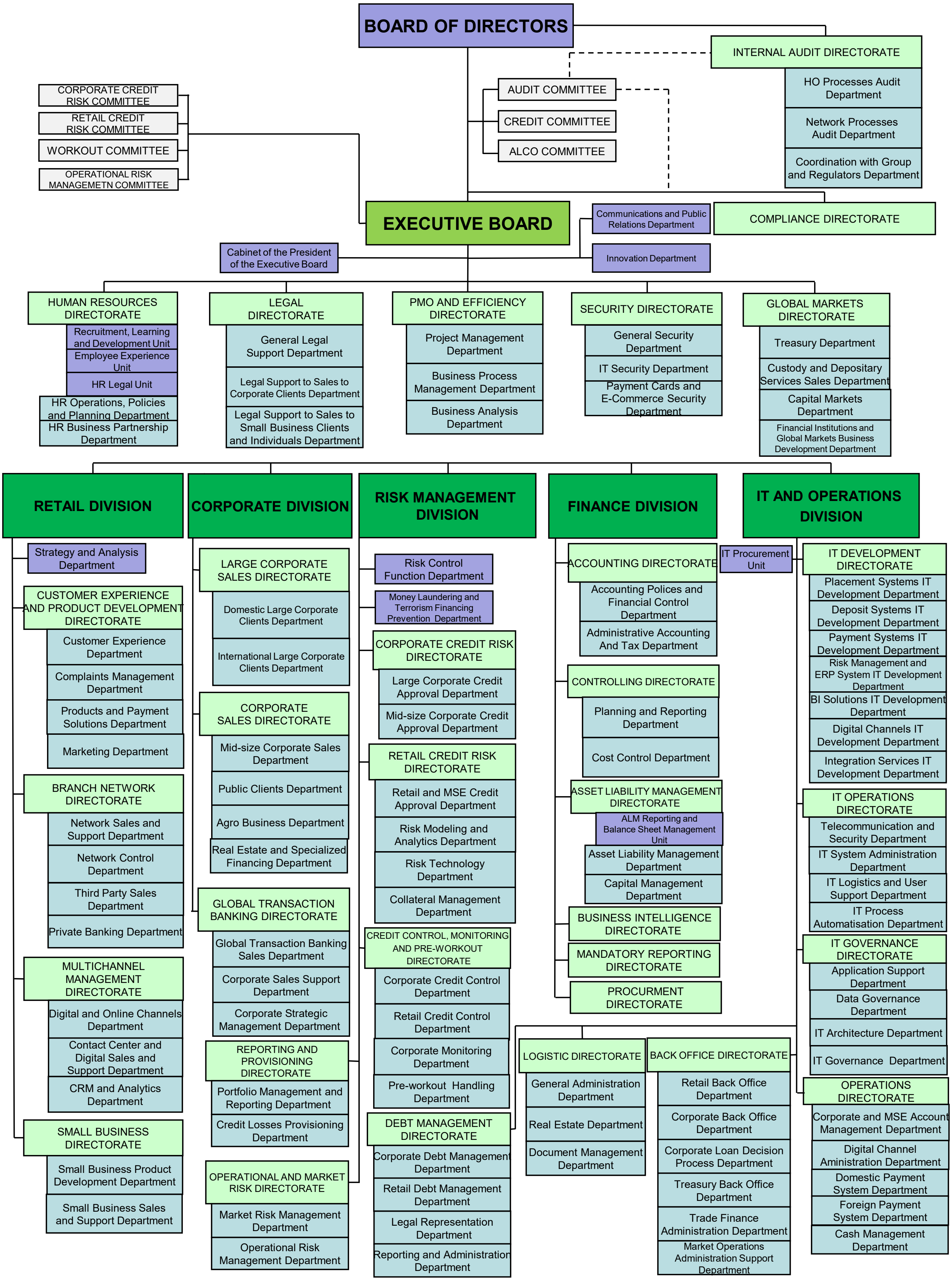
The Bank’s Board of Directors consists of 8 members. The mandate of a member of the Board of Directors is 4 years, with the possibility of reappointment.

The Bank’s Executive Board consists of 6 members. All members of the Executive Board are employees of the Bank, pursuant to the Law on Banks. The mandate of a member of the Executive Board is 5 years, with the possibility of reappointment.

All members of the Board of Directors and the Executive Board have been assessed by the National Bank of Serbia as persons with a good business reputation and appropriate qualifications. The Bank has in place Procedures for the appointment or reappointment of members of the Board of Directors and the Executive Board, which are in line with the Law on Banks and the Decision and Instructions of the National Bank of Serbia regulating this matter.

Details on members of the Board of Directors and the Executive Board of the Bank are publicly available on the Bank’s website https://www.otpbanka.rs/o-nama/rukovodstvo/

2.3.2. Organisational structure



2.4

Sustainability approach

Responsibility is the foundation of OTP bank's operations in all aspects. As one of the leading companies in the Serbian financial sector, we are aware that we play a significant role and affect the social and natural environment in which we operate. This is the reason why we base our business strategy to a significant extent on the principles of sustainable business through the realization of a balance between economic, social and environmental impacts and goals.

OTP bank's responsible operations are based on the following pillars:

• Responsibility towards the market
• Responsibility towards employees
• Environmental responsibility
• Responsibility towards the community

In line with the pillars of responsible business, we have identified the following stakeholder groups as the highest priority in the context of sustainability:

Clients - Creating innovative products tailored to the needs of our clients, measuring their satisfaction, as well as providing special financial support and incentives for vulnerable groups of clients are just some of the manners in which we contribute to the overall sustainability of the business.

Employees - Employees are our most significant resource, which is why it is extremely important for us to provide them with a stimulating work environment resulting in their professional and personal development. Equal opportunities for all employees, appreciating their opinions, questioning their satisfaction, nurturing team spirit, fair play relationships and professional ethics are just some of the important values of our corporate culture.

Suppliers - By empowering our suppliers and promoting sustainability in the supply chain, we contribute to employment and encourage the development of the local economy and local communities. We strive to maintain long-term partnerships based on equality and transparency.

Community - In addition to independently initiating projects aimed at the well-being of the community, we are involved in initiatives of wider social importance. Our priorities in this activity segment are supporting innovative projects and entrepreneurship, supporting sports, supporting projects in the field of preservation of cultural and historical heritage, contributing to financial education, as well as providing assistance to the local community, particularly the most vulnerable social groups. By joining local networks that promote sustainability as a healthy and desirable business model, we exchange best business practices and launch new initiatives. We believe that the successful development of the broader social community requires the joint action of the business, civil and state sectors.

Environment - By continuously improving energy efficiency, responsible resource management and reducing direct and indirect impact on the environment, we are implementing environmentally responsible practices. For us, economic growth is incomplete if it does not imply a responsible attitude towards natural resources and the environment

In line with the principle of materiality, and taking into account business objectives, broader economic and social context of sustainability, as well as the results of research on stakeholder attitudes, OTP Group has identified the following topics as material:

1. Socio-economic compliance of business
2. Anti-corruption
3. Economic performance
4. Prevention of anti-competitive behaviour
5. Market presence
6. Anti-discrimination

7. Public policies
8. Indirect economic impacts
9. Employee training and development
10. Safety and health at work
11. Diversity and equal opportunities
12. Employment
13. Labour rights – employee-management relationship
14. Safety practices
15. Product portfolio with social and environmental impact
16. Advertising and product labelling
17. Personal data protection
18. Local community
19. Business compliance in the field of environmental protection
20. Greenhouse gas emissions
21. Energy

OTP Group members follow the list of identified topics and adapt it to the local context if necessary. The approach of OTP banka Srbija a.d. Novi Sad to these topics, as well as relevant quantitative and qualitative performance indicators in these fields are described in the following chapters, while a tabular overview can be found in the GRI Index section.

The 2021 Annual Business Report of OTP banka Srbija a.d. Novi Sad also contains a detailed overview of the company's non-financial performance, which reflects the integration of sustainability into all aspects of business, and is in accordance with the requirements regarding non-financial reporting defined in the Law on Accounting of the Republic of Serbia.

2.5

Business ethics and responsible business practices

Our dedicated employees who possess corresponding knowledge and who act in accordance with high ethical standards are the basis of our success. All Bank employees are expected to perform their work in full compliance with ethical and professional standards.

Transparent operations, as well as harmonization of Bank and clients' interests, are of the greatest importance for business success. We are convinced that ethical business essentially contributes to increasing performance and competitiveness, as well as domestic and international reputation.

2.5.1. Compliance and anti-corruption

The compliance function is carried out in order to create a legal and ethical corporate culture which ensures prudent and ethical operations of the Bank in the long run. The rights and interests of the Bank, its employees and shareholders, clients and other persons entering into a contractual relationship with the Bank under any grounds are protected by observing statutory regulations, as well as anti-corruption and fair competition related requirements. In implementing the compliance function, the OTP banka applies the following principles: independence, integrity, unhindered operation, objectivity, preventive and proactive approach, risk-based approach, proportionality, high level of professional diligence and competence, full coverage, efficiency, rationalization of compliance costs.

Compliance and anti-corruption

Anti-corruption and compliance risk management are in the purview of the Compliance Directorate. Activities conducted within the compliance function encompass the Bank in its entirety as well as all its organisational units and activities. Persons who perform outsourced activities or who are engaged as experts or advisors, whether natural persons or legal entities, must also meet compliance requirements and standards.

Legislation and internal documents that govern the compliance and anti-corruption areas at OTP banka are: the Compliance Policy/Anti-corruption Rules as part of the Policy, the Code of Ethics of OTP banka Srbija a.d. Novi Sad, Law on the Prevention of Corruption, Law on the Agency for Combating Corruption, the Criminal Code, Law on Lobbying, Law on Protection of Whistleblowers, Law on Financing Political Activities, the Wolfsberg Group Anti-Corruption Guidelines.

The Compliance Directorate assesses exposure to compliance risks including corruption risk on a periodical basis. In addition to quantitative information and data, the risk assessment also considers quantitative aspects (for instance expert assessments, as well as assumptions and restrictions of the risk measurement model), therefore in its compliance risk management and evaluation process the Bank is not only limited to a subjective assessment, but it also relies on objective indicators. Based on the risk assessment results, the Compliance Directorate may give recommendations in order to mitigate identified risks and enhance management over this area. The Bank's management as well as the Parent Bank are informed on all activities of the Directorate in connection with this area through regular reports. Periodic controls-investigations are planned and implemented if necessary.

OTP banka Srbija is committed to preventing corruption and has declared zero tolerance for all forms of bribery and unfair advantages. No corruption act was recorded in the Bank in 2022, nor have public proceedings been initiated against the Bank or its employees.

Aiming to apply zero tolerance against corruption, the Bank applies the following procedural and business principles:

• In order to avoid concentration of decision-making powers with one person, the Bank strictly defines roles and responsibilities of employees with adequate and official determining of responsibilities and clearly setting decision-making levels;
• The Bank develops officially created procedures for the performance of specific activities by individual employees and requests implementation thereof;
• The Bank, in accordance with and to the extent permitted by legal provisions, monitors the activity and transactions of individual employees;
• In all cases where relevant policies require so, the Bank expects all employees to make decisions based on pre-defined criteria.

The activities that are most exposed to the risk of corruption are: management of gifts and expenses for hospitality for business purposes, charity and sponsorship, connecting with contractual partners, assuming contractual obligations, purchase, management and maintenance of investments and assets, employment, procurement, management and sale of real estate. The above list is not exhaustive and the Bank pays attention to all other activities that may pose a risk of corruption. The Bank performs risk-based assessment at predefined intervals to determine which organizational units and activities are subject to anti-corruption activities.

During the first half of 2022, the risk assessment performed pertained to the period from 30.09.2021-31.03.2022, and no significant risks were identified on that occasion. Based on the applied methodology, the cumulative risk of exposure to corruption indicators is low. For 2022 all directorates and branch network and business centre representatives stated that the risk of exposure was low, and that there were no corruption-related events in that period, which was also confirmed by expert assessment.

Gifts and other offers also represent a severe corruption risk. For the purpose of protecting against corruption, the Bank has clearly defined rules governing giving and receiving of gifts. The Bank considers that any attempt to influence an administrative procedure or decision-making independence in an inappropriate manner through gifts or offers of hospitality for business purposes is unacceptable and accordingly strictly prohibits the giving or receiving of such gifts or offers for the purpose of gaining an undue advantage. The Bank also extends this prohibition to persons who communicate with its employees or contractual partners in order to ensure that the persons in question cannot be influenced by their family members, friends or any other acquaintances who are closely related to them.
In the course of 2022, a training was held for all employees in the area of Ethics - receiving gifts entitled: Encouraging gift reporting.

The Bank pays special attention to ensuring that its employees and contractual partners are fully familiar with the Bank's approach to these policies as well as with the obligations arising therefrom for them. In 2022 all employees were informed on the adoption of a new version of the Compliance Policy with the Anti-corruption Rules as its Appendix, and of the Code of Ethics by their publication of the Bank's intranet page. The adoption and amendments of the stated acts are directly communicated to Directorate Heads. During the introductory training, all employees become familiarised with the stated acts. In cooperation with the Human Resources Directorate, the Compliance Directorate organised an online training for all employees in the first quarter of 2022. The aim of the training was to familiarize all Bank's employees and persons engaged in work by the Bank with: regulations in the area of ethics and anti-corruption, in the part related to receiving gifts, then with the basic operating principles of the Bank in the area of receiving gifts and anti-corruption, established controls and mechanisms of reporting actions that have elements of corrupt actions or conflicts of interest. Examples of prohibited and permitted receipt of gifts have also been presented. The frequency of training depends on the estimated risk to which the Bank is exposed, it is foreseen in the Annual Work Plan for the following year, and if necessary, employee training can be conducted more often.

The Bank publishes the anti-corruption rules on its website, and all clients, business partners and third parties are thereby familiar with them. In addition, provisions relating to compliance with the requirements and principles of the Code of Ethics and the Compliance Policy, which also include anti-corruption principles, are included in contracts with third parties.

Conflict of Interest

The Bank has an acquired business interest as well as a statutory obligation to ensure that the personal interests of its employees and members of its governing bodies are not in conflict with the business interests and obligations of the Bank and its clients; that the Bank recognizes, prevents and manages conflicts of interest related to its various business activities; and that it regulates and ensures the assessment of supplier compliance (supplier screening).

The Bank is developing a Conflict of Interest Management Policy for investment and ancillary services related to its investment services, ancillary services and related financial services, which lead or may lead to a conflict of interest that could potentially cause adverse consequences for the business partner. This Policy also defines detailed rules and measures that enable the prevention, identification, and management of conflicts of interest that may harm the business partner.

Code of Ethics

OTP banka's Code of Ethics formulates clear and unambiguous guidelines and expectations in the field of ethical operations of the Bank and its subsidiaries, all for the purpose of protection and preservation of the Bank's values.

The Bank has adopted the Code of Ethics of OTP banka Srbija a.d. Novi Sad, which is constantly changing and developing in accordance with external and internal changes and requirements. The Code of Ethics is based on international standards and best practices, as well as the Bank's own practical experience, taking into account the requirements imposed on the Bank and their practical implementation.

The binding corporate governance system of the Bank simultaneously contributes to the trust and satisfaction of clients, increasing the market value of shares and developing socially responsible behaviour.

Supervision of compliance with ethical rules in the Bank is performed by the Ethics Committee in accordance with the basic principles and expected behaviours set out in the Code of Ethics.

The Bank considers it extremely important to inform all its employees of ethical standards and develop awareness of the standards of business ethics, so in order to achieve that goal, it implements the so-called ethical distance learning (e-learning) training that includes all employees.

The Bank also regularly supervises and monitors compliance with ethical norms.

The Code of Ethics prescribes obligations to the Bank's management and members of the Board of Directors, the Executive Board and the Audit Committee, its employees, as well as business partners with whom the Bank has signed a contract. For the purposes of the Code of Ethics, the term business partner means representatives, experts, intermediaries, advisors, agents, subcontractors, and suppliers, i.e., companies, entrepreneurs and individuals who have established a contractual legal relationship with the Bank. All the abovementioned persons are obliged to act in accordance with the provisions of the Code of Ethics for the entire duration of the employment or contractual legal relationship - both during and after working hours.

In addition to the anti-corruption and conflict of interest provisions, the Code of Ethics covers other relevant topics, such as anti-discrimination, prohibition of abuse, safe and healthy working environment, etc., described in more detail in the following chapters.

The reporting channels defined by the Code of Ethics include the following manners:

• in person, during working hours in the Compliance Directorate
• by calling the ethical issues hotline on 021 /4894 906 during working hours - 8 AM to 8 PM, Monday to Friday
• by mail, to the address of OTP banka Srbija a.d. Novi Sad, Compliance Directorate (Trg slobode 7, 21000 Novi Sad)
• via e-mail to: etickapitanja@otpbanka.rs

All reports are examined in accordance with the applicable regulatory document of the Bank on reporting unethical conduct, which is published on the Bank's website. Persons reporting must not be subject to any discrimination or unfair treatment in relation to their reports. Violations can also be reported anonymously.

2.5.2. Product labelling and advertising

Product advertising is the responsibility of OTP banka's Marketing Department, while the Communications and Public Relations Department is also actively involved in the external presentation of products and services, whereby the Online Sales Unit is particularly engaged in targeted online advertising. Advertising is subject to checks by the Bank's Legal Directorate and the Compliance Directorate.

All OTP banka's products must be presented in accordance with local regulations, which includes, among other things, a fully transparent presentation of product functionality and all associated costs, if any, as well as the manner in which the right to some of the products or services can be exercised. Legislation related to this field includes the Law on Advertising, the Decision of the National Bank of Serbia on Detailed Conditions for Advertising Financial Services, and the Law on the Protection of Financial Services Consumers.

In accordance with the Decision of the National Bank of Serbia on Detailed Conditions for Advertising Financial Services, an advertising message promoting services provided by the bank under loan contracts, contracts on issuing and using credit cards, contracts on overdrafts, and other loan services, which contains an interest rate or any numerical data related to price or income - must contain a representative example with clearly and precisely stated information on the following:

• loan type;
• amount and variability of the annual nominal interest rate;
• effective interest rate (the amount of which must be presented so that it is more visible than other data);
• currency in which the loan is contracted;
• tenor for which the loan is contracted;
• loan indexation criteria;
• total loan amount that the beneficiary will repay at the end of the contracted period;
• all costs borne by the beneficiary.

OTP banka has adopted the internal document Social Media Rules, the purpose of which is to define rules for using the Bank's own platforms on social media and facilitate transparent, uniform communication of the Bank that is consistent with its brand. The rules apply to Bank's managers and employees who are in charge of managing the Bank's official platforms on social media or who officially represent the Bank on social media.

In addition, the Rules are also intended to provide guidelines to employees for the use of social media sites, whether for professional or private purposes, while protecting the reputation of both employees and the Bank, and the OTP brand itself. The Rules direct every employee of the Banking Group to use social media in an ethical manner with the aim of protecting the reputation of both the employee and the Bank and the OTP brand. The rules pertaining to an individual's behaviour on social media include both personal and professional communication. These Rules provide guidelines for the interpretation and practical use of the principles set forth in the Bank's Code of Ethics.

When publishing any content on its social media sites, the Bank always takes into account the public nature and long-term life cycle of comments. The Bank strives to participate in fair, honest and transparent communication; the content always complies with the Code of Ethics, does not give rise to the violation of personal rights or the violation of business or banking secrets, and does not represent political statements.

In line with relevant procedures, the Compliance Directorate participates in providing a preliminary opinion on the commercial practice and communication without standard elements and forms proposals for avoiding concerns and client protection risk.

The Bank pays special attention that the partners who mediate in its services fully comply with the user protection rules and provisions of the Bank's Code of Ethics in the case of any advertising material related to the Bank's products and services, including social media content. Likewise, in the case of partnerships established for commercial purposes, the Bank pays special attention to the implementation of rules on user protection and provisions of the Bank's Code of Ethics.

The Bank's Compliance Directorate may be reached at e-mail address etickapitanja@otpbanka.rs for the purpose of receiving notifications from employee should they notice any kind of behaviour or content on social media that violate provisions of adopted Rules or Code of Ethics. The Bank shall investigate any notification and concern reported in connection with social media content.

In the course of 2022, there were no recorded cases of not complying with the regulations in connection with labelling products and services and voluntary codes and standards at OTP banka. There were also no cases of not complying with regulations in connection with labelling products and services.

The Contact Centre (0800 23 23 22 and 011 30 11 555) is available to clients for all information on products and services, 8 AM to 8 PM on weekdays and 8 AM to 1 PM on Saturdays, toll-free for calls from landline and mobile networks in Serbia. They can also use the following e-mail addresses (stanovnistvo@otpbanka.rs for retail and privreda@otpbanka.rs for corporate clients).

In terms of complaint mechanisms, the Bank's goal is to ensure the prompt and efficient management of complaints in the best interest of its clients. The Complaint Management Department is responsible for this field, and the internal document regulating this topic is the Complaint Management Policy, published on the Bank's website. The Bank continuously monitors and acts in accordance with the laws and other regulations governing the protection of consumers i.e. financial services consumers, both in internal operations and in client relations.

Clients can submit their complaints via e-mail to prigovori@otpbanka.rs, as well as in all branches of the Bank, via the Contact Centre or post. Upon receipt of a complaint, the Bank will verify the allegations and respond to the client in writing as soon as possible, and no later than 15 days from the date of receipt of the complaint, or within 30 days in exceptional cases beyond the Bank's control. If the Bank fails to provide a response within the specified period or the client is not satisfied with it, the client may file a complaint to the National Bank of Serbia, Department for Financial Consumer Protection.

OTP banka reports to the National Bank of Serbia on complaints and the procedure for client complaints, in the manner determined by the National Bank of Serbia.

2.5.3. Protection of personal data

The Bank is committed to the proper protection of personal data that it processes, in accordance with the Law Personal Data Protection Act the Republic of Serbia, and where applicable (where it does not conflict with domestic legislation) the provisions of the EU General Regulation on the Protection of Personal Data. As part of that, the Bank has established, manages and implements a system for regulation, implementation and auditing, which ensures adequate protection of personal data by fulfilling the criteria established by the current legislation, and protection of the Bank's basic business interests.

The Bank has adopted internal acts that define the rules related to personal data processing activities carried out in the Bank and which additionally work on developing awareness among clients and employees about the protection of personal data in terms of protecting the rights and freedoms of individuals and their data, such as notifications about the processing of personal data, training and training programs, as well as other types of communication.

The Bank has adopted the Rulebook on the Protection of Personal Data, the purpose of which is primarily to summarize important provisions on the processing of personal data - and in particular the tasks and frameworks of cooperation of organizational units involved in data protection activities - collected, obtained or otherwise acquired by the Bank in the course of its business operations, performance of business activities or services provision.

The Bank has also adopted the Personal Data Protection Policy, which applies to all personal data of Bank clients that the Bank processes, i.e. for which the purpose and method of processing is determined, as well as to other natural persons who are interested in the Bank's products and those whose data the Bank obtains in the course of its business in accordance with applicable legal regulations.

By following relevant legal regulations on the protection of personal data as well as the recommendations of both national and European Union data protection authorities and the European Data Protection Board, the Bank ensures compliance with the best practices expected by authorities.

The Compliance Directorate is the competent center for privacy and protection of personal data (hereinafter: Directorate), which offers guidelines and provides support to the Bank's organizational units and subsidiaries with regard to the protection of personal data. A person responsible for the protection of personal data who is also head the Compliance Directorate has been appointed within the Directorate. According to the systematization, in addition to the person responsible for the protection of personal data, this topic is also tackled by two experts for the protection of personal data and an advisor for regulatory control of compliance, and these employees have been assigned to providing support to the person assigned to protection of personal data and the performance of his tasks. Also, the IT security department and the CISO (Information Security Manager) perform information security and incident management tasks defined under the Rulebook on the Protection of Personal Data, which are the responsibility of the IT Security Department.

The independent legal status of the Data Protection Officer ensures that matters related to the protection of personal data are considered at a high level. Personal Data Protection Officer / Employees of the Personal Data Protection Team provide data protection legal assistance to data owners regarding preparation of data processing documents previously prepared and drafted by the data owner, and participate in their completion. Data owners are employees of the processing unit specially designated to perform tasks of the controller in connection with the processing operations under the responsibility of the processing unit, or with the part of the processing under the responsibility of the processing unit and in a manner defined under the Rulebook for the Protection of Personal Data or any other internal acts that refers to processing. Data owners must know the reason for processing personal data, the legal basis of processing and their movements through the system under their competence. The Directorate has initiated with the competent heads of

Directorate the process of reviewing data owners in front of relevant organizational units that use existing or create new data in relation to the given purpose of processing, within the data management project. The goal is that employees who will be in charge of these activities are well aware of the reason for processing personal data, the legal basis and their movement through the system in the part of their competence, and to decide on the most effective approach from the aspect of resource use.

Personal data protection person/ Employees of the Personal Data Protection Team coordinate and facilitate uniform interpretation of data protection principles within the Bank and its subsidiaries, establishment and maintenance of uniform data protection practices, including coordination between individual data owners or between the Bank and its subsidiaries. Person assigned to personal data protection/ Employees of the Personal Data Protection Team ensure monitoring of changes in the Law and regulations related to personal data protection; monitors, applies and verifies the provisions and decisions of the Commissioner and the European Data Protection Committee (where applicable) in relation to the Bank's practice, and provides information to data owners regarding related changes for the purposes of keeping records of processing actions and periodically reviewing their legal background through information about changes in legal regulations and administrative practices.

In 2022, the Directorate provided support to part of control of the contractual documentation and its harmonization with the provisions on the Law on Personal Data Protection, and also by participating in various projects of the Bank and related workshops, giving opinions on the prepared assessment of the impact of the intended processing actions on the protection of personal data, Explanations in connection with the assessment of the fulfilment of conditions in the area of personal data protection, as well as regarding two tests of the assessment of legitimate interest.

In 2022, the Directorate implemented trainings on the protection of personal data aimed at raising awareness of employees regarding personal data protection. Training has been provided at Head Office of the Bank and referred to determining the data owner.

Every year, the Directorate conducts a risk assessment of personal data protection through certain risk indicators, to look at possible errors in the implementation of operational tasks and deficiencies in control mechanisms, which is a good basis for looking at the approach to managing the processing of personal data in the bank's organizational units. For year 2022, the risk of personal data protection has been assessed in the "not relevant" category, which means that no different action is expected from what has been foreseen.

The Bank performs legal, transparent and fair personal data processing by implementing the following activities:

1. In a clear, simple and all-encompassing manner, informs the Data Subject about the purpose of the processing and the legal basis for the processing;

2. Only necessary processing is performed in order to implement the contract concluded with the Data Subject (e.g. Clients, prospect clients, hired associates, etc.), followed by processing required by the appropriate legal regulations and representing the legal obligation of the Bank as a controller, the processing that is necessary for exercising legitimate interests of the Bank, but only in cases where that interest prevails against the interest of the Data subject, as well as the processing made on the basis of the explicit and freely given consent of the Data subject.

The Bank processes personal data for specific, explicit, justified and legal purposes. Personal data may not be processed further in a way that is inconsistent with those purposes. In obtaining personal data, the bank adheres to the principle of minimum data volume, so that only those personal data that are necessary for the fulfilment of purposes for which they are processed are collected from the data subject. In the event that additional personal data is necessary, it may be obtained with the consent of the Data subject. The bank ensures the accuracy of personal data by applying technical and organizational measures and periodical updating of data. Data retention periods are determined in the internal acts of the Bank whereby the data is stored for a period necessary to attain the purpose of the processing and complies with legal requirements.

Personal data is considered business secret of the Bank and is classified as confidential data. In accordance with related classification, adequate protection measures are applied to protect these data from violation, unauthorized access, accidental loss, destruction, damage, and any other security threat. For these purposes, technical and organizational measures are being applied, such as control of access rights, establishment and implementation of the information security policy and other related internal acts, the establishment of a system of separation of duties, establishment and assurance of fulfilment of obligation of confidentiality and compliance with the law of all third parties who hold access rights. Personal data in the Bank's information system, the application of methods for monitoring access and activities in information systems, as well as the application of software solutions for the protection of information resources.

In the event of a personal data breach that results in or may result in the accidental or intentional destruction, loss, alteration or unauthorized disclosure of personal data during their processing, and which may result in a high risk to the rights and freedoms of natural persons – data subjects, the Bank will immediately upon becoming aware of such violation, without undue delay, inform the Commissioner and the data subject in a clear and comprehensible manner with the mandatory indication of the contact information of the authorized person for the protection of personal data, a description of the possible consequences and of the measures taken. In case of breach of personal data, the Bank will immediately take appropriate measures in order to prevent further damage to the rights and freedoms of the data subject and to reduce the related consequences.

The Personal Data Protection Policy defines how the data subject, processed by the bank can exercise their rights. The data subject can exercise their rights by completing the request for the exercise of rights. Requests for the exercise of rights can be obtained from any of the Bank's branches or on the Bank's website, in the section provided for data protection. The submitted request should be legibly and properly filled out and signed (in the case of sending the request electronically, it must be signed with a qualified electronic certificate). The signed request for the exercise of the rights of data subjects may be submitted at any Bank branch. The bank will immediately respond to the request but no later than within 30 days from the date of receipt of the complete and correct request. The deadline can be extended by another 60 days if necessary, taking into account the complexity and number of requests. The Bank will notify the data subject of the extension of the deadline and of the reasons for such extension within 30 days from the date of receipt of the request.

The data subject may also submit the request electronically by sending the request for exercising rights to the email address which the bank designated for these purposes. (zastita_podataka@otpbanka.rs).

Detailed information on the Personal Data Protection Policy, notices of individual processings, as well as terms of addressing requests for exercising rights are publically available on the Bank website.

Relying on experiences acquired by investigation of complaints submitted in relation to data protection contributes to the development and improvement of data protection in relevant areas.

During 2022, two complaints were received in connection with the violation of the right to privacy and protection of personal data, which were determined by the prescribed procedure to be founded from the aspect of personal data violation. In the same period, there were no cases in which personal data was lost or stolen.

2.5.4. Accessibility of financial services

Following global trends in the digital banking segment, OTP bank pays special attention to the development of digital culture, with the aim of improving the accessibility of services and financial inclusion, which for us is an important business, but also a wider social issue. Caring and thinking about customer needs with the aim of providing a good user experience are our most important guidelines.

The four strategic objectives of OTP bank include:

1. building a digital culture
2. Improving client experience
3. Digitalizing and improving operations
4. Establishing data-based management

The following services to natural persons are fully available online, without coming to the branch

• cash loans with fixed interest rate
• Overdraft online
• Online opening of saving account and term depositing your funds
• Online creation of standing order for payments
• Online video surveillance with the bank – every working day between 8.00 and 18.00h and on weekends from 09.00 to 13.00h.

On the corporate side, the Hal E-Banking service has been enabled. The entire process of preparation, issuance, sending and receiving, as well as payment occur exclusively in electronic format through a standard security channel. This is a very useful functionality within cash management, and on a monthly basis our Bank has more than 20,000 e-invoices.

Accessiblity for disabled persons

In addition to improving accessibility through digital channels, we are also committed to improving physical accessibility to our facilities - 40 branches of OTP Bank are accessible for disabled persons. In addition, 29 employees have been trained within our network to use language signs.

Digital channels

After several months of committed work and research, OTP Bank launched a completely new and technologically improved m-bank application in 2022. The application provides a high level of performance and security, improved new functionalities, and a modern, intuitive and accessible design that will provide users a unique level of user experience.

Some of the numerous and improved features include high visibility and quick navigation, payment confirmation through face recognition or fingerprinting, dark mode of the application and improved locator of branches and of ATMs. Simpler management of quick payments, as well as downloading and sending confirmations through the application is also enabled.

Users are provided with improved forms of information display, such as overviews of transaction details including the name of the payer or recipient, description, account number, amount, currency. ApplePay activation is also available just a few clicks away, as well as the setting of "push" notifications as prevailing manner of receiving notifications of account changes.

The special value of the new m-bank application is the fact that it was tailored to the wishes of our clients, since their suggestions were taken into account and implemented during the creation.

For all users with access to automatic update of the m-bank application on their phone, the installation will be carried out by itself, and in case mobile device do not support this option, it can be downloaded from Google Play, Apple Store and AppGallery.

In cooperation with Google and Mastercard, we also enabled our customers to pay quickly, easily and securely by mobile phone via Google Pay. This service has been available to OTP Bank Mastercard payment card users since August 23 and is available in phones and smart watches that support NFC technology.

Users will be able to store debit cards in Google Pay as part of Google Wallet, a digital wallet that was launched in Serbia today. All that is required to install is to add a debit card to the Google wallet application (which can be downloaded from the Google Play Store) and then click on the "+" sign. When an OTP Bank client adds his card to his device, they can immediately start using Google Pay by touching the device to the POS terminal.

Thanks to the security measures that have been developed, unlike traditional payment cards, Google Pay does not allow merchants to see the card number, and a new token is generated at each transaction, so the card data remains concealed.

Back in 2019, OTP Bank was one of the first banks to introduce the option to use a mobile phone with the Android operating system as a payment card in the form of the mCard service, which implies payments via a digital Mastercard within the mBank application, while it enabled users of the iOS operating system, i.e. iPhone, Apple Watch, iPad or Mac device to use Apply Pay service.

We also successfully implemented the project of introducing a chatbot on the Viber platform, and from now on, in addition to Facebook Messenger, our clients can talk to Oti - OTP Bank's digital assistant on Viber as well. Chatbot is constantly "exercising" and is improving, so that our clients can quickly and easily fulfil their daily banking needs. In addition to Oti, we also opened a channel on Viber called OTPriča, where we bring all the activities, products and services of our bank closer to clients through interesting and useful posts.

OTP partner branches in Belgrade and Novi Sad

OTP partner branch is a specialized branch intended for partners, investors, brokers and third parties who cooperate with the bank in the sale of products and services. It is an innovative and unique way of providing banking services on our market, which makes the bank a pioneer in this area. The first two OTP partner branches opened in 2022 in Belgrade and Novi Sad.

At issue is a new and different concept that makes us pioneers on the domestic market, which will increase the visibility and accessibility of the bank to potential partners. The concept is designed in order for the bank's partners to recommend OTP Bank to clients from the retail segment (through marketing activities) and assist, if necessary, in taking the bank's product or service. Clients visit this specialized branch at the exact scheduled time with maximum consideration and appreciation of the client's time, when it is necessary to sign the documentation.

OTP partner branches in Belgrade and Novi Sad are located near the Belgrade and Novi Sad fairs, in order to enable partners to be close to representatives of companies that sell cars, furniture, technology, and the construction sector, as well as numerous investors who visit fairs that are of crucial importance for these industries.

Accessibility is lesser developed areas

We are aware of the importance of financial services availability, and therefore we strive to put a presence in all regions of Serbia. Out of a total of 155 branches that make up our network, 29 of them are located in underdeveloped municipalities, and 15 in extremely underdeveloped municipalities (according to the official stated classification). In addition, 39 ATMs are available to clients in underdeveloped municipalities, and 17 ATMs in extremely underdeveloped municipalities.

Improving the housing loan approval process

The project to improve the housing loan process was one of our bank's strategic projects in 2022. We tried to observe the process "from the shoes of our clients", and thus recognize what could be further improved/changed.

An optimized, transparent and largely automated loan approval process is recognized as one of the basic tools for achieving the main goals of the project:

1. Enhancing client satisfaction by providing timely and uniform information on loan conditions (which they need to satisfy in order to submit the request and the necessary documentation) and improving response time to requests for loan approval/disbursement;
2. Increasing the satisfaction of the employees participating in this process through an optimized process (changed organizational division of roles within the bank) with improved system functionalities, which will increase the quality of loan requests, and also facilitate work and shorten the time required for the implementation of activities of the participants in the process.

Although extremely complex, the project was completed and implemented within the required period - all changes/improvements were put into production by November 16, 2022.

Some of the most significant improvements for clients include: the list of required documentation adapted to clients and required loan structure. The client/prospect receives a more comprehensive list of required documentation, which is filtered according to the type of employment, length of salary in OTP Bank, residency and parameters related to the subject of the purchase, i.e. loan security. Within the list of required documentation, the client/prospect will also receive guidelines related to the essential elements of the sales contract and other information relevant to individual documents from the list. The client chooses the due date of the loan instalment and can do so when submitting the application or on the day loan release, so that the instalment date is aligned with the client's needs.

Client satisfaction

Working on the experience of our users is one of the key aspects of OTP Bank business operations. The way we as an organization treat our customers and provide them positive experiences greatly affects our reputation and business results. We, at OTP Banka, invest significant resources in order to recognize the needs of our users, their level of satisfaction with services and products, and also possible improvements in interactions with our Bank.

We are proud to highlight that OTP Bank has been the first to come up with a system for continuous monitoring of client satisfaction, and during 2022 we received related feedback from around 100,000 clients. From the answers received we could conclude that clients most value the kindness and professionalism of our employees, as well as the efficiency of the bank's loan approval process, which confirms our leader position on the market in this area.

Based on the comments of our clients, we implemented a number of changes and improvements, the most important of which include:
- Appearance and functionality of mBank and ebank applications
- Introduction of the euro payment function at all ATMs of OTP Bank
- The possibility of paying dinars at ATMs at 32 locations throughout Serbia
- Improvement of written communication from Bank to clients
- Improving the process of providing feedback to clients.

By putting user experience in the focus of our activities, we want to show that we are committed to responsible business operations and building a satisfied and loyal client base. In support of our commitment and building a client-oriented culture, the fact that the results of measuring client satisfaction with our services have increased by 18% against 2021* (according to results of TRI*M research, conducted by the IPSOS research agency) speaks for itself.

2.6

Responsible financing – financial services aimed at sustainability

Sustainable banking involves a fundamental change in the initial thinking that social and environmental goals must be included in the creation of all financial policies and products. ESG principles have a direct impact on all aspects of the operations of financial institutions. By giving their example, banks have the opportunity not only to finance green projects, but also to strengthen the real economy in green transition. Commitment to ESG principles is expected to increase both employee satisfaction and brand loyalty, as commitment to sustainable banking ensures additional confidence with clients and the public at large.

In accordance with the Green Plan of the European Union, OTP Group has defined pillars of the ESG strategy with the aim of becoming a regional leader in green financing and building a sustainable future.

In November 2020, OTP Group launched the ESG Program with a focus on alignment with EU and national standards related to ESG regulation, ensuring effective implementation of initiatives and projects aimed at sustainable business, capacity building and knowledge transfer for their successful application in this broad area, with the expansion of its ESG Program to all its subsidiaries. In parallel, it developed a framework for identification and management of ESG risks in the process of corporate lending, as an instrument for the transition to a sustainable economy.

As part of the OTP Group, the bank takes active part in the Group's processes for the establishing ESG programs and progress towards green transition.

As part of the risk management function - one of the components of the internal control system - in September 2021, and in accordance with the foregoing principles of the Group, the Bank adopted its Framework for defining and managing activities related to ESG risks in the loan approval and monitoring of corporate clients. Thus, the lending process was improved by introducing the following elements:

• ESG Exclusion List - The ESG Exclusion List aims to identify clients and activities posing a high risk for the environment, society, and reputation, including activities and behaviors which controversial nature make them incompatible with the values of the Bank and the Group in their endeavor to protect human rights and promoting sustainable development.

The bank will not directly engage in such business activities, including granting loans, which are known to contain elements of human rights violations and/or damage to the environment, i.e. which fall under the ESG Exclusion List. In such violations are noticed among existing clients, the Bank will negotiate corrective measures and steps aimed at preventing new violations in the future.

Screening of clients according to the ESG Exclusion List is required for all credit products (including trade finance, documentary business, as well as factoring and leasing products). In the middle of 2022, the Bank complemented its overall statement on risk tendency/appetite with a new Statement on the tendency of the Bank towards ESG risks, in the sense that it has no appetite/tolerance for lending to clients engaged in high risk activities for the environment, society and reputation Banks, under the ESG Exclusion List.

• ESG Heat map by sector – contains a classification of economic activities by appropriate ESG risk categories, based on the so-called NACE activity codes, and on their impact on life and the social environment, by grouping all activities into 4 categories of ESG risk: as low, medium, medium-high and high ESG risk.

In addition to the classification of clients into the specified categories of ESG risk based on the predominant activity they perform, the categorization of ESG risk by transaction is carried out, whereby in addition to the factors of the respective ESG risk category of the client, the remaining duration of the transaction is also taken into account, by classifying them into short-term, medium-term and long-term. Cross-referencing the ESG risk categories from the ESG heat map by sector with the remaining duration categories ensures a quick, simplified ESG risk assessment process.

• ESG complex analysis (ESG Due diligence) applies at an individual level to all businesses where a quick analysis process is insufficient, either based on the materiality of the credit exposure, or on the previously established belonging to a high or medium-high ESG risk category. Compared to the simplified analysis, the ESG complex analysis contains the ESG Complex Analysis Questionnaire, which collects data on the client's ESG risk profile, using publicly available databases or by contacting the client directly.

In addition to considering aspects of ESG risk in the credit risk management process, the Bank included the impact of ESG risk in the operational risk management process by considering its impact through the devising a scenario analyses, the risk self-assessment process, as well as through collection of data on losses from events involving ESG risks.

The "green transition is "one of our key strategic orientations for the next period, i.e. commitment to sustainable business and environmental sustainability. We want to encourage our clients to act with environmental responsibility through the offer of new green banking products that we are developing, and that will include financial, expert and advisory support.

We also receive support for the green strategy from the parent OTP Group, which for all its member banks has signed the Principles for Responsible Banking of the United Nations - a unique framework for sustainable business operations in this sector, developed through partnership between banks across the world and the UN Financial Initiatives Program in the Environmental Area. We have thus joined the world's largest banking community focused on sustainable financing.

By signing the Principles for Responsible Banking, we confirm and demonstrate our commitment to sustainable banking, contributing to the sustainability of the community and economy. The Principles are a guiding framework for ensuring that banks' strategy and practices are aligned with the society vision of its future within the United Nations' Sustainable Development Goals and the Paris Agreement on Climate Change. Banks that have signed up to the Principles commit to being ambitious in their sustainability strategies, working to integrate and embed sustainability at the heart of their business, which at the same time enables them to remain at the cutting edge of sustainable finance.

Based on the Principles, the signatory banks measure the impact of their operations on the environment and society, set and implement objectives in areas which they impact the most, and regularly and publicly report on their progress. The Principles provide a framework for banks to systematically understand the risks and benefit from opportunities arising from the transition to more sustainable economies.

Signatories to the Principles are taking a leading role, demonstrating how banking products, services and relationships can support and accelerate the changes necessary to achieve shared prosperity for both current and future generations, building a positive future for people and the planet. These banks also join the world's largest global banking community focused on sustainable finance, sharing best practices and working together on practical guidelines and pioneering tools that benefit the entire sector.

EBRD and OTP Leasing Srbija doo ink 10 mln EUR loan contract

In January 2022, the European Bank for Reconstruction and Development (EBRD) and OTP Leasing Srbija doo Novi Beograd signed a loan contract in the amount of up to 10 million euros as part of the Regional Competitiveness Support Program for Small and Medium Enterprises. The loan is fully secured by a guarantee from the parent company - OTP Bank Serbia, a leading creditor on the Serbian banking market.

The project supports SME investments to improve production capacity and harmonize processes with EU directives for environmental protection, worker protection and product safety and quality. Projects that meet the requirements will be selected based on technical and financial criteria determined within provisions of the regional SME Competitiveness Support Program. SME support is a combination of facilitated access to financing with and without technical cooperation support.

The project contributes to supporting SMEs in accessing financing for investments that comply with EU standards and will help SMEs in obtaining advice and knowledge to incorporate and implement EU standards and achieve competitiveness.

Technical cooperation includes support provided by Consultants for assistance in implementation, marketing and monitoring of the Program and separate verification of the technical implementation of investments by on-loan beneficiaries before the release of incentive funds.

The program is supported by the European Union, which has secured funds in the amount of 1.5 million euros for investment incentives to on-users of loans for the implementation of investments that meet conditions in accordance with the Program's Regulations.

With a wide regional coverage and focus on the SME sector, OTP Leasing Srbija doo Novi Beograd is a leader in the leasing market in Serbia and has the potential to provide much-sought financing to smaller companies and to contribute to the development of the SME sector throughout the country. EBRD is a leading investment institution in Serbia. The bank's focus in Serbia is the development of the private sector, improvement of public utility infrastructure and facilitating the country's transition to a green economy.

Priceless planet Coalition

Recognizing the importance of the fight against climate change, OTP Bank is the first bank in Serbia, as the parent bank in Hungary, to join the global initiative Priceless Planet Coalition by Mastercard, with the aim of planting as many as 100 million trees in the next five years in areas around the world where, based on a scientific study, forestation is the most needed. All of our clients who open a new account and pick up their Mastercard instantly become part of the Priceless Planet program, which will plant a tree in their name.

OTP Bank joined the international project of afforestation of endangered areas of the planet primarily with the aim of contributing to stopping the effects of climate change, but also to raise citizens' awareness of the importance of environmental protection. Through the Priceless Planet coalition, together with our clients we are moving towards the same objective, namely local contribution to achieving a positive impact on reducing carbon dioxide emissions and investing in environmental restoration.

Program of support to small enterprises for the procurement of equipment

Also in 2022, OTP banka participated in the Small Business Support Program for the purchase of equipment, which combines favorable loans and grants intended for investments and stimulation of faster economic development. The program is implemented by the Ministry of Economy in cooperation with the Development Agency of Serbia and selected commercial banks and leasing companies. Our bank was selected in this year's tender of the Ministry of Economy as one of the eight best-ranked banks and leasing companies, based on its offer and the fulfilled tender conditions.

The Ministry of Economy, in cooperation with the Serbian Development Agency and with the support of project "Serbia and the EU - Equipment for the Economy" financed by the European Union, is awarding grants this year to micro and small businesses, entrepreneurs and cooperatives, business entities that deal in manufacturing or construction activities, for the procurement of equipment. Total grants amount to about 3.1 billion dinars, the Ministry of Economy provided an amount of 1.9 billion dinars, and the European Union provided grants and technical support for the implementation of the project in the total amount of 11 million euros. The goal of the Program is to facilitate the financing of the purchase of equipment and to strengthen the competitiveness of small businesses, as support for investments and incentive for faster economic development, and the funds determined by the Program are intended for the co-financing of purchase of new equipment directly included in the process of production of exchangeable goods, which includes the manufacture of equipment and/or machinery, transportation - manipulative means included in the process of production and internal transport, as well as parts, specialized tools for machines, machines and equipment for improving energy efficiency and ecological aspects of production, and includes new construction machinery for the needs of performing construction works.

For the purpose of allocation of grants under the Small Business Support Program for the purchase of equipment in 2022, a public call has been released for which micro and small businesses, entrepreneurs and cooperatives who meet the conditions can apply until the allocated funds are used up, and at the latest by the end of this year.

Business entities that meet conditions under the Program and are conditionally approved loans or financing may exercise the right to non-refundable co-financing of up to 25% of the net value of the equipment subject to purchase. The share of the company's own funds amounts to 5% of the total value of the equipment, while the rest is obtained from commercial banks loans or from financial leasing from leasing companies involved in the implementation of this Program.

The amount of grants that can be awarded to a business entity is determined against the number of employees, as at December 31, 2021 according to the records of the Central Register of Obligatory Social Insurance. If a single person is employed, the grant can be up to one million dinars, for those with two to five employees - this amount can reach two and a half million dinars, and for a business entity with more than six employees, the amount of the grant may reach up to five million dinars. The amount of approved non-refundable assistance in the amount of up to 25% of the net value of the equipment to be purchased cannot be lower than 500,000 dinars, nor exceed 5,000,000 dinars.

EBRD credit line for small and medium enterprises

In the second half of 2022, the European Bank for Reconstruction and Development (EBRD) approved a loan in the amount of EUR 25 million for on-lending to small and medium-sized enterprises (SMEs) in Serbia. The credit line will serve as a support for lending to private companies in the form of working capital lines and investment loans, primarily for SMEs operating in economically less developed parts of the country. The credit line will further strengthen access to financing for SMEs under the presently challenging business conditions.

Predrag Mihajlović, our CEO and President of the Executive Board, said regarding this: "In compliance with our leading position on the market in lending to individuals and businesses, we signed a new credit line with the EBRD with the belief that this will further strengthen the development of the Serbian economy and its resilience in the medium and long term. OTP Bank will strive to direct part of the funds from this credit line to the financing of high-quality green projects through investments in renewable energy sources and energy efficiency projects."

Products and services for farm holdings

In its operations, OTP Bank pays special attention to the agricultural sector, especially to the development of high quality and innovative products for registered farm holdings. Traditionally, in 2022, we presented our products and services at the 89th International Agricultural Fair in Novi Sad. We provide significant support to this segment of clients with our offer of agro packages and a special account for registered agricultural holdings. Clients can choose, depending on their needs, between working capital loans, investment loans for various purposes and investment loans for the purchase of agricultural land, as well as the overdrafts. Also, with its innovative business concept that saves both time and money for clients, new opportunities have opened up for faster and cheaper distribution of financial resources in the agricultural producers sector.

"We are aware that it is often a challenge to obtain all the necessary documentation for financial institutions when it comes to agricultural holdings, and consequently OTP banka has made a significant step for our standardized offer. The documentation for farmers has been reduced to one piece of paper and an ID card, which significantly facilitates and simplifies the whole process," said Dejan Mirc, head of our Agribusiness Department, presenting the novelties in our agro offer.

We also offer quick loans for working capital and investment loans without mortgage, which are processed and approved through a software platform. This unique approach is the product of many years of development and work of OTP Bank's agricultural engineers and results in a quick response to loan applications, which in practice means that the client receives a reply within an hour. We recognized the importance of efficient response and simplification of procedures as an important step forward in terms of the satisfaction of our agro clients, bearing in mind the specificity of the agro sector in which the periods and optimal deadlines are precisely defined for completing something and cannot be deviated from, and our task is to support them in their work process.

First national AgTech Supercluster launched

The first national AgTech Supercluster has so far gathered more than 70 interested companies active in the sphere of implementation and development of modern products and services in agriculture. OTP banka is a member of the consortium of smart agriculture Supercluster, together with other leading organizations from their fields of business, with the aim of jointly responding to local and global challenges in the agricultural sector by using innovative technologies for the production of healthy and safe food, taking into account the preservation of the environment and improving economic competitiveness of Serbian products and working conditions of Serbian farmers.

The first conference when the action steps and strategic goals of the Supercluster were attended by Dejan Mirc, our head of the Agribusiness Department, who pointed out that innovations are the only safe way to develop any type of business, with mandatory constant monitoring of clients and consumers needs, and also that innovation must to be consistent even when you are a leader in your sector, which is the biggest challenge because you don't have examples to follow or catch up with and you want to maintain your position.

AgTech Supercluster is a multi-sector cooperation and networking platform between interested partners from the Agro and ICT sectors, including corporations, investors, government organizations and other stakeholders on the one hand, and startups and small and medium-sized enterprises on the other. It was established with the assistance of the Serbia Inovira project, implemented by the ICT Hub with the support of the United States Agency for International Development (USAID).

2.7

Responsibility in the work environment

OTP Bank is committed to continuous dialogue with employees, setting innovation trends and decisively managing changes in the field of human resources. We build our HR processes, innovative practices and relationship with employees in accordance with the highest standards that apply in the financial sector, and more broadly - in the global economy.

In 2022, HR processes were redesigned and application solutions were improved, with the aim of establishing a "self-service" model. Strategic projects such as Digital learning, Employer branding, Development of the "employee experience" concept, aimed at improving the experience of employees, their development and well-being, were also implemented.

The bank achieves maintaining the position of the sought-after employer for the best in the labour market by creating benefits tailored to present market trends, as well as by attracting and retaining professionals by listening and adapting to their needs.

HR recognition for OTP bank

OTP banka is the winner of the "Employer Partner" certificate, the prestigious HR recognition of consulting company "Selectio", which since this year, in partnership with the consulting agency HR Xcel for the Serbian market, guarantees the excellence of HR processes n companies and confirms continuous investment, modernization and improvement of employees experiences. A complex and detailed analysis determined that OTP banka stood out the most in the area of involvement and inspiration, transformation and growth as well as HR strategic consulting. These results clearly indicate that the bank has a strategic approach to employees and recognizes their role as crucial in the development of the bank.

By attaining the "Employer Partner" standard, companies show that they are in constant search for knowledge and development. The certification process enables simple data entry and a high-quality HR benchmark, and gives the certification team additional room to examine the actual situation in organizations. "When we talk about key topics for human resource management, work performance, leadership and HR capacity are categories that are particularly challenging. OTP banka has very successfully distinguished itself precisely in these areas, thereby clearly demonstrating that it strives for constant improvement of its processes, modernization and the use of modern business tools. Our extensive analysis has confirmed this, since it is not possible to meet the criteria for achieving certification if there is no good connection of all processes in the organization", said Sanja Jevđenijević, on behalf of the Employer Partner certification team.

"BFF (Back-front force) program" of OTP Bank is the winner of the award for the best HR practice in 2022. The award is given by the ManpowerGroup company, the holder of the Human Driven Reshape project, which was launched with the aim of selecting the most innovative HR practice that reflects value for employees, society and the company and which is sustainable.

In the final of the competition, the programs of five companies stood out as the most promising HR practices, in the opinion of the expert jury, while the selection process for the best HR practices was also supported by the LinkedIn community with their votes.

The BFF program was designed with the aim of strengthening mutual communication and cooperation in the organization, increasing understanding and building trust that results in process efficiency and focus on clients, which was crucial following integration when it was necessary to bring the two corporate cultures closer together. The program encouraged the process of innovation and contributed to different thinking and making of proposals for various socially responsible initiatives, whereas the value for society is also reflected in better services to clients and better experience for both bank employees and clients.

At the HR Experience conference, organized by the Poslovi Infostud group, which promotes and presents trends in human resources, our bank's HR project was selected as one of the 6 best among 51 applications, in a competition involving 33 employers participants.

Our practice called "Rotation to Success" based on the experience gained through integration, in order to bring the corporate culture of the two integrating banks closer and present the business model of the future bank, as well as easier functioning after integration, was presented by our colleagues from the HR Business Partnership and Employee Development Department Evica Kuč and Ksenija Mijuk-Gagović, who shared with the community the significant experiences gained through integration.

	2021.	2022.
Total headcount	2789	2692

In 2022, OTP banka also hired 37 persons on temporary and occasional work, and also through youth associations and the flexible employment agencies.

	2021.	2022.
Fluctuation rate	19,8%	11.5%

* Integration of the two banks OTP banka Srbija and Vojvodjanska banka a.d. Novi Sad finalized in 2021 significantly affected the fluctuation rate in 2021

Employees gender structure	2021.		2022.	
	male	female	male	female
Number of employees	774	2015	736	1956
Percentage of employees	27,75%	72,25%	27,34%	72,66%

The employee engagement survey is conducted on annual basis and is a way for all employees to get the chance to share their opinion on the many issues that shape our organization. This year, from September 21 to October 12, 2,318 colleagues provided great insights into the areas we improved compared to the results of last year's survey conducted immediately after integration, as well as the aspects of engagement we need to continue to work on.

The conclusions of the survey showed that our greatest strength is the satisfaction we find in doing our work, working with our clients and our team members. We understand our role well, we are informed and trained to do our job, free to express our opinions and believe in our services and products. We believe that we are on the right track of improvement of processes, applications and tools we use, teamwork, but more joint endeavours are yet to come to bring these areas to an even higher level.

headcount* by regions (branches) 2022.	Belgrade	East Srbija	Šumadija	Vojvodina 1	Vojvodina 2	West Serbia	TOTAL
Total number of employees	304	182	183	217	213	196	1295
Part time employees	273	165	161	207	195	188	1189
Number of part time employees	31	17	22	10	18	8	106
Number of full time employees	304	182	183	217	213	196	1295

*Headcount
** all employees are engaged based on a labour contract
*** all employees are engaged with full working hours

2.7.1. Diversity and equal opportunities

OTP bank is committed to respecting human rights and at all times acts in accordance with the principles set forth in the United Nations Guiding Principles on Business and Human Rights. The human rights policy establishes obligations, as well as principles and rules to be observed by all employees, business partners and clients of OTP Group alike.

OTP banka builds and fosters a working environment in which individual differences are appreciated, respected and accepted. According to the Bank's Code of Ethics, discrimination based on real or assumed characteristics of an individual, such as race, skin colour, citizenship, national affiliation or ethnic origin, language, religious or political beliefs, gender, gender identity, sexual orientation, property status, genetic characteristics, health status, pregnancy, disability, marital and family status, criminal record, age, appearance, membership in political, trade union and other organizations, political or other opinion is prohibited.

Furthermore, the Code of Ethics prohibits and rejects behaviours based on intimidation of employees, especially if it is used to induce employees to take actions contrary to the Bank's internal acts or applicable legal regulations. Any type of verbal, non-verbal or physical behaviour resulting in prejudice that violate the dignity of persons, and create a threatening, hostile, degrading, aggressive, humiliating and offensive environment for him, in particular sexual or other forms of harassment, is prohibited.

Employees can report cases of violations of the Code of Ethics to the Compliance Directorate through channels set forth in the Code, as well as to the Human Resources Directorate. The Bank treats all reports, submissions and investigations with confidentiality, while protecting persons who reported the violation, whereas the competent organizational segment of the Bank examines the case and determines necessary measures to be taken. During 2022, no complaints related to human rights violations were received. As part of mandatory training, all new employees undergo education on the topic of knowledge of human rights.

All employees of the Bank are encompassed by a Collective Agreement. According to its provisions, the employer is obliged to inform the Board of the representative trade union about: decisions and plans that have an impact on the economic and social position of employees, movements and changes in wages, average wages and the structure of wages and their share in business costs, as well as the structure of realized costs, once during a calendar year, upon request of the Trade Union, as well as preparations for determining employee redundancies and adopting a related program. Information are provided, as necessary at the request of the representative trade union within 15 days from submission of the request.

In addition to the guaranteed rights to maternity leave, disability compensation and severance pay upon retirement for all employees, indefinite-term employees whose probationary period has expired also benefit from private health insurance. Employees are additionally insured as part of a private pension scheme, with the Bank's contribution to the employee's individual account, based on loyalty of at least four years, as a mandatory own investment in a voluntary pension fund.

Right to maternity leave	2021.		2022.	
Total number of employees who exercised their right to maternity leave	men	women	men	women
	3	187	0	159
Return to job rate upon expiry of maternity leave	men	women	men	women
	100%	96,23%	-	98,12%

2.7.2. Trainings and development of employees

The development of employees in OTP Bank is the responsibility of the management of the Bank and the Human Resources Directorate. The annual employee development plan is prepared jointly with all managers. The annual development plan is communicated to the Bank's management, and compliance with strategic and operational goals is confirmed. Furthermore, annual performance evaluation process involve creating development plans for all employees, in agreement between employees and managers, and with the help of the Learning and Development Team. During 2022, all employees went through the process of performance evaluation and individual development.

In addition to internal training, the Bank also provides financial support and opportunities to attend external trainings and programs. For employees who are approaching the end of their working life, we offer counselling and support for retirement planning.

In 2022, the following key initiatives have been implemented:

· "Performance management" was established and implemented in order to monitor performance and properly recognize high performers;
· The Talent management & succession planning process was implemented resulting in a pool of OTP talents;
· All employees in senior managerial positions went through a development map of leadership and managerial skills (People management, Situational leadership, Coaching, Wallbreakers - change management), and all sales managers in the sales network went through the training - Improving skills and monitoring successful sales.

	2021.		2022.	
	Managers	Employees (except managers)	Managers	Employees (except managers)
Total number of hours of training by categories of employees	6.591	30.571	11.830	34.007
Averages number of hours of training by employee	17,25	12,7	30,64	14,76
	Muškarci	Žene	Muškarci	Žene
Total number of hours of training by gender	9.481	27.681	12.733	33.134
Average number of hours of training by employee	12,25	13,74	17,30	16,94

A Mentoring Day was held in September 2022 as part of our Talent Academy and the start of a new cycle of OTP Bank's Mentoring program. The goal of this platform is to facilitate the process of introduction to jobs and mentoring newcomers during the trial period, as well as to facilitate the integration of new employees into the work position and the bank. This platform will enable a structured, more efficient, timely and transparent process, thereby ensuring improvement of the experience of everyone involved in this process. All participants of the Talent Academy have the opportunity to work together with a more experienced colleague-mentor on acquiring new knowledge and experience for a period of one year.

2.7.3. Occupational safety and health

Health and safety at the workplace is a priority for the Bank in order to ensure a safe working environment, improve the quality of the professional life of employees and prevent related risks. With the Code of Ethics, the Bank undertook to provide its employees with a healthy and technically equipped workplace that complies with labour law regulations, as well as the protection of their physical integrity and health.

The bank abides by local and international legal regulations on providing and maintaining a safe and healthy working environment. Accordingly, the safety and health system covers all employees. In addition, all employees undergo training in occupational safety and health, first aid and fire protection according to a training plan and in accordance with the deadlines prescribed by law.

The obligation of every employee is to comply with the health and safety regulations related to the work performance, and the relevant provisions of the regulations on work, on safety and health at work and on fire protection are applicable to them.

The bank concluded a contract with a company that provides services in the field of occupational safety and health and appointed a licensed person for occupational safety and health. The hired company provides preventive inspections of all the Bank's facilities and submits reports on observed deficiencies, which are subsequently removed. In accordance with the law, measurements of the conditions of the working environment are also performed in summer and winter.
In case of observed defects, such defects are removed. Furthermore, it is the duty of all employees to inspect their workplace and work equipment, safety equipment at work before and during work, and to immediately notify their immediate supervisor of any deficiencies. Managers forward the report to the Logistics Directorate. The person for BZR and the Logistics Directorate are obliged to perform inspections, and observed defects must be eliminated within 8 days from the date of their reporting. Employees have the right to leave their place of work if they recognizes a danger that threatens their life and health.

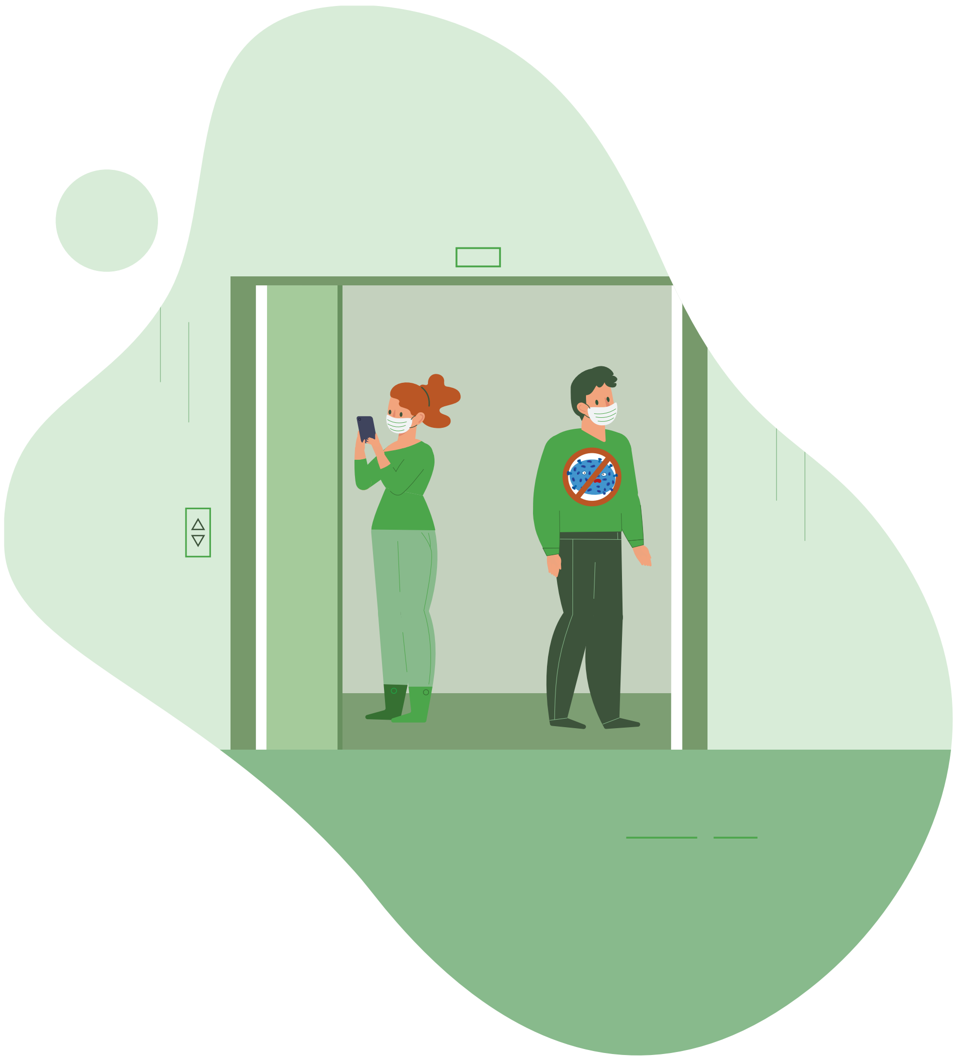
	2021.	2022.
Total number of injuries	15	12
Number of serious injuries*	7	3
Rate of injuries	0,53	0,43
Rate of serious injuries	0,25	0,11

*sprains, dislocations, fracture

The collective agreement covering all employees of the Bank also regulates in detail obligations and responsibilities of the employer in the field of safety and protection of life and health at work, as well as the rights and obligations of employees in this area, and the role of employee representatives and education of the occupational safety and health committee.

The occupational health protection committee comprises representatives of the employer and the trade union. A member of the Board has the right to:

• participates in the risk assessment procedure at the workplace and in the working environment
• has constant insight into the risk assessment act
• collects data on threats and harms in the workplace and work environment that are not comprised in the risk assessment act and initiate its amendments and supplements
• directly communicates with employees
• receives verbal and written complaints from employees
• directly communicates with managers - organizers of the work process
• directly communicates with the person who ensure safety and health at work
• makes proposals to the employer on all issues related to safety and health at work
• requires the employer to take appropriate measures to eliminate or reduce risks that threaten the safety and health of employees
• displays notices on the employer's notice boards about the activities it undertakes
• informs employees about current issues in the field of safety and health at work, with the prior approval of the director
• requires supervision by the labour inspectorate, if he/she believes that the employer has not implemented appropriate measures for safety and health at work, and to attend the inspection supervision.



2.8

Impact of operations on the environment

OTP bank carefully assesses its direct impact on the environment, takes initiatives aimed at preventing adverse effects and implements and supports initiatives with positive effect on the environment.

Regarding the rational use of natural resources, OTP banka focuses on topics which it affects the most, namely energy use and waste management. The Logistics Directorate is in charge of this area. The bank's operations in this area are fully compliant with national legislation, which is also confirmed by the fact that in 2022 there were no fines or other types of sanctions against the Bank in connection with non-compliance with laws and regulation.

2.8.1. Consumption of energy and energy efficiency

A total of 58 branches and two administrative buildings of the bank in Belgrade (both on Bulevar Zorana Đinđić) are connected to the Building Management System (BMS), which enables the lighting to be turned off at the same time in all branches, and it prevents the lighting from staying on outside of working hours, which contributes to energy efficiency. The temperature in the room is also regulated through the system with the same goal.

Motion sensors have been installed in common areas (corridors, bathrooms, press rooms) In the administrative buildings in Belgrade at Bulevar Zorana Đinđić 48 and 50 to control and save lighting.

The renovation of 12 branches was completed, including instalment of LED lighting, which reduced the consumption of electricity. Earlier, the renovation of the building at Trg slobode 7 in Novi Sad was completed in 2021, which involved the replacing of the complete fluo and halogen lighting with LED lighting, thereby reducing electricity consumption. In addition, the air conditioning system was replaced with an A+ class system with the highest average electricity savings in relation to capacity.

The head office building in Belgrade at Bulevar Zorana Đinđić 50a/b has a solar power plant on the roof, and the produced electricity is directly channelled to the EPS supply system, which further contributes to energy efficiency. The bank concluded a contract on the complete supply of electricity from renewable sources (100% ZelEPS).

Energy consumption	2021.	2022.
Electricity from coal	37.769 GJ	-
Electricity from hydro power	8.291 GJ	42.490 GJ
Fuels of different origin used for heating plants in Serbia	23.406 GJ	20.962 GJ
Natural gas	7.988 GJ	7.553 GJ
Heating oil	1.435 GJ	1.211 GJ

Energy consumption	2021.	2022.
Total electricity	46.059 GJ	42.490 GJ
Total heating energy	32.829 GJ	28.515 GJ

* Data on electricity consumption were collected from accounts of suppliers which services are paid through the bank, which contain details of energy consumption. Regarding heating energy consumption, a twofold data analysis was made - some accounts display the used energy, and other contain the calculation based on the area. An approximation was made for the part calculated by area.

Generated and sold energy	2021.	2022.
Solar energy	250 GJ	262.75 GJ

	2021.	2022.
Energy intensity	25,8 GJ per employee	19,04 GJ per employee

2022.	
GHG Emission – Scope 2*	1.517 t
GHG Emission intensity**	0,565 t per employee

* approximation –Based on calculated energy consumption from certain sources, default data have been used from form 9D CRS Portal of OTP Group
** Includes Scope 2 emission

Based on the savings calculation made on the assumption that OTP Bank used 15% renewable energy in 2021, and that it uses 100% renewable electricity in 2022 (for 85% of electricity from non-renewable sources in 2021, the emission coefficient was taken as 756.09 tCO_2/GWh), it was calculated that the Bank reduced Scope 2 CO_2 emissions by 8,223 t due to switching to other fuels (electricity only from hydroelectric power plants) and 149 t due to process reshaping (rationalization of branch network).

2.8.2. Waste management

The Bank has a Waste Management Rulebook that regulates the waste management process. A person for waste management has been delegated and contracts were concluded with companies that retrieve waste paper and discarded furniture for recycling purposes. Furthermore, empty toner cartridges are collected, and hazardous waste handed over to authorize companies in accordance with the Waste Management Law. The total amount of provided waste is monitored on annual basis, with the aim of reducing the amount of waste by cutting down the amount of paper consumed thanks to digitization, as well as by reducing the use of plastic packaging products. In 2022, 32 tons of paper and 13 tons of electrical and electronic waste were submitted for recycling.

The bank is determined to procure FSC-certified recycled toners and paper (wood-based paper from certified forests that are managed responsibly). Bearing in mind that the Bank has plastic packaging as part of municipal waste, but with reduced possibility of handing it over for recycling due to the location of the facilities and small amount per facility, the plan is to stimulate the reduction of the use of plastic packaging. As an initial step, the amount of plastic water glasses was reduced, as so was the supply of plastic packaging drinks.

2.9

Contribution to community

OTP banka implements all initiatives and projects in the segment of responsible relationship with the community in accordance with its strategy and areas defined as priority fields of action. The Bank's priorities in this area include ecology, sports, culture, support to socially sensitive groups, financial education and support for smaller local communities.

The Bank strives to direct its activities in this area towards achieving a stimulating social and economic environment, positive impact on the environment, promotion of humane and progressive social values and respect of human rights.

The goals of projects and initiatives, as well as related communication and promotional messages, are set in accordance with these values.

When choosing a partner, the Bank is guided by criteria related to the sharing of the same ethical values, respect for the principle of responsible attitude towards the environment, transparency in business operations and mutual respect. We strive to achieve long-term partnerships and approach all topics comprehensively, striving to create projects and initiatives that provide quality and systemic support and solutions. OTP Bank's support includes the implementing of donations in goods and money, mentoring support, support in the promotion segment, corporate volunteering, and contribution to increasing public awareness of certain topics of general importance.

By achieving cooperation and joint action with civil society organizations and the public sector and partners from other fields, the Bank implements numerous projects with excellent results, in which it takes great pride.

This is confirmed by numerous awards that we won during 2022, including the "Socially Responsible Company of the Year" prize awarded by the Serbian Association of Managers - the crown of everything we did. The annual prize of the Serbian Association of Managers are traditionally awarded to the best in Serbia - managers, employers, companies and individuals who advocate the improvement of the business environment, the promotion of the managerial profession, the best business practices and responsible business, as well as for a better life for all citizens.

2.9.1 Support to green entrepreneurship

Generator ZERØ

Generator ZERO is a competition that supports and rewards the best entrepreneurial solutions for reducing the carbon footprint, as one of the biggest challenges today. In 2022, a total of 72 solutions were submitted for the competition, and 10 made it to the finals.

Projects which upon decision of the jury made it to the final:

1. B-FRESH Technologies team that developed B-FRESH spray to resolve the problem of rapid spoilage of fresh fruits and vegetables,
2. Eat Me Up mobile application to reduce household food waste,
3. Bifrost Bioplastic system for the production of bioplastic made of hemp, which makes the packaging 100% biodegradable,
4. Bike app that connects people who have bikes and those who need bikes,
5. Bit engineering - self-sustaining greenhouse with composter,
6. Gen Z Farmers with the "Gen Z E-tractor" project to reduce emissions of harmful gases resulting from agricultural work,
7. Smart City Technologies - monitoring and management system that collects key data via mobile hardware installed on any type of vehicle,
8. Association Our Home, which is engaged in the manual production of paper and packaging from empty cigarette packs,
9. Buttsy NFT project to collect and recycle cigarette butts from around the world,
10. SOMA WELLNESS, an innovative biotic material that serves as an organic, ecological and carbon negative substitute for

Styrofoam under the name BIOSPORIN.

The most creative competitors presented their solutions during the grand finale, and the domestic startup B-fresh Technologies was selected as winner. Driven by the fact that a third of the food produced globally ends up as waste, which affects CO2 emissions, B-fresh Technologies has developed a product that extends the shelf life of fruits and vegetables, which takes up as much as 40 percent of that waste. It is the B-fresh spray, an innovative, environmentally friendly solution that coats the interior of existing packaging, such as plastic, cardboard, paper boxes or wooden crates, with emulsion.

This year's finalists received support on all the Bank's communication channels, including media promotion and promotional material in the form of videos and photos, and the winner was awarded two million dinars, as well as valuable prizes from this year's partners, which some of the finalists also received. Furthermore, the bank will enable the presentation of the project in the OTP Lab innovation hub of the parent OTP Group, which is present in 11 countries in Europe, as well as in the investment fund Portfolio.

Partners who acknowledge the importance of this year's Generator ZERO, and their representatives are members of the jury, alongside representatives of OTP Bank, are ICT Hub, Mastercard, Srbija inovira, initiative Digital Serbia, Bosch, Belgrade Open School, Netokracija, Schneider Electric, Bosch, OTP Lab parent and investment fund PortfoLion.

"Generator is a competition that is growing year after year, as a result of the fact that we thematically follow trends and needs of the market. Thanks to its constant topicality, we manage to present a large number of promising and innovative projects every year. Climate change and global warming are probably the greatest challenges for humanity in the 21st century. However difficult it may be to predict what awaits us in the years to come, one thing is certain: every contribution matters. In other words, each of us should take responsibility and do everything we can to fight for a sustainable future. That is precisely why, at OTP Bank, we are strategically focused on the green transition with the aim of not only improving our business towards environmental sustainability, but also motivating all our clients to do the same. One of our most important activities on this path is the Generator ZERØ project, which we dedicated this year to the topic of reducing the carbon footprint, as one of the key causes of global warming. We thus wish to motivate and encourage innovators to offer us new and creative solutions and join the common fight for a better future", said Predrag Mihajlović, President of the Executive Board of OTP Bank, during the announcement of the winner.

"I want to congratulate the winning B-fresh solution. Choosing the best project was not easy in the least. All the finalists were terrific, so taking part in this demanding and extremely uncertain process of choosing the winners was a real pleasure and a great experience. I want to thank all the participants for the innovation and creativity they showed. We are glad that the topic proved to be so inspiring, which gives all of us at OTP Bank an additional impetus to pursue activities that contribute to an environmentally sustainable future. In the period ahead, we will provide great support to the winning solution, working together on its development and promotion. We believe that this will contribute to inspiring new creative projects in future editions of Generator", said Vuk Kosovac, member of the Executive Board of our bank and president of the jury for the selection of winners.

Zorica Branković, representative of the B-fresh Technologies startup - this year's winner of the Generator ZERØ competition - thanked OTP Bank for the award and the first place and congratulated them for the excellent organization and of the competition final. "It is a great honor for us to have won the first place and the main prize at this prestigious competition. Participating in the competition was a fantastic experience that allowed us to meet great teams with whom we plan to step up our collaboration. We also want to thank the members of the expert jury, top experts in the business area, for recognizing the importance and potential of our product," said Branković.

The importance and quality of the Generator ZERO project was also recognized through the numerous awards that the project won in 2022. The Franco-Serbian Chamber of Commerce (CCIFS) awarded OTP Bank the prestigious Grand Prix 2022 award for socially responsible business and the Generator ZERØ project. The prize is awarded with the aim of highlighting the best examples of corporate responsibility of companies – members of the Chamber, as well as highlighting and rewarding the outstanding contribution of the Bank in this field. The Grand Prix award was presented by Sanja Ivanić, director of the Franco-Serbian Chamber of Commerce at a dinner in the presence of the Ambassador of France, H.E. Pierre Cochard, the diplomatic corps, distinguished members of the business community and representatives of French companies in Serbia.

Generator Zero was also awarded as the best ESG & Sustainability project of the OTP Group. This recognition was presented to us by Zoltan Peter Nagy, Director of the Marketing and Communications Department of OTP Bank Hungary, during the Marketing Summit in Sofia, based on the votes of colleagues from other 10 countries where, in addition to Serbia, the OTP Group is present.

At the Festival of Socially Responsible Communication Campaign with a Purpose, the first of its kind in the country and region, Generator ZERO, together with the accompanying initiative Generator of Good Deeds, was proclaimed one of the most successful CSR projects in 2022. On behalf of our bank, Milica Babić, an expert in PR and communications received the award from member of the expert jury Jelena Šarenac. This Festival is dedicated to rewarding initiatives and projects that contribute to the well-being of children and individuals, and thus to society in general, and we are proud to be acknowledged as company that makes significant efforts in the field of socially responsible business.

The Forum for Responsible Business awarded OTP Bank the "Champions of Sustainability" prize for the Generator ZERO project, awarded with the aim of highlighting projects that directly contribute to achieving goals under the Sustainable Development Agenda.

OTP Startup Booster Partner Program

In 2022, OTP banka Srbija participated for the third year in a row in the OTP Startup Booster Partner Program of our Group, an international program through which innovative solutions are sought in cooperation with selected startup companies. Six business needs from Serbia were selected by OTP Lab, and our team also participated in the "Selection Days" held in Budapest in May, with a presence of 28 startup companies from 17 countries and more than 60 OTP mentors from 8 countries, where it worked together with the FinTech community from around the world to develop new solutions, products and services that rely on the latest technological innovations.

As part of the program, our Agro Department together with the Agro sector at headquarter participated in a three-month pilot project with Belgrade-based company Agremo, which successfully responded to the business need to find a solution for timely assessment of the risk of crediting primary agricultural production and the management of climate changes, which brings us increasing new challenges.

In total 265 innovative technology companies from 55 countries, from New Zealand to Estonia, applied for the fifth edition of the OTP Startup Booster program. During the final event, the Demo Day held online on November 30, 2022, 11 startups presented the results of a three-month pilot test, in which, in addition to our headquarters in Hungary, subsidiaries in Bulgaria, Romania, Slovenia, Ukraine and Serbia also took part in.

The goal of the OTP Startup Booster program is to create new and innovative solutions for specific banking and organizational needs, as well as for broader socio-economic challenges, through long-term partnerships between the OTP Group and startups. In addition to improving customer experience, digital enhancements and efficiency gains, a fifth program was also open to innovation in areas outside core banking, agriculture and sustainability.

"Green Entrepreneurship" campaign with the Serbian Chamber of Commerce

The entrepreneurship division of the Serbian Chamber of Commerce and OTP Bank launched the "Green Entrepreneurship" mini-campaign with the aim of developing and promoting entrepreneurship. The campaign started in the second half of September 2022 and lasted for three months, and included women entrepreneurs, young entrepreneurs and social entrepreneurs. As part of the campaign, a series of free workshops were held in Belgrade, Novi Sad, Niš, Kragujevac, Užice and Subotica, in order for entrepreneurs to acquire the necessary knowledge for the development and further improvement of businesses.

The education of entrepreneurs is extremely important, because it helps entrepreneurs improve their knowledge and skills, necessary for running a business. Free workshops are organized around a variety of topics, with focus on enhancing environmentally responsible entrepreneurship, as well as creating an even and positive impact on society and the environment.

In addition to professional expertise, OTP Bank also granted a one-million dinars financial support for holding free workshops, and Marko Đukić, director of our Small Business Directorate, pointed out that the Bank strongly supports the small businesses and entrepreneur sector, which represents the backbone of our economy: "In view of our leading position on the market in lending to individuals and companies, an extensive regional coverage and expertise, OTP Bank has the potential to provide much-needed financing, enable education and contribute to the development of entrepreneurship throughout the country. Our priority is to provide an advisory approach to entrepreneurs who are setting up their businesses and who are oriented towards innovative solutions, and social and environmental components in their business. We believe that the Green Entrepreneurship campaign will help and solve many dilemmas and obstacles of courageous entrepreneurs".

Masterclass for small and medium entrepreneurs

On June 6, OTP banka had the opportunity to host a new Masterclass lecture format - an event that is as part of the Smart Impakt Fund and was designed with the intention to support small and medium-sized enterprises and providing them with expert support in strengthening and improving their businesses. The Masterclass events cycle is organized for the first time in such a way and is implemented through dynamic discussions with top professionals and top managers who, through lectures and live conversations with participants, convey advice and experience from their rich business practice.

Our CEO and member of the Presidency of the Forum for Responsible Business, Predrag Mihajlović, gave lecture "Modern business: challenges and opportunities offered by banking in the 21st century". He spoke about the challenges the banking sector faces in the 21st century, as well as the opportunities for growth and development that the bank has identified by analysing its operations and general financial trends, all in the context of support for the foregoing group of members of the business community.

Attendees also had the opportunity to hear useful advice on how to improve their financial and other business segments from our colleagues Branimir Spasić, Director of the Finance Department and member of the Executive Board, Rada Savić, head of the Global Transaction Banking Sales Department and Marko Đukić, head of Small Business Directorate.

The event brought together Smart collective program participants, successful and motivated domestic entrepreneurs who have been successfully operating for two to ten years and have a strong positive social and environmental impact on the community in which they work. Masterclass events are organized with the support of the Open Society Foundation Serbia, within the framework of the Sustainable Economy Development project.

2.9.2. Investment in culture

Culture and the preservation of the national cultural heritage remain one of the Bank's priorities in the social responsibility segment in 2022, and the most important partners still include the Matica Srpska Gallery - one of the oldest and most respected cultural institutions in the country, which the Bank is a long-term institutional sponsor of.

In 2022, Matica srpska Gallery marked a significant anniversary - 175 years since its foundation, and on that occasion, with significant support from the Bank, a large monographic exhibition was opened dedicated to the work of Uroš Predić - one of the most important Serbian painters. In addition to the implementing this exhibition, monographic publications were produced under our auspices, including for the first time, a Braille catalogue for the blind and persons with damaged sight, a comic book for children and a film about Uroš Predić, which can be viewed in the Gallery and will be shown on Radio and Television of Serbia and Radio and television of Vojvodina. The bank donation enabled the continuation of work on the digitization of works of art, as one iconostasis and all drawings by Uroš Predić in the possession of the Matica Srpska Gallery have been digitized, and some of them will see the light of day for the first time.

The work and life of Uroš Predić have been brought closer and made available to a wide audience - children, young people, families, elderly people, as well as people with various disabilities. The exhibition is also adapted for visually impaired people through three-dimensional models of the most famous paintings with audio descriptions, Braille catalogs and audio catalogs. The museum is open to everyone, among other things, thanks to an earlier donation from OTP Bank, which restored the facade of the Matica Srpska Gallery, as well as the entrance to the building, which included the installation of an external elevator and a ramp in the inner hall, in accordance with the standards of inclusive design.

On October 14, OTP banka received the jubilee recognition of the Gallery of the Serbian Motherland, at a ceremony on the occasion of its 175th anniversary.

OTP banka was the proud sponsor of the exhibition "ArtWalks Experience" (Art in motion), by world-famous multimedia conceptual artist Milena ZeVu, which covered her entire work so far. The support is a continuation of our constant commitment to original and innovative projects in the field of culture, which represents one of the most important pillars of the company's social responsibility. The exhibition covers 20 years of the artist's work, from her first paintings, body art, installations and video works to performances and use of the latest technologies such as NFT and AR (augmented reality). The exhibition was set up in the Silosi space at Dunavski kej 46 in Belgrade.

With the support of OTP Bank, publishing company Booka held a new award competition on the domestic literary scene for the best, original and unpublished novel in the Serbian language. The contest was open to all interested literary creators, and its special value is that it is anonymous, i.e., it was possible to submit manuscripts only under a code. The winner of the competition is Mirjana Drljević's debut novel "No One is Forgotten and We Remember Nothing", selected as the best, original unpublished novel in a competition of as many as 575 manuscripts. The winner was awarded a 250,000 dinars cash prize, and the novel was published by Booka publishing house in 3,000 copies, with the expected distribution in the region including an intensive promotion of the author and of the awarded novel.

OTP Bank traditionally supports the awarding of the "Politikin Zabavnik" prize for the best work intended for young people in the Serbian language. For year 2021, the award for the best work was ceremoniously presented to Milka Knežević-Ivašković, the author of novel titled "Tarakan", which follows the growth of the main character and prepares him for everything that lies ahead. A mysterious and exciting novel with a plot taking place in the Kosancic Wreath district, Tarakan passed the selection of 62 titles and found itself shortlisted with seven novels. The expert jury comprised Irena Špadijer, professor at the Faculty of Philology in Belgrade (president), member of the Academy and psychologist Aleksandar Kostić, Petar Arbutina - chief editor at "Službeni glasnik", Milorad Milinković-film director, and Petar Milatović, deputy editor-in-chief of "Politikin zabavnik".

We also supported the awarding of the "Aleksandar Tišma" International Prize for Literature, which was ceremoniously presented to laureate David Albahari for the novel "Today is Wednesday" at Matica srpska in Novi Sad.

2.9.3. Support to sports

OTP Bank is the biggest sponsor and the official bank of the Olympic Committee of Serbia for the sixth Olympic cycle. This cooperation represents by far the longest sponsorship in Serbian sports, which has lasted more than 20 years, and is often an example of fruitful, inspiring and successful cooperation between the business and sports institutions. The topic of Olympism is extremely important to us because we believe that fostering values such as "fair play", perseverance, focus, discipline, and focus on success are key prerequisites for the development of a prosperous, healthy and sustainable society as a whole. We strive to foster these values in our everyday business life.

During 2022, we focused on promoting sports in the local community through the "Olympic Training with OTP Bank" event, which has been successfully organized for more than 10 years. Within the mentioned trainings, children led by experienced coaches are given the opportunity to try out athletics, handball, basketball, volleyball and to learn something new about Olympic values and the history of Olympism, and the most successful schools are awared sports equipment and props. Five elementary schools competed in Kruševac and Bor this year, and their hosts included colleagues from the branches and our Olympians - taekwondo master Tijana Bogdanović and kayaker Bojan Zdelar. We awarded the winning schools with sports equipment and props worth 180,000 dinars.

Furthermore, campaigns for the Visa Olympic card, which have been awarded several times internationally as the best example of cooperation between the banking sector and sports, are continuously being held. The Visa Olympic card allows all users to become donors themselves, because a part of the funds is allocated to sports investment fund from each transaction, at the expense of the bank.

OTP banka has been the main sponsor of the Handball Federation of Serbia for many years and provides support to all women's and men's representative teams, from pioneers to seniors. The goal of the senior national teams is to qualify for the Olympic Games in Paris in 2024.

During September 2022, Serbia hosted the World Wrestling Championship, and OTP Bank was one of the sponsors of the competition. Our national team achieved historic success, winning five medals - four gold and one bronze.

2.9.4. Support to local communities

In supporting the local community, OTP banka focuses on support to most vulnerable social groups, as well as smaller and undeveloped communities.

OTP granted valuable donations to the Our House association and to the Centre for Integration of Youth (Child Shelter program) at the very end of the year, in its wish to convey the spirit of solidarity and giving as most important messages and activities during the holiday season.

Association "Our Home" was founded on the initiative of parents of children with developmental disabilities in 2007, and its project solution for hand-made paper and packaging entered the finals of this year's Generator Zero competition. The association used the donated funds for the establishment of the "Our Home" Foundation and the improvement of programs intended for people with mental-intellectual disabilities.

The Centre for the Integration of Youth and the Children's Shelter used the funds for the implementation of activities of the professional team, the delivery of warm meals and other expenses for the functioning of the program. The Bank wrapped up 2022 with the New Year's donation and begins the next year by showing that in 2023, its priority will be to care for the local community.

The third edition of the Generator of Good Deeds project, in the form of a social and sustainable entrepreneurship fair, was held for the first time in Novi Sad, at the Trg slobode in front of our head office. On that occasion, small domestic brands presented products which sales provides support to environmental projects or vulnerable groups, including victims of domestic violence, people with developmental disabilities, socially vulnerable children or women refugees. This is just one of the initiatives by which we strengthen visibility and contribute to the affirmation of manufacturers whose business model is based on creativity, humanitarian or sustainable business operations.

Passers-by in the central square of Novi Sad had the opportunity to become acquainted with company "Somborska snajdera", which brings together former and current tenants of the Safe House in Sombor. They are engaged in the production of protective masks, aprons, kitchen gloves, bed linen, and a little later, dolls and clothes. "Our House" helps people with developmental disabilities to become independent who, among other things, are involved in the manual production of paper from cigarette packs. "Women on the Way" employs refugee women who create fashion items and by purchasing "Artists Anonymous" socially engaged works, you donate money to humanitarian causes. Also "Supernatural" and presented themselves, they collects funds for ecological projects by selling creative T-shirts, "Soko skincare", natural cosmetics made from ingredients from the Tara mountain, which promotes sustainability, healthy habits and a lifestyle inspired by nature, as well as "Koozmetik", which uncompromisingly takes only the best from nature for its products.

As in previous years, we responded to the call of UNICEF Serbia and together with other companies we supported the humanitarian Fair Play basketball tournament, which scooped up 2,190,000.00 dinars in Belgrade, and 1,030,000.00 dinars in Novi Sad. All funds are intended for the program "Improving the mental health of children and young people". Our colleagues were part of this humane action in both cities, while the OTP team in Novi Sad won the fair play award. In addition to participating in this tournament, as a member of the Club of Friends, OTP Bank supports UNICEF's work continuously, on a monthly basis.

The bank responded to the call of the Coalition for Charity and joined the "Save Food, Save Humanity" campaign, which is organized on the occasion of the National Giving Day. As part of the "Save food, save humanity" campaign last year, 69,717 kg of food worth 13,625,078 dinars were collected, and the message on the goals of the campaign reached 1.5 million people in our country. For its participation in this campaign, OTP bank won the "Champions of Sustainability" prize awarded by the Forum for Responsible Business.

Our colleagues Kristina Mandić, Biljana Erdeljanin, Tatjana Lazarević, Aleksandra Gobeljić, Milena Pantelić and Katarina Jelesijević represented our Bank at the traditional "BELhospice humanitarian bowling tournament" held on March 8 at the Colosseum Bowling Center in Belgrade. The tournament was held in order to collect funds for the implementation of free palliative care services for oncology patients and their family members. The voluntary participation of our colleagues in the tournament represents their personal contribution to this important humanitarian initiative.

One of the examples of listening to the needs of the community is the donation of used and spent inventory of the bank, including office furniture that was used in our branches as well as computers and printers. During 2022, over 500 expended inventory items were donated, which helped 37 beneficiaries, including primary schools, preschool institutions, health centers, hospitals, homes for disabled children, trade unions and many other associations throughout Serbia. We will continue to provide this type of support in 2023.

OTP banka donated a "smart" bench, an innovative technological solution from local company Strawberry, to the high school in the town of Inđija. The unique and practical innovation allows students to charge mobile devices for free, while simultaneously collecting data on the amount of CO2, noise level, air humidity, temperature and air pressure in the environment. At the ceremonial installation of the bench in the school yard, Tanja Bošković, our head of the Vojvodina I region, underlined that the donation is part of the green transition, one of the key strategic directions of our bank, which encourages environmentally sustainable solutions and innovations that contribute to the reduction of carbon dioxide. "We are very happy that the young generation will be able to learn about environmental protection in a practical way with the help of this innovative solution and educational platform." The project and donation were realized at the initiative of Marija Popović, a student of the Inđija High School, whose class was tasked with conducting research on the topic of renewable energy sources and everything that local companies are doing in that area. Working on that task, Marija Popović found company Strawberry energy, which soon found a donor - our bank.

During 2022, the Bank supported a number of cultural, sports and humanitarian events in local communities - Sokobanja, Dimitrovgrad, Pirot, Bečej, Leskovac, Kragujevac, Vrbas, Šabac, Babušnica, Gornji Milanovac, Zrenjanin, Svrljig, Bela Palanca, Niš, Novi Sad and Subotica.

GRI indeks

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Annual Report of OTP banka Srbija a.d. Novi Sad for the year that ended on December 31, 2022 is approved by the management of the OTP banka Srbija a.d. Novi Sad on March 16, 2023.

Vladimir Pejčić	**Branimir Spasić**	**Predrag Mihajlović**
Head of Accounting Directorate	Member of the Executive Board	President of the Executive Board

OTP banka Srbija a.d.
Novi Sad