OTP BANKA SRBIJA A.D. NOVI SAD

Separate Financial Statements and Independent Auditors' Report

December 31, 2023

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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 2023**, 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 material accounting policy information 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 2023 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.

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, 15 March 2024

Preduzeće za reviziju Ernst & Young d.o.o. Beograd

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

SEPARATE INCOME STATEMENT

RSD 000	Note	December 31, 2023	December 31, 2022
Interest income	4	47,607,781	27,175,122
Interest expenses	4	(17,933,841)	(6,037,982)
Net interest income		**29,673,940**	**21,137,140**
Fee and commission income	5	12,456,610	11,735,442
Fee and commission expenses	5	(3,408,819)	(3,464,537)
Net fee and commission income		**9,047,791**	**8,270,905**
Net gains on changes in the fair value of financial instruments	6	368,249	483,020
Net gains/(losses) on derecognition of the financial instruments measured at fair value	7	687	(3,526)
Net gains on risk hedging	8	4,548	3,342
Net foreign exchange losses and positive currency clause effects	9	(141,655)	(254,052)
Net losses on impairment of financial assets not measured at fair value through profit or loss	10	(3,811,604)	(4,174,554)
Net gains on derecognition of the financial assets measured at amortized cost	11	30,718	406,162
Other operating income	12	815,761	706,682
TOTAL OPERATING INCOME, NET		**35,988,435**	**26,575,119**
Salaries, salary compensations and other personnel expenses	13	(6,711,095)	(5,726,934)
Depreciation and amortization charge	14	(1,545,985)	(1,475,602)
Other income	15	718,899	689,840
Other expenses	16	(9,062,459)	(7,556,607)
PROFIT BEFORE TAX		**19,387,795**	**12,505,816**
Current income tax expenses	17	(2,649,735)	(1,452,570)
Deferred tax gains/(loss)	17	7,710	(191,557)
PROFIT AFTER TAX		**16,745,770**	**10,861,689**
RESULT FOR THE YEAR - PROFIT		**16,745,770**	**10,861,689**

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 15, 2024.

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, 2023	December 31, 2022
RESULT FOR THE YEAR - PROFIT	**16,745,770**	**10,861,689**
Components of other comprehensive income that cannot be reclassified to the profit or loss:		
Actuarial gains / (losses)	(1,061)	41,735
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)	513,541	(1,838,846)
Positive effect of changes in fair value on equity instruments measured at fair value through other comprehensive income (FVtOCI)	1,251	3,151
Profit / (loss) based on taxes related to other results of the period	(99,041)	276,356
Total positive / (negative) other comprehensive income for the year	414,690	(1,517,604)
TOTAL POSITIVE COMPREHENSIVE INCOME FOR THE YEAR	**17,160,460**	**9,344,085**

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Chairman of the Executive Board

SEPARATE STATEMENT OF FINANCIAL POSITION

RSD 000	Note	December 31, 2023	December 31, 2022
ASSETS			
Cash and balances held with the central bank	18	162,713,299	140,512,381
Pledged financial assets	19	939,080	445,087
Receivables under derivative financial instruments	20	1,378,396	448,484
Securities	21	33,709,664	41,472,668
Loans and receivables due from banks and other financial institutions	22	72,797,144	11,214,878
Loans and receivables due from customers	23	537,269,621	532,490,294
Investments in associates and joint ventures	24	173,096	149,650
Investments in subsidiaries	25	755,514	755,514
Intangible assets	26	1,451,938	1,254,606
Property, plant and equipment	27	12,018,055	11,507,553
Investment property	28	231,234	370,153
Deferred tax assets	29	-	57,199
Non-current assets held for sale and discontinued operations	30	4,955	6,248
Other assets	31	5,243,439	3,327,230
TOTAL ASSETS		**828,685,435**	**744,011,945**
LIABILITIES AND EQUITY			
Liabilities under derivative financial instruments	33	439,131	398,327
Deposits and other liabilities due to banks, other financial institutions and the central bank	34	143,418,111	170,000,624
Deposits and other liabilities due to customers	35	545,682,973	448,758,309
Subordinated liabilities	36	20,630,110	14,748,628
Provisions	37	3,535,247	3,772,895
Current tax liabilities	29	1,206,239	1,042,563
Deferred tax liabilities	29	34,133	-
Other liabilities	38	5,991,045	4,932,613
TOTAL LIABILITIES		**720,936,989**	**643,653,959**
Share capital	39	59,395,644	59,395,644
Profit	39	16,745,770	10,861,689
Reserves	39	31,607,032	30,100,653
TOTAL EQUITY		**107,748,446**	**100,357,986**
TOTAL LIABILITIES AND EQUITY		**828,685,435**	**744,011,945**

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SEPARATE STATEMENT OF CASH FLOWS

RSD 000	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from operating activities	**59,057,579**	**39,649,268**
Interest receipts	45,785,036	26,750,886
Fee and commission receipts	11,884,302	11,276,813
Receipts of other operating income	799,222	1,206,617
Dividend receipts and profit sharing	589,019	414,952
Cash outflows from operating activities	**(35,684,587)**	**(22,693,470)**
Interest payments	(15,540,215)	(4,405,497)
Fee and commission payments	(3,780,024)	(3,683,387)
Payments to, and on behalf of employees	(6,378,902)	(5,970,094)
Taxes, contributions and other duties paid	(2,074,292)	(1,509,402)
Payments for other operating expenses	(7,911,154)	(7,125,090)
Net cash inflows from operating activities prior to increases/decreases in financial assets and financial liabilities	**23,372,992**	**16,955,798**
Decrease in financial assets and increase in financial liabilities	**53,186,121**	**78,648,704**
Decrease in receivables per securities and other financial assets not held for investment	7,532,690	9,873,862
Increase in deposits and other liabilities due to banks, other financial institutions, the central bank and customers	45,653,431	68,774,842
Increase in financial assets and decrease in financial liabilities	**(57,696,979)**	**(91,092,188)**
Increase in loans and other receivables due to banks	(57,696,979)	(91,092,188)
Net cash used in operating activities before income taxes	**18,862,134**	**4,512,314**
Income tax paid	(2,486,059)	(219,029)
Dividend paid	(9,770,000)	-
Net cash used in operating activities	**6,606,075**	**4,293,285**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows from investing activities	**22,251**	**313,845**
Proceeds from the sales of intangible assets, property, plant and equipment	7,954	299,792
Proceeds from the sales of investment property	14,297	14,053
Cash outflows from investing activities	**(1,490,666)**	**(911,317)**
Cash used for the purchases of intangible assets, property, plant and equipment	(1,467,220)	(911,317)
Cash used for the purchases of investments in subsidiariesand associates, and joint ventures	(23,446)	-
Net cash generated/(used in) by investing activities	**(1,468,415)**	**(597,472)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities	**49,373,174**	**20,647,238**
Inflows per subordinated liabilities	5,859,290	-
Borrowings, inflows	43,513,884	20,647,238
Cash inflows from financing activities	**(18,098,698)**	**(20,618,595)**
Borrowings, outflows	(17,612,684)	(20,102,424)
Other outflows from financing activities	(486,014)	(516,171)
Net cash generated by financing activities	**31,274,476**	**28,643**
TOTAL CASH INFLOWS	161,639,125	139,259,055
TOTAL CASH OUTFLOWS	(125,226,989)	(135,534,599)
NET CASH INCREASE	**36,412,136**	**3,724,456**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**32,298,953**	**28,456,195**
FOREIGN EXCHANGE GAINS	507,592	757,531
FOREIGN EXCHANGE LOSSES	(489,894)	(639,229)
CASH AND CASH EQUIVALENTS, END OF YEAR	**68,728,787**	**32,298,953**

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 15, 2024.

OTP banka Srbija a.d. Novi Sad

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Director of the Accounting Directorate

Branimir Spasić
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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, 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**
Opening balance at January 1, 2023	**56,830,752**	**2,564,892**	**30,701,393**	**(600,740)**	**10,861,689**	**-**	**100,357,986**
Total positive other comprehensive income for the year	-	-	-	414,690	-	-	414,690
Profit for the current year	-	-	-	-	16,745,770	-	16,745,770
Profit distribution - increase	-	-	1,091,689	-	-	-	1,091,689
Profit distribution, loss coverage - decrease	-	-	-	-	(1,091,689)	-	(1,091,689)
Payment of dividends	-	-	-	-	(9,770,000)	-	(9,770,000)
Balance at December 31, 2023	**56,830,752**	**2,564,892**	**31,793,082**	**(186,050)**	**16,745,770**	**-**	**107,748,446**

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 15, 2024.

Vladimir Pejčić
Director of the Accounting Directorate

Branimir Spasić
Member of the Executive Board

OTP banka Srbija a.d. Novi Sad

Predrag Mihajlović
Chairman of the Executive Board

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023 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 154 branch offices (2022: headquarters in Novi Sad and Belgrade, 19 branches and 155 branch offices).

The Bank on December 31, 2023 has 2,720 employees while on December 31, 2022 the number of employees was 2,692.

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 2023, were complied in accordance with International financial reporting standards (“IFRS).

The accompanying Separate financial statements are presented in the format prescribed by the Decision on forms and content of positions in the financial statements for banks ("Official Gazette of RS" No. 93/2020).

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.

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, 2023, the Bank was the sole (100%) owner of OTP Nekretnine (ex. OTP Investmens) 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), 49% equity interest in OTP Osiguranje a.d.o. Drustvo za zivotno osiguranje Beograd, and 25% equity interest in OTP Invest a.d. 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 IFRS amendments which have been adopted by the Bank as of 1 January 2023:

- **IFRS 17: Insurance Contracts**
  The standard is effective for annual periods beginning on or after 1 January 2023. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The Bank does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the Bank's financial performance, financial position or cash flows. As a consequence, this standard had no impact on the financial statements of the Bank.

- **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. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The amendments had no impact on the financial statements of the Bank.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**
  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments had no impact on the financial statements of the Bank.

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

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 (continued)

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

  The global minimum tax legislation has been enacted, or substantively enacted, in certain jurisdictions the OTP Group operates, generally in the EU Member States. The legislation will be effective for the Group's financial year beginning 1 January 2024 and introduces a minimum rate of effective taxation of 15%.

  The OTP Group is in scope of the enacted or substantively enacted legislation including its constituent entities resident in Serbia, thus, among them, OTP banka Srbija ad Novi Sad in respect of financial year beginning with 1 January 2024.

  From an accounting perspective, it is unclear if the global minimum rules create additional temporary differences, whether to remeasure deferred taxes for the global minimum tax rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, IAS 12 'Income taxes' has been amended to introduce a mandatory temporary exception to the requirements of IAS 12. Under the mandatory temporary exception, a company does not recognize or disclose information about deferred tax assets and liabilities related to the global minimum tax rules. The Group applied the temporary exception for the year ended 31 December 2023.

  Serbia has not adopted the global minimum tax rules. However, since the OTP Group's ultimate parent entity is resident in Hungary, the Group including its constituent entities resident in Serbia are in scope of the global minimum tax legislation enacted in Hungary, effective for the Group's financial year beginning with 1 January 2024.

  OTP Bank Plc as the ultimate parent entity for the OTP Group will be the filing constituent entity for the Group in respect of financial year starting on 1 January 2024, including the constituent entities resident in Serbia. If the final global minimum tax calculation results in a global minimum tax effective tax rate lower than 15% in respect of the financial year starting on 1 January 2024 for the constituent entities resident in Serbia, the tax liability will be calculated and paid by OTP Bank Plc in Hungary to the Hungarian taxation authorities. The amendments had no 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 Standards issued but not yet effective and not early adopted

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  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 requirements of this standard are not expected to have a material impact on the Bank's financial statements.

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

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose as at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

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

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

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. 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 year 2022.

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 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.

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 ACCOUNTING POLICIES

The Bank has consistently applied the adopted accounting policies to all periods presented in these Separate financial statements. The material 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 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 hand, and the characteristics of the contractual cash flows of the asset on the other end.

3. SUMMARY OF 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 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 2023, 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 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 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.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

3.3. Financial instruments (continued)

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.

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 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, 2023, 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 ACCOUNTING POLICIES (continued)

3.5. Securities (Continued)

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

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 (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 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 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 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 up to 100 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 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. During 2023, the part of headquarters' facilities were reclassified from the investment real estate account to owned real estate (account 341).

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 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 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 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. - 129/2021).
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 as well as in the case of the calculation of jubilee awards, 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 2023 and 2022) 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 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 2023 the Bank recognized deferred tax assets and liabilities in respect of: provisions for retirement benefits and jubilee awards calculated in accordance with IAS 19 “Employee Benefits”, based on actuarial gains, unpaid public duties payable and provisions for litigations, based on revaluation of securities, based on the difference between the net accounting and tax value of fixed assets 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, 2023

4. INTEREST INCOME AND EXPENSES

RSD 000	31.12.2023.	31.12.2022.
Interest income from cash and assets with the central bank	2,335,886	485,095
Interest income based on interest rate swap	437,612	43,296
Income from interest on the basis of acceptance, stand surety and payments by guarantees	17,172	4,683
Interest income from deposits	66,035	25,240
Income from interest on the basis of government bonds	1,215,518	1,391,495
Interest income based on factoring	987,280	377,946
Interest income based on forfeiting	90,859	52,477
Interest income from cards	244,668	261,344
Interest income from corporate bonds	185,489	199,057
Income from interest on loans	39,683,581	24,217,373
Interest income from other placements	2,017	3,381
Income from interest on receivables from loans from repo transactions	222,236	34,918
Income from interest on receivables from loans from repo transactions with the central bank	1,964,548	24,222
Interest income on receivables from placements that are approved and mature within one day (overnight)	154,170	54,306
Other	710	289
Total interest income	**47,607,781**	**27,175,122**
Interest expenses from deposits	(12,800,805)	(4,645,248)
Interest expenses from loans	(2,896)	(13,614)
Interest expenses based on interest rate swap	(437,612)	(43,296)
Interest expense based on leasing	(28,524)	(28,241)
Interest expenses based on received loans	(3,671,050)	(787,141)
Interest expenses based on repo transactions	-	(6,477)
Interest expenses on the basis of subordinated obligations	(992,954)	(513,965)
Total interest expenses	**(17,933,841)**	**(6,037,982)**
Net interest income	**29,673,940**	**21,137,140**

5. FEE AND COMMISSION INCOME AND EXPENSES

RSD 000	31.12.2023.	31.12.2022.
Fee and commission income from		
Current account	2,122,303	1,998,283
Payment card transactions	2,962,600	2,512,500
Payment transfer operations	4,598,601	4,079,630
Electronic banking	266,051	305,689
Guarantees and warranty	776,688	542,072
Credit transactions	55,015	78,092
Fee based on spot transactions	432,625	697,530
Fee for factoring	67,175	55,303
Insurance representation	207,874	163,575
Credit bureau	59,175	63,185
Financial derivatives-options	-	366,684
Exchange	610,484	579,598
Custody and brokerage	106,184	99,887
Other fees and commissions	175,805	180,410
Letters of intent	4,584	4,511
Earmarked deposits	11,446	8,493
Total	**12,456,610**	**11,735,442**
Fee and commission expenses		
Payment transfer operations	(547,368)	(538,612)
Payment card transactions	(2,300,509)	(1,799,708)
Guarantees and warranty	(81,252)	(96,783)
Insurance representation	(4,284)	(8,226)
Fee based on spot transactions	(335,072)	(561,910)
Credit bureau	(94,508)	(86,712)
Mediation fee	(10,285)	(43,976)
Financial derivatives-options	-	(284,244)
Exchange	(1,550)	(7,058)
Custody and brokerage	(11,288)	(8,606)
Loans received	-	(1,235)
Fee for factoring	(6,340)	(6,045)
Other fees and commissions	(16,363)	(21,422)
Total	**(3,408,819)**	**(3,464,537)**
Net fee and commission income	**9,047,791**	**8,270,905**

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

RSD 000	31.12.2023.	31.12.2022.
Gains on the fair value changes of derivatives	3,924,965	7,029,547
Losses on the fair value changes of derivatives	(3,556,687)	(6,538,251)
Gains on the fair value changes of financial assets at FVtPL	-	650
Losses on the fair value changes of financial assets at FVtPL	(29)	(8,926)
Net gain on the changes in the fair value of financial instruments	**368,249**	**483,020**

7. NET GAINS / (LOSSES) ON DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

RSD 000	31.12.2023.	31.12.2022.
Losses on derecognition of financial instruments measured at FVtPL	-	(6,164)
Gains on derecognition of financial instruments measured at FVtPL	687	2,638
Net losses on derecognition of financial instruments measured at fair value	**-**	**(3,526)**
Net gains on derecognition of financial instruments measured at fair value	**687**	**-**

8. NET GAINS ON RISK HEDGING

RSD 000	31.12.2023.	31.12.2022.
Gains on the changes in the fair value of hedged items – Retail price change	509	-
Gains on the changes in the fair value of hedged items – changes in the value of gold and other precious metals	4,039	3,342
Net gains on risk hedging	**4,548**	**3,342**

9. NET FOREIGN EXCHANGE LOSSES AND CURRENCY CLAUSE EFFECTS

RSD 000	31.12.2023.	31.12.2022.
Foreign exchange gains		
Unrealized foreign exchange gains	5,191,005	8,580,498
Contractual currency clause	327,077	663,954
Total foreign exchange gains	**5,518,082**	**9,244,452**
Foreign exchange losses		
Unrealized foreign exchange losses	(4,908,807)	(8,091,650)
Contractual currency clause	(750,930)	(1,406,854)
Total foreign exchange losses	**(5,659,737)**	**(9,498,504)**
Net foreign exchange gains/(losses) and positive currency clause effects	**(141,655)**	**(254,052)**

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

RSD 000	31.12.2023.	31.12.2022.
Expenses of indirect write-offs of placement of balance positions - cash and funds with the central bank	(2,988)	(46,497)
Expenses of indirect write-offs of placement of balance positions - loans	(15,928,662)	(16,959,438)
Expenses of indirect write-offs of placement of balance positions - other assets	(556,124)	(401,633)
Provisions for losses on off-balance sheet exposures	(2,937,314)	(2,853,145)
Impairment allowance of financial assets measured at fair value through other comprehensive income (FVtOCI)	(51,727)	(134,904)
Write-off of irrecoverable receivables	(12,902)	(56,011)
Losses based on the modification of financial instruments	(2,668,739)	-
Total losses	**(22,158,456)**	**(20,451,628)**
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	93,677	53,760
Reversal of impairment allowance of balance sheet exposures - loans	13,884,979	12,657,907
Reversal of impairment allowance of balance sheet exposures - other assets	266,571	190,902
Reversal of provisions for losses on off-balance sheet exposures	3,219,306	2,052,078
Reversal of impairment allowance of financial assets measured at fair value through other comprehensive income (FVtOCI)	198,271	86,498
Recovery of receivables previously written off	684,048	647,231
Total gains	**18,346,852**	**16,277,074**
Net gains/(losses) from impairment of financial assets not measured at fair value through profit or loss (FVtPL)	**(3,811,604)**	**(4,174,554)**

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 Bank recognizes in the income statement the effects of modifications in contracted cash flows if they are materially significant. As of December 31, 2023, the Bank calculated and recorded a modification loss in the amount of RSD 2,668,739 thousand due to temporary measures related to the interest rate cap on housing loans for individuals. The effect is recorded as the expense in the income statement with the credit entry of the gross book value of the loans account adjustement.

The modification gains that the Bank recorded on December 31, 2022, as a result of changes in the current value of loan facilities when there was a change in initially agreed loan terms, amount to RSD 588,698 thousand. The effect is recorded as a revenue in the income statement with a debit entry of the gross book value of the loans account adjustment.

The increase in income based on impairment of financial assets in 2023 is primarily conditioned by a reduction in expected credit losses due to more favorable macroeconomic projections compared to projections used in 2022, and under the influence of reduced inflationary pressures, with relatively unchanged portfolio quality.

11. NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT MORTIZED COST

RSD 000	31.12.2023.	31.12.2022.
Net gains on derecognition of financial assets measured at amortized cost	**30,840**	**406,253**
Gains on the sales of receivables	22,519	406,253
Gainson on the derecognition - PPRP	8,321	-
Net losses on derecognition of financial assets measured at amortized cost	**(122)**	**(91)**
Losses on the sales of receivables	(122)	(91)
Net gains on derecognition of financial assets measured at amortized cost	**30,718**	**406,162**

12. OTHER OPERATING INCOME

RSD 000	31.12.2023.	31.12.2022.
Other income from operations	156,432	222,094
Other rental income	70,310	69,636
Dividend and profit sharing income	589,019	414,952
Total other operating income	**815,761**	**706,682**

13. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES

RSD 000	31.12.2023.	31.12.2022.
Net salaries	(4,662,353)	(4,143,718)
Taxes on salaries and compensations	(475,099)	(433,940)
Contributions to salaries and compensations	(1,046,372)	(946,469)
Considerations to temporary and seasonal employees	-	(2,519)
Other personal expenses	(320,665)	(216,868)
Provisions for employee retirement benefits and other provisions for employees	(206,606)	-
Reversal of provisions for employee retirement and other benefits	-	16,580
Total salaries, salary compensations and other personal expenses	**(6,711,095)**	**(5,726,934)**

14. DEPRECIATION AND AMORTIZATION CHARGE

RSD 000	31.12.2023.	31.12.2022.
Depreciation charge – property and equipment	(735,359)	(655,994)
Depreciation charge – investment property	(4,899)	(2,837)
Depreciation charge – leased properties	(397,055)	(450,390)
Depreciation charge – Intangible assets	(408,672)	(366,381)
Total depreciation and amortization charge	**(1,545,985)**	**(1,475,602)**

15. OTHER INCOME

RSD 000	31.12.2023.	31.12.2022.
Reversal of unused provisions	321,167	30,891
Gains on the sales of property, equipment and intangible assets	36,936	121,959
Write-off of liabilities	59	3,736
Surpluses	10,114	8,141
Income from business with payment cards	80,491	159,205
Income from increase in value based on loan performance	92,192	181,388
Other income	177,940	184,520
Total other income	**718,899**	**689,840**

16. OTHER EXPENSES

RSD 000	31.12.2023.	31.12.2022.
Cost of materials	(613,526)	(528,337)
Cost of production services	(2,210,581)	(1,924,047)
Rental costs per short-term lease contracts (Note 27)	(14,054)	(14,272)
Non-material costs	(3,553,242)	(3,397,225)
Taxes payable	(303,721)	(311,596)
Contributions payable	(958,681)	(890,900)
Other costs and charges	(82,530)	(97,224)
Costs of provisions for litigations	(1,085,161)	(221,925)
Other provisions – investments in subsidiaries	(67,313)	-
Losses from sale of fixed assets and intangible assets	(38)	(4,502)
Losses on impairment of assets acquired in lieu of debt collection	(193)	(36)
Shortages and damages	(5,184)	(1,896)
Other expenses	(131,045)	(118,271)
Expenses from changes in the value of fixed assets	(37,190)	(46,376)
Total other expenses	**(9,062,459)**	**(7,556,607)**

Non-material costs as of December 31, 2023 are mostly made up of costs of deposit insurance at the deposit insurance agency in the amount of RSD 1,121,367 thousand, life insurance costs of cash loan users of RSD 670,686 thousand, costs of legal services in the amount of RSD 240,080 thousand, as well as software maintenance costs of RSD 239,730 thousand.

Comparative data for December 31, 2022 amounted to: costs of deposit insurance at the deposit insurance agency RSD 1,081,591 thousand, costs of life insurance of users of cash loans RSD 619,240 thousand, costs of legal services RSD 160,436 thousand, as well as software maintenance costs of RSD 149,757 thousand.

17. INCOME TAXES

RSD 000	31.12.2023.	31.12.2022.
Current income tax expense	(2,649,735)	(1,452,570)
Deferred tax losses	(51,665)	(192,442)
Deferred tax gains	59,375	885
Total income taxes	**(2,642,025)**	**(1,644,127)**

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	31.12.2023.	31.12.2022.
Profit/(Loss) before taxes	**19,387,795**	**12,505,816**
Income tax at the statutory tax rate of 15%	**(2,908,169)**	**(1,875,872)**
Tax effects of expense adjustment in the tax statement	(48,323)	92,657
Tax effects of transfer pricing adjustments	(42)	(1,012)
Tax effects of income adjustment in the tax statement	308,476	274,059
Tax effects of adjustments due to IFRS 9 first-time adoption	-	66,672
Temporary difference effects - deferred taxes, depreciation/amortization and revaluation for tax purposes	(11,348)	(4,035)
Temporary difference effects - deferred taxes, provisions for litigations	9,425	(82,801)
Temporary difference effects - deferred taxes, provisions for retirement benefits	(12,499)	(39,359)
Temporary difference effects - deferred taxes, IFRS 9	-	(57,328)
Temporary difference effects - deferred taxes, other	22,132	(8,034)
Tax effects of capital gains	(1,677)	(9,074)
Total tax income/(expanse)	**(2,642,025)**	**(1,644,127)**

Tax income/(expense)

RSD 000	31.12.2023.	31.12.2022.
Profit/(Loss) before taxes	**19,387,795**	**12,505,816**
(Income)/Expenses not recognized for tax purposes - temporary differences	245,044	(1,165,695)
(Income)/Expenses not recognized for tax purposes - permanent differences	(1,979,119)	(1,716,813)
Taxable (loss)/profit	17,653,720	9,623,307
Capital gains	11,183	99,959
Capital losses	-	(39,467)
Taxable income base	17,664,903	9,683,799
Tax rate	15%	15%
Calculated income tax	(2,649,735)	(1,452,570)
Current income tax expense	**(2,649,735)**	**(1,452,570)**
Profit decrease through reversal of deferred tax assets	**7,710**	**(191,557)**
Total tax benefits	**(2,642,025)**	**(1,644,127)**
Net profit/(loss)	**16,745,770**	**10,861,689**

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18. CASH AND BALANCES HELD WITH THE CENTRAL BANK

RSD 000	31.12.2023.	31.12.2022.
In RSD		
Gyro account	46,565,339	10,848,986
Cash on hand	12,330,706	10,256,232
Deposited RSD liquid asset surpluses	53,189,582	67,846,052
Total cash funds in RSD	**112,085,627**	**88,951,270**
In foreign currencies		
Cash on hand	5,530,665	6,165,628
Other cash funds	26,299	87,797
Obligatory foreign currency reserve held with NBS	45,018,136	45,349,918
Less: value adjustment	(9,004)	(99,770)
Total cash funds in foreign currencies	**50,566,096**	**51,503,573**
Gold and other precious metals	61,576	57,538
Total cash and balances held with the central bank	**162,713,299**	**140,512,381**

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 i 77/2023) Pursuant to the aforesaid Decision, the obligatory reserve is to be calculated at the rate of 7% on the portion of the RSD base comprised of liabilities maturing within 2 years, i.e. within 730 days, and at the rate of 2% 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 46% and 38% 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, 2023 to January 17, 2024 amounted to RSD 55,983,085 thousand, where the calculated RSD portion of the reserve amounted to RSD 19,542,462 thousand, and the RSD equivalent of the reserve portion calculated in EUR and deposited in RSD amounted to RSD 36,440,623 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, 2023 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 and 77/2023), which prescribes that banks calculate the obligatory foreign currency reserve at the following rates**:**

- 23% 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
- 16% 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, 2023 to January 17, 2024 amounted to EUR 381,438 thousand.

In 2023, 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 4.0% up to 5.25% p.a., with daily average of RSD 51,589,839 thousand.

19. PLEDGED FINANCIAL ASSETS

RSD 000	31.12.2023.	31.12.2022.
In foreign currency		
Financial assets for securitizing liability settlement	939,080	445,087
Total pledged financial assets	**939,080**	**445,087**

As at December 31, 2023 pledged financial assets comprise the amount of RSD 939,080 thousand (December 31, 2022: RSD 445,087 thousand).

The amount of RSD 367,272 thousand relates to deposits placed as collateral by the Bank as a member of the VISA 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 571,808 thousand refers to the deposit placed as collateral with OTP Bank Hungary for REPO and 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	31.12.2023.	31.12.2022.
Receivables from derivatives - Forward	8,959	7,090
Receivables from derivatives - Swap	1,369,437	441,394
Total receivables under derivative financial instruments	**1,378,396**	**448,484**

21. SECURITIES

RSD 000	31.12.2023.	31.12.2022.
Securities measured at fair value through profit or loss (FVtPL)	**1,717**	**2,259**
Treasury bills and public sector bonds	394	1
Securities of other financial institutions	-	906
Other corporate shares	1,323	1,352
Securities measured at fair value through the other comprehensive income (FVtOCI) - Equity securities	**34,005**	**32,779**
Public company shares	4,822	9,800
Public sector shares	38	38
Corporate shares of non-residents	20,004	18,778
Other corporate shares	9,141	4,163
Securities measured at fair value through the other comprehensive income (FVtOCI) - Debt securities	**33,673,942**	**41,437,630**
Treasury bills and public sector bonds	31,990,819	37,413,798
Government bills and bonds of public companies	1,176,586	3,528,832
Treasury bills and bonds of other companies	506,537	495,000
Total Securities exposure	**33,709,664**	**41,472,668**

Impairment of debt securities measured at fair value through the other comprehensive income (FVtOCI) are recorded in equity in the amount of RSD 173,450 thousand as of December 31, 2023 (as of December 31, 2022: RSD 319,994 thousand).

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

RSD 000	31.12.2023.	31.12.2022.
Loans by repo transactions	60,046,320	-
Loans per transaction accounts	70,403	2,659
Liquidity and working capital loans	2,240,578	1,650,714
Investment loans	12,085	16,982
Other loans	2,544	1,220
Other receivables	5	-
Total in RSD	**62,371,935**	**1,671,575**
Foreign currency accounts	4,219,609	4,912,784
Loans by repo transactions in foreign currency	6,067,760	4,505,733
Other loans	368,221	382,962
Earmarked deposits placed in accordance with the regulations	4,687	4,693
Other special purpose deposits in foreign currency	1,548	-
Other receivables	1,667	1,669
Factoring recourse receivables in foreign currency	148,453	207,772
Total in foreign currencies	**10,811,945**	**10,015,613**
Impairment allowance (Note 32)	(386,736)	(472,310)
Total loans and receivables, net	**72,797,144**	**11,214,878**

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23. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

23.1 Loans and receivables due from customers – breakdown per product

RSD 000	31.12.2023.	31.12.2022.
Loans per transaction accounts	5,566,276	3,961,820
Consumer loans	4,191,819	3,168,538
Loans for liquidity maintenance and working capital	134,485,773	129,722,512
Investment loans	107,881,091	96,850,586
Housing loans	128,098,194	129,350,416
Cash loans	129,787,304	126,351,922
Other RSD loans	4,206,359	23,955,264
Receivables arising from purchased placement - forfeiting in dinars	1,732,456	1,677,967
Receivables based on factoring without the right of recourse and reverse factoring	12,972,990	12,426,429
Receivables based on factoring with the right of recourse	2,367,985	2,250,968
Receivables for acceptances, bills of exchange and payments per guarantees called on	145,381	198,893
Other loans and receivables	10,741	10,644
Interest and fees per deposits and off-balance sheet items	-	8,992
Total in RSD	**531,446,369**	**529,934,951**
Loans for payment of imported goods and services	20,262,463	15,909,356
Other loans	5,672,272	6,709,026
Placements based on acceptance, endorsement and payments made under guarantees in foreign currency	-	134,772
Receivables based on factoring without the right of recourse and reverse factoring in foreign currency	519,608	-
Factoring recourse receivables in foreign currency	51,303	20,461
Other loans and receivables	4,794	5,592
Interest and fees per deposits and off-balance sheet items	-	211
Total in foreign currencies	**26,510,440**	**22,779,418**
Impairment allowance (Note 32)	(20,687,188)	(20,224,075)
Total loans and receivables, net	**537,269,621**	**532,490,294**

Loans to enterprises are mainly approved for: financing daily liquidity (current account deficits), procurement of working capital, factoring transactions, as well as investment financing. Interest on loans approved in 2023 is calculated at an interest rate equal to one-month, three-month or six-month Euribor increased by an average of 3.31% 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 2.81% per year for medium-sized enterprises and large enterprises.

During 2023, 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 3.89%. The fixed interest rate ranged from 2.25% to 7.45%. In September 2023, the National Bank of Serbia adopted a Decision to limit interest rates on housing loans.
In accordance with this decision, in the period after October 2023, housing loans were approved with the fixed rate of 5.03%, or with the variable interest rate with the set fixed part not higher than 1.1% + EURIBOR.

During 2023, 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 7.65% to 18.15%, while interest rates on indexed loans ranged from 4.05% to 4.95%. Interest rates for dinar cash and refinancing loans with a variable interest rate ranged from three-month Belibor increased by 3.25% to three-month Belibor increased by 8.95%.

In 2023, loans were granted to small businesses, entrepreneurs and registered agricultural farms. The average interest rate for loans intended to finance working capital was 8.28% for small businesses, or 4.35% for registered agricultural holdings. Investment loans for small businesses were approved at an average interest rate of 7.11%, while the interest rate for registered agricultural holdings was 8.73%. There was a noticeable increase in interest rates, on dinar but also on loans in foreign currency compared to the previous year, mainly due to the increase in reference interest rates.

23. LOANS AND RECEIVABLES DUE FROM CUSTOMERS (Continued)

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

In order to preserve the stability of the financial system and to protect debtors - housing loan users, the National Bank of Serbia made a decision on September 11, 2023, regarding temporary measures for banks related to housing loans for individuals, which was published in the "Official Gazette of the Republic of Serbia" No. 78/2023 (hereinafter: the Decision).

Based on the Decision, the bank is obliged to apply a temporary halt to the increase of the agreed variable nominal interest rate on the housing loan that has been approved to the debtor with this interest rate until the day of the application of this decision, or to reduce this interest rate for such loans. The nominal interest rate on the previously mentioned housing loans cannot be higher than 4.08%. Exceptionally, if the housing loan was approved to the debtor in the period from July 31, 2022, until the day of the application of this decision, the nominal interest rate cannot be higher than the nominal interest rate from the repayment plan provided to the debtor when signing the loan agreement (initial repayment plan). For housing loans with a variable interest rate that the bank approves during the period of the Decision application, the bank is obliged to determine the fixed part of the nominal interest rate in a percentage that is not higher than 1.1% during that period, and after that period in a percentage determined in the loan agreement. For housing loans with a fixed interest rate that the bank approves during the period of the Decision application, the bank is obliged to agree that the nominal interest rate not be higher than 5.03%. The Decision applies until December 31, 2024.

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 June 30, 2023, the Bank has realized clients’ requests in the amount of RSD 979,969 thousand.

23.2 Loans and receivables due from customers – breakdown per industry

RSD 000	31.12.2023.	31.12.2022.
Public companies	58,893,291	57,556,119
Corporate customers	202,261,475	202,541,361
Entrepreneurs	5,577,402	5,779,926
Public sector	14,288,490	12,304,352
Retail customers	254,570,473	251,804,558
Non-residents	192,320	801,453
Agricultural producers	668,180	936,958
Other customers	817,990	765,567
Total loans and receivables due from customers	**537,269,621**	**532,490,294**

24. INVESTMENTS IN ASSOCIATES

RSD 000	stake	31.12.2023.	31.12.2022.
OTP Osiguranje a.d. Beograd	49%	149,650	149,650
OTP Invest a.d. Beograd	25%	23,446	-
Total investments in associates and joint ventures		**173,096**	**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, 2023 RSD 202,177 thousand.

On July 11, 2023, the Bank acquired the 25% of shares of OTP INVEST, a company for managing UCITS funds, non-listed joint-stock company. The registered share capital of the Company amounts to RSD 177,032,000 which is divided into 177,032 ordinary shares with a nominal value of 1,000 RSD per share. The stake in the Company's equity amounts to RSD 23,446 thousand and is recorded at cost.

25. INVESTMENTS IN SUBSIDIARIES

RSD 000	31.12.2023.	31.12.2022.
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, 2023, 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 Nekretnine doo 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	31.12.2023.	31.12.2022.
Licenses	263,528	261,798
Software	4,728,536	4,113,452
Other intangible assets	328,953	494,980
Total intangible assets	**5,321,017**	**4,870,230**
Accumulated amortization of other intangible assets	(181,907)	(318,032)
Accumulated amortization of intangible assets	(3,687,172)	(3,297,592)
Intangible assets, net book value	**1,451,938**	**1,254,606**

Other intangible assets pertain to the customer database 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.

27. PROPERTY, PLANT AND EQUIPMENT

RSD 000	31.12.2023.	31.12.2022.
Land	452,983	452,991
Buildings	10,051,363	9,743,445
Equipment	5,730,111	5,092,131
Equipment in progress	277,591	169,066
Leasehold improvements	650,583	703,649
Leases - ROU Assets	2,653,840	2,524,266
Total property, plant and equipment	**19,816,471**	**18,685,548**
Accumulated depreciation of property, plant and equipment	(6,559,550)	(6,092,950)
Accumulated depreciation of RoU	(1,238,866)	(1,085,045)
Property, plant and equipment, net book value	**12,018,055**	**11,507,553**

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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, 2023	10,900,086	5,092,131	2,524,266	169,066	4,870,230	**23,555,779**
Additions	171,382	55,363	407,185	934,349	729,571	**2,297,850**
Reclassification to equipment and other assets	-	306	(306)	-	-	**-**
Reclassification to Real estate	167,618	-	-	-	-	**167,618**
Transfer from investment in progress	13,254	812,570	-	(825,824)	-	**-**
Transfer from ongoing investments to intangible assets	-	-	-	-	(112,757)	**(112,757)**
Sale	(8)	(8,891)	-	-	-	**(8,899)**
Write off	(97,402)	(221,369)	(277,305)	-	(166,027)	**(762,103)**
Balance at December 31, 2023	**11,154,930**	**5,730,110**	**2,653,840**	**277,591**	**5,321,017**	**25,137,488**
Accumulated depreciation and amortization						
Balance at January 1, 2023	2,467,590	3,625,361	1,085,045	-	3,615,624	**10,793,620**
Charge for the year (Note14)	195,305	540,053	397,055	-	408,673	**1,541,086**
Impairment	17,585	-	-	-	10,810	**28,395**
Reclassification to Real estate	40,496	-	-	-	-	**40,496**
Reclassification to equipment and other assets	-	306	(306)	-	-	**-**
Sale	-	(8,854)	-	-	-	**(8,854)**
Write off	(97,117)	(221,175)	(242,928)	-	(166,028)	**(727,248)**
Balance at December 31, 2023	**2,623,859**	**3,935,691**	**1,238,866**	**-**	**3,869,079**	**11,667,495**
Net book value at December 31, 2023	**8,531,071**	**1,794,419**	**1,414,974**	**277,591**	**1,451,938**	**13,469,993**

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, 2022	11,257,250	4,840,173	3,198,566	339,681	4,452,808	**24,088,478**
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**	**23,555,779**
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**	**12,762,159**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023 the Bank had no proper title deeds for building properties with the net book value of RSD 321,233 thousand (December 31, 2022: RSD 328,709 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	31.12.2023.	31.12.2022.
Property	1,304,509	1,357,537
Equipment	110,465	81,684
Total leased assets	**1,414,974**	**1,439,221**

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

RSD 000	31.12.2023.	31.12.2022.
Depreciation charge	397,055	450,389
Interest expense (Note 4)	28,524	28,241
Lease expenses from short-term lease arrangements (Note 16)	14,054	14,272
Income from sublease of ROU assets	2,549	2,437

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	31.12.2023.	31.12.2022.
Within a year	**418,850**	**390,019**
- principal	392,136	366,686
- interest	26,714	23,333
Within 2 years	**377,251**	**340,378**
- principal	358,099	322,773
- interest	19,152	17,605
Within 3 years	**308,037**	**295,578**
- principal	295,669	283,253
- interest	12,368	12,325
Within 4 years	**176,820**	**224,614**
- principal	169,846	216,928
- interest	6,974	7,686
Within 5 years	**127,292**	**123,859**
- principal	123,985	119,337
- interest	3,307	4,522
Within a period of over 5 years	**115,623**	**165,431**
- principal	112,304	160,171
- interest	3,319	5,260
Total finance lease liabilities	**1,523,873**	**1,539,879**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

27. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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	31.12.2023.	31.12.2022.
Within a year	51,654,861	52,488,791
Within 2 years	27,078,187	44,943,307
Within 3 years	14,707,964	26,570,174
Within 4 years	12,588,522	14,430,277
Within 5 years	11,856,812	12,484,866
Within a period of over 5 years	19,249,136	25,106,272
Total operating lease receivables	**137,135,482**	**176,023,686**

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 70,310 RSD thousand in 2023 (2022: RSD 69,636 thousand) (Note 12).

5) Movements on the Bank's ROU assets:

	January 1, 2023 - December 31, 2023			January 1, 2022 - December 31, 2022		
RSD 000	Buildings	Equipment	Total	Buildings	Equipment	Total
Cost						
Opening balance	**2,422,874**	**101,392**	**2,524,266**	**3,035,616**	**162,950**	**3,198,566**
Additions	350,715	56,470	**407,185**	493,228	71,632	**564,860**
Reclassification to Real estate	9,019	(9,019)	**-**	-	-	**-**
Reclassification to equipment and other assets	-	(306)	**(306)**	-	-	**-**
Disposal and write-off (write-off)	(266,884)	(10,421)	**(277,305)**	(1,105,970)	(133,190)	**(1,239,160)**
Closing balance	**2,515,724**	**138,116**	**2,653,840**	**2,422,874**	**101,392**	**2,524,266**
Accumulated depreciation and amortization						
Opening balance	**1,065,337**	**19,708**	**1,085,045**	**1,338,589**	**125,573**	**1,464,162**
Amortization	377,136	19,919	**397,055**	423,334	27,056	**450,390**
Reclassification to Real estate	1,250	(1,250)	**-**	-	-	**-**
Reclassification to equipment and other assets	-	(306)	**(306)**	-	-	**-**
Disposal and write-off (write-off)	(232,508)	(10,420)	**(242,928)**	(696,586)	(132,921)	**(829,507)**
Closing balance	**1,211,215**	**27,651**	**1,238,866**	**1,065,337**	**19,708**	**1,085,045**
Net book value	**1,304,509**	**110,465**	**1,414,974**	**1,357,537**	**81,684**	**1,439,221**

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
- parking space
- 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

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28. INVESTMENT PROPERTY

RSD 000	Investment property
Cost	
Balance on January 1, 2023	426,656
Reclassification to investment property	(167,618)
Sale	(7,582)
Balance on December 31, 2023	**251,456**
Impairment	
Balance on January 1, 2023	56,503
Depreciation (Note 14)	4,899
Sale	(684)
Reclassification from investment property	(40,496)
Balance on December 31, 2023	**20,222**
Total balance as at December 31, 2023	**231,234**

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**

29. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

Tax assets / (liabilities) components		
RSD 000	**31.12.2023.**	**31.12.2022.**
Current tax liabilities	(1,206,239)	(1,042,563)
Deferred tax assets / (liabilities)	(34,133)	57,199
Balance as of:	**(1,240,372)**	**(985,364)**

Deferred tax assets and liabilities components		
RSD 000	**31.12.2023.**	**31.12.2022.**
Deferred tax liabilities coming from the difference between net book value of the fixed assets and their net tax value	(331,709)	(320,362)
Deferred tax assets per unpaid public duties and unpaid employee benefits	3,580	3,429
Deferred tax assets from calculated and not paid severance for retirement	33,388	30,661
Deferred tax assets from long-term employee restructuring provisions	9,667	51,629
Deferred tax assets based on long-term provisions for the restructuring of the branch network	2,395	3,448
Deferred tax liabilities based on provisions for litigations	183,334	173,909
Deferred tax assets based on jubilee awards	27,789	-
Deferred tax assets per equity instruments	25	25
Deferred tax assets based on debt securities	77,351	176,364
Deferred tax liabilities based on equity securities	(529)	(341)
Deferred tax liabilities based on revaluation of treasury bills and treasury bonds	(26,017)	(47,999)
Deferred tax liabilities coming from actuarial gain	(13,407)	(13,564)
Balance as of:	**(34,133)**	**57,199**

29. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

	2023				2022			
RSD 000	Deferred tax assets	Deferred tax liabilities	Income statement	Effect on capital	Deferred tax assets	Deferred tax liabilities	Income statement	Effect on capital
Deferred tax liabilities coming from the difference between net book value of the fixed assets and their net tax value	-	(331,709)	(11,348)	-	-	(320,362)	(4,034)	-
Deferred tax assets per unpaid public duties and unpaid employee benefits	3,580	-	150	-	3,429	-	(774)	-
Deferred tax assets from calculated and not paid severance for retirement	33,388	-	2,727	-	30,661	-	(9,382)	-
Deferred tax assets from long-term employee restructuring provisions	9,667	-	(41,962)	-	51,629	-	(24,342)	-
Deferred tax assets based on long-term provisions for the restructuring of the branch network	2,395	-	(1,052)	-	3,448	-	(5,635)	-
Deferred tax liabilities based on provisions for litigations	183,334	-	9,425	-	173,909	-	(82,801)	-
Deferred tax assets based on jubilee awards	27,789	-	27,789	-	-	-	-	-
Deferred tax assets coming from IFRS 9 the first time adoption	-	-	-	-	-	-	(57,328)	-
Deferred tax assets per equity instruments	25	-	-	-	25	-	-	(132)
Deferred tax assets based on debt securities	77,351	-	-	(99,013)	176,364	-	-	176,364
Deferred tax liabilities based on equity securities	-	(529)	-	(187)	-	(341)	-	(341)
Deferred tax liabilities based on revaluation of treasury bills and treasury bonds	-	(26,017)	21,981	-	-	(47,999)	(7,261)	106,725
Deferred tax liabilities coming from actuarial gain	-	(13,407)	-	159	-	(13,564)	-	(6,260)
	337,529	**(371,662)**	**7,710**	**(99,041)**	**439,465**	**(382,266)**	**(191,557)**	**276,356**

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

RSD 000	31.12.2023.	31.12.2022.
Non-current assets held for sale	4,955	6,248
Non-current assets held for sale, total balance	**4,955**	**6,248**

Non-current assets held for sale comprise the following:

Property	Surface area	Value
Business premises, Knjaževačka bb. Niš	15.16m²	987
Land Poljna Trstenik parcela 4051	66.82 ares	1,151
Šid Kneza Miloša	150 m²	2,733
Sutomore, Save Kovačevića br. 9	21.5m²	84
TOTAL 31.12.2023.		**4,955**
Business space, Knjaževačka bb. Niš	15.16m²	987
Land Poljna Trstenik parcel 4051	66.82 ares	2,444
Šid Kneza Miloša	150 m²	2,733
Sutomore, Save Kovačevića br. 9	21.5m²	84
TOTAL 31.12.2022.		**6,248**

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

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31. OTHER ASSETS

RSD 000	31.12.2023.	31.12.2022.
In RSD		
RSD fee and commission receivables per other assets	585,109	604,384
RSD trade receivables from sales	10,719	11,098
Interest receivables per other assets	3	10
Total receivables for fees, sales, and other assets	**595,831**	**615,492**
Less: Impairment allowance	(185,031)	(195,777)
Receivables for fees, sales, and other assets, net	**410,800**	**419,715**
Receivables per advances paid to suppliers	123,930	98,572
Receivables per advances paid for property and equipment	13,199	51,067
RSD receivables from employees	4,561	3,115
Receivables arising from prepaid taxes and contributions	1,234	2,279
Other RSD receivables from operations	895,514	768,009
RSD suspense and temporary accounts	(15,485)	(50,897)
RSD receivables in settlement	3,583,892	1,778,031
Total other receivables and advances paid	**4,606,845**	**2,650,176**
Less: Impairment allowance	(396,556)	(370,203)
Other receivables and advances paid, net	**4,210,289**	**2,279,973**
Inventories	582	740
Foreclosed assets	72,651	81,012
Tools and fixtures in use	2,937	2,666
Total inventories	**76,170**	**84,418**
Less: Impairment allowance	(61,672)	(56,908)
Inventories, net	**14,498**	**27,510**
In foreign currencies		
FX fee and commission receivables per other assets	1,373	1,314
Total other receivables	**1,373**	**1,314**
Less: Impairment allowance	(19)	(544)
Other receivables, net	**1,354**	**770**
Receivables per advances paid to suppliers	7,830	6,982
Receivables per advances paid for property and equipment	5,292	5,446
FX receivables from employees	26,086	26,805
Other FX receivables from operations	61,151	114,906
FX suspense and temporary accounts	(45,038)	(44,777)
FX receivables in settlement	211,316	162,950
Total other receivables and advances paid	**266,637**	**272,312**
Less: Impairment allowance	(43,330)	(43,795)
Other receivables and advances paid, net	**223,307**	**228,517**
Deferred other RSD expenses	154,293	152,257
Other RSD prepayments	121,248	86,683
Deferred FX interest expenses	113	113
Deferred other FX expenses	107,706	131,692
Total accrued receivables	**383,360**	**370,745**
Less: Impairment allowance	(169)	-
Net accrued receivables	**383,191**	**370,745**
Total other assets	**5,243,439**	**3,327,230**

31. OTHER ASSETS (Continued)

Receivables in settlement for the most part pertain to the receivables from the card operations in the amount of RSD 3,692,785 thousand (December 31, 2022: RSD 1,680.573 thousand).

Deferred other expenses in dinars mostly relate to deferred operating expenses in the amount of RSD 107,706,thousand deferred expenses of insurance premiums in the amount of RSD 40,611 thousand, IT services RSD 37,334 thousand and deferred expenses of VAT and withholding tax of RSD 32,030 thousand (December 31, 2022: 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).

Movements on foreclosed assets

Types of foreclosed assets	Residential property	Other property	Other assets	Total
Gross carrying value, beginning of year	102,114	13,838	2,897	118,849
Accumulated loss (impairment), beginning of the period	(89,143)	(39)	(2,897)	(92,079)
Additions	-	-	-	-
Sales	(5,018)	(334)	-	(5,352)
Reclassified during the period	-	-	-	-
Write off	-	-	-	-
Accumulated loss (impairment)	-	-	-	-
Impairment	(7,501)	-	-	(7,501)
Gross carrying value, end of year	97,096	13,504	2,897	113,497
Net book value at December 31, 2023	**452**	**13,465**	**-**	**13,917**

Types of foreclosed assets	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**

Due to incomplete real estate register, as of December 31, 2023, 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	31.12.2023.	31.12.2022.
Impairment allowance of:		
Cash and balances held with the central bank (Note 18)	9,004	99,770
Debt securities (Note 39)	173,450	319,994
Loans and receivables due from banks and other financial institutions (Note 22)	386,736	472,310
Loans and receivables due from customers (Note 23)	20,687,188	20,224,075
Other assets (Note 31)	625,105	610,319
Total impairment allowance at the reporting date	**21,881,483**	**21,726,468**

32. IMPAIRMENT ALLOWANCE PER BALANCE SHEET ITEMS (Continued)

Movements on the impairment allowance accounts on December 31, 2023 and December 31, 2022 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, 2023						
Cash and balances held with the central bank	99,770	2,988	93,677	-	(77)	9,004
Debt securities	319,994	51,727	198,271	-	-	173,450
Loans and receivables due from banks and other financial institutions	472,310	236,474	306,751	-	(15,297)	386,736
Loans and receivables due from customers	20,224,075	15,692,188	13,578,228	1,640,206	(10,641)	20,687,188
Other receivables	610,319	556,124	266,571	274,498	(269)	625,105
Total	**21,726,468**	**16,539,501**	**14,443,498**	**1,914,704**	**(26,284)**	**21,881,483**

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**

33. LIABILITIES UNDER DERIVATIVE FINANCIAL INSTRUMENTS

RSD 000	31.12.2023.	31.12.2022.
Liabilities under derivatives - Forward	5,620	2,131
Receivables under derivatives - Swap	433,511	396,196
Total liabilities under derivative financial instruments	**439,131**	**398,327**

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

RSD 000	31.12.2023.	31.12.2022.
In RSD		
Transaction deposits	3,546,999	2,505,315
Earmarked deposits	6,553,989	1,950,503
Other deposits	14,147,346	7,792,079
Loans received	4,452,860	2,297,555
Other financial liabilities	2,370,021	835,768
RSD deposits and other liabilities	**31,071,215**	**15,381,220**
In foreign currencies		
Transaction deposits	3,819,827	1,745,965
Earmarked deposits	371,090	448,255
Other deposits	12,240,552	80,494,518
Borrowings	95,674,504	71,784,594
Other financial liabilities	240,923	146,072
Foreign currency deposits and other liabilities	**112,346,896**	**154,619,404**
Total deposits and other liabilities	**143,418,111**	**170,000,624**

Other deposits in dinars in the total amount of RSD 14,147,346 thousand are short-term dinar deposits of other financial organizations with maturities up one year, with an interest rate of about in the range between 5.96% and 6.30% annually.

As of December 31, 2023 other deposits in foreign currency in the amount of RSD 12,240,552 thousand are mostly deposits received from the parent bank in the amount of RSD 5,272,816 thousand (EUR 45,000 thousand), taken for a period up to 3 months at rates ranging from 4.98% to 5.03%.

As of December 31, 2023 the Bank had obligations based on received long-term loans in foreign currency in the amount of RSD 95,674,504 thousand, the largest part from the parent bank and OTP Financing Malta in the amount of RSD 79,678,116 thousand with a variable interest rate (linked to 3M EURIBOR and 6M EURIBOR).

35. DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS

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

RSD 000	31.12.2023.	31.12.2022.
In RSD		
Transaction deposits	191,216,722	124,077,888
Savings deposits	17,062,610	7,717,881
Deposits securitizing approved loans	395,017	630,375
Earmarked deposits	4,490,544	3,106,437
Other deposits	61,261,302	68,726,728
Overnight deposits	5,082,453	2,883,325
Other financial liabilities	2,946,911	1,902,306
RSD deposits and other liabilities	**282,455,559**	**209,044,940**
In foreign currencies		
Transaction deposits	133,903,888	123,286,878
Savings deposits	103,303,437	95,136,704
Deposits securitizing approved loans	2,766,490	2,741,719
Earmarked deposits	2,711,687	3,007,774
Other deposits	18,130,526	11,087,493
Other financial liabilities	2,411,386	4,452,801
Foreign currency deposits and other liabilities	**263,227,414**	**239,713,369**
Total deposits and other liabilities	**545,682,973**	**448,758,309**

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

RSD 000	31.12.2023.	31.12.2022.
Public companies	33,962,150	8,314,333
Corporate customers	217,134,006	179,330,861
Entrepreneurs	13,552,538	11,233,525
Public sector	10,953,842	10,687,512
Retail customers	229,487,807	204,198,375
Non-residents	13,862,586	12,438,581
Agricultural producers	4,953,516	4,866,927
Other customers	21,776,528	17,688,195
Total deposits and other liabilities	**545,682,973**	**448,758,309**

35.3 Loans received

RSD 000	31.12.2023.	31.12.2022.
Opening balance	**74,082,149**	**73,552,431**
Cash flow items	**25,901,200**	**544,814**
Withdrawal during the year-inflows	43,513,884	20,647,238
Repayments during the year - outflows	(17,612,684)	(20,102,424)
Non-monetary strikes	**144,015**	**(15,096)**
Accrued interest	295,253	165,330
Foreign exchange differences	(98,848)	(155,486)
Deferred costs	(52,390)	(24,940)
Closing balance	**100,127,364**	**74,082,149**

36. SUBORDINATED LIABILITIES

RSD 000	31.12.2023.	31.12.2022.
Subordinated liabilities in foreign currency	20,505,398	14,665,300
Accrued interest payable on subordinated liabilities in foreign currency	124,712	83,328
Total subordinated liabilities	**20,630,110**	**14,748,628**

Subordinated liabilities in foreign value in the amount of RSD 20,630,110 thousand as of December 31, 2023 (December 31, 2022: RSD 14,748,628 thousand) relate to liabilities based on subordinated loans to the parent bank and OTP Financing Malta Company LTD, of which the amount of RSD 20,505,398 thousand is subordinated loans, while RSD 124,712 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, 2023 is RSD 1,171,737 thousand.
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, 2023 amounts to RSD 1,757,605 thousand
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, 2023 amounts to RSD 2,929,343 thousand. On April 28,2023 the maturity of this loan was prolonged to December 23, 2032.
- EUR 25,000 thousand with maturity on October 31, 2028 and interest rate 6M EURIBOR + 4.17%. The balance as at December 31, 2023 amounts to RSD 2,929,343 thousand.
- EUR 30,000 thousand with initially maturity on December 30, 2024 is prolonged to April 30, 2032 and interest rate 6M EURIBOR + 3. 09%. The balance as at December 31, 2023 amounts to RSD 3,515,211 thousand

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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, 2023 amounts to RSD 2,343,474 thousand.

On December 15, 2023 the contract for subordinated loan with the parent bank was concluded, in the nominal amount of EUR 50,000 thousand with maturity on December 15, 2033 and an interest rate 3M EURIBOR + 5.69%. The balance as at December 31, 2023 amounts to RSD 5,858,685 thousand.

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, 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	31.12.2023.	31.12.2022.
Opening balance	**14,748,628**	**14,724,802**
Cash flow items	**5,859,290**	**-**
Withdrawal during the year-inflows	5,859,290	-
Non-monetary strikes	**22,192**	**23,826**
Accrued interest	41,621	56,480
Foreign exchange differences	(19,429)	(32,654)
Closing balance	**20,630,110**	**14,748,628**

37. PROVISIONS

RSD 000	31.12.2023.	31.12.2022.
Provisions for potential litigation losses	1,222,224	1,159,391
Provisions for losses per off-balance sheet items	1,757,446	2,041,916
Provisions for retirement benefits and anniversary awards	407,849	204,409
Restructuring provisions	147,728	367,179
Total provisions	**3,535,247**	**3,772,895**

Movements on provisions are presented in the table below:

RSD 000	31.12.2023.	31.12.2022.
Provisions for potential litigation losses		
Balance as at January 1	1,159,391	1,711,396
Charge for the year	1,085,161	221,925
Reversal of provisions	(140,652)	(30,890)
Release of provisions – payment	(881,676)	(743,040)
Balance as at	**1,222,224**	**1,159,391**
Provisions for losses per off-balance sheet items		
Balance as at January 1	2,041,916	1,241,857
Charge for the year (Note 10)	2,937,314	2,853,145
Reversal of provisions (Note 10)	(3,219,306)	(2,052,078)
Foreign exchange effects	(2,478)	(1,008)
Balance as at	**1,757,446**	**2,041,916**
Provisions for retirement benefits and anniversary awards		
Balance as at January 1	204,409	266,953
Actuarial (gains) / losses	1,061	(41,735)
Charge for the year	206,606	-
Reversal of provisions	-	(16,580)
Release of provisions – payment	(4,225)	(4,229)
Foreign exchange differences	(2)	-
Balance as at	**407,849**	**204,409**
Other provisions		
Balance as at January 1	367,179	567,026
Release of provisions – payment	(106,249)	(199,847)
Reversal of provisions	(180,515)	-
Charge for the year	67,313	-
Balance as at	**147,728**	**367,179**

37. PROVISIONS (continued)

As of December 31, 2023, the amount of provisions for retirement is 222,588 and jubilee awards to employees 185,261 thousand dinars, while as of December 31, 2022, the amount of provisions for retirement is 204,409 thousand dinars.

Upon calculating provisions for retirement benefits and anniversary awards in 2023, the Bank used the following assumptions:

1) The discount rate was used at 6.25% a year, for retirement provision 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, The discounted rate for the calculation of anniversary is 3.3%, considering that the provisions are calculated and linked to the euro currency
2) The annual rate of increase in earnings is projected at 8% a year annually for the calculation of severance pay and 4% for the calculation of jubilee awards, considering that this type of provision is calculated and linked to the euro currency
3) The annual employee fluctuation rate is projected at a rate of 9%.
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 September 2023 amounts to RSD 117,472.

Other restructuring provisions in the amount of RSD 80,413 thousand were formed in accordance with IAS 37 in accordance with the plan of reorganization and restructuring of the business network and employees, as part of the integration of the banks while the reservation in the amount of RSD 67,313 thousand was formed on the basis of potential expenses of modification of housing loans for variable interest rate that included in the Decision on temporary measures for banks (Note 23.1).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

38. OTHER LIABILITIES

RSD 000	31.12.2023.	31.12.2022.
In RSD		
Fees and commission payable per other liabilities	8,132	6,634
Trade payables	259,479	84,237
Advances received	97,807	55,925
Lease liabilities	948,690	898,851
Liabilities per managed funds	3,249	4,200
Other liabilities from operations	621,190	467,356
Liabilities in settlement	476,690	570,438
Total other liabilities	**2,415,237**	**2,087,641**
Net salaries	4,652	6
Liabilities for payroll taxes and payroll allowances	529	-
Liabilities for salary contributions and salary compensations	112	-
Other liabilities to employees	6,166	6,362
Total liabilities to employees	**11,459**	**6,368**
Value added tax payable	52,636	27,343
Other taxes and contributions payable	16,110	16,095
Total taxes and contributions payable	**68,746**	**43,438**
Total liabilities to employees, taxes and contributions payable	**80,205**	**49,806**
Accrued liabilities per other expenses	2,027,682	1,569,336
Deferred interest income	138,669	96,557
Deferred other income	405,104	340,042
Other accruals	1,887	611
Total accruals	**2,573,342**	**2,006,546**
In foreign currencies		
Fees and commission payable per other liabilities	31,171	22,895
Trade payables	108,883	15,553
Advances received	17,506	15,298
Lease liabilities	503,350	570,297
Liabilities per managed funds	8,450	2,589
Other liabilities from operations	20,361	23,254
Liabilities in settlement	15,396	5,435
Temporary and suspense accounts	6	6
Total other liabilities	**705,123**	**655,327**
Accrued liabilities for other expenses	205,547	132,230
Deferred other income	391	-
Other accruals	11,200	1,063
Total accruals	**217,138**	**133,293**
Total other liabilities	**5,991,045**	**4,932,613**

39. EQUITY

The Bank's equity includes issued capital, reserves and accumulated losses from previous years.

The Bank's share capital is comprised of regular (common stock) shares.

RSD 000	31.12.2023.	31.12.2022.
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	31,793,083	30,701,394
Total reserves from profit	**31,793,083**	**30,701,394**
Unrealized gains on changes in the fair value of debt instruments	(515,674)	(1,175,760)
Impairment of debt instruments	173,450	319,994
Unrealized losses on deferred taxes on debt instruments	77,351	176,364
Actuarial gains per defined employee benefit plans	75,971	76,873
Total unrealized gains	**(188,902)**	**(602,529)**
Unrealized losses on changes in the fair value of equity instruments	3,354	2,104
Unrealized gains on deferred taxes on equity instruments	(503)	(316)
Total unrealized losses	**2,851**	**1,788**
Total unrealized (gains) / losses	**(186,051)**	**(600,741)**
RETAINED EARNINGS		
Profit of the current year	16,745,770	10,861,689
Total retained earnings	**16,745,770**	**10,861,689**
Total accumulated losses	**-**	**-**
Equity without the right of control		
TOTAL EQUITY	**107,748,446**	**100,357,986**

As of December 31, 2023, 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.

Realized profit from 2022 in the amount of RSD 10,861,688,978 was allocated by the decision of the Bank's Assembly dated March 30, 2023 as retained earnings.

Undistributed profit from 2022 realized by the Bank was allocated by the decision of the Bank's Assembly dated May 31, 2023 on dividend payments to the owners of Bank's ordinary shares in the amount of RSD 9,770,000,000, while the remaining amount of RSD 1,091,688,978 was allocated by the decision of the Bank's Assembly dated October 31, 2023 as other reserves.

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 100% owner of the Bank's shares as of December 31, 2023.

39. EQUITY (Continued)

39.1 Shareholder structure

December 31, 2023			
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, 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**

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

RSD 000	31.12.2023.	31.12.2022.
Actuarial gains (losses) on the defined benefit plans	(1,061)	41,735
Net change in the fair value of equity instruments at FVtOCI	1,251	3,151
Net change in the fair value of debt instruments at FVtOCI	660,085	(2,158,840)
Impairment of debt securities	(146,544)	319,994
Gains (losses) on the tax that applies to the rest of the result of the period	(99,041)	276,356
Other comprehensive income, net of taxes	**414,690**	**(1,517,604)**

40. OFF-BALANCE AND CONTINGENT LIABILITIES

40.1 Off-balance position

RSD 000	31.12.2023.	31.12.2022.
Jobs in the name and for the account of third parties (a)	6,668,424	6,627,827
Guarantees, other irrevocable commitments, guarantees for obligations and Financial assets pledged as collateral (b)	92,499,952	86,861,184
Derivatives (c)	70,111,057	51,178,311
Other balance sheet items (d)	479,870,502	371,678,668
Total off balance	**649,149,935**	**516,345,990**

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

RSD 000	31.12.2023.	31.12.2022.
Managed funds	6,668,424	6,627,827
Total operations in the name and for the account of third parties	**6,668,424**	**6,627,827**

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	31.12.2023.	31.12.2022.
In RSD		
Acceptances and stand surety	1,704	1,704
Performance guarantees	40,390,327	34,361,486
Payable guarantees	23,218,046	25,223,585
Irrevocable commitments	4,015,270	4,827,737
Balance as of December 31. in RSD	**67,625,347**	**64,414,512**
In FC		
Performance guarantees	2,452,336	2,142,148
Financial assets pledged as collateral	939,080	445,087
Guarantees for obligations	11,257,918	13,394,109
Irrevocable commitments	267,189	1,233,832
Payable guarantees	9,958,082	5,114,174
Irrevocable commitments	-	117,322
Balance as of December 31. in foreign currency	**24,874,605**	**22,446,672**
Total guarantees, other irrevocable commitments, guarantees for obligations and financial assets pledged as collateral	**92,499,952**	**86,861,184**

b) 1) Irrevocable obligations by product

RSD 000	31.12.2023.	31.12.2022.
Indicative lines on current accounts of legal entities	21,627	-
Framework facilities (overdrafts) per retail customers' current accounts	2,388,606	1,975,029
Framework facilities per retail credit cards	176,203	251,835
Framework facilities – guarantees for short-term loans	15,561	-
Framework facilities – guarantees for long-term loans	153,324	2,120,293
Letters of intent	1,259,949	597,903
Total irrevocable commitments for undrawn facilities	**4,015,270**	**4,945,060**

40. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

40.1 Off-balance position (Continued)

c) Derivatives

RSD 000	31.12.2023.	31.12.2022.
Forward currency contracts	830,610	684,393
Swap interest rate contracts	15,642,300	18,492,447
Swap currency contracts	53,638,147	32,001,471
Total derivatives December 31, 2023	**70,111,057**	**51,178,311**

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, 2023 the Bank had contracted currency swap transactions with the Parent Bank. Also, the Bank had concluded interest rate swaps with the Parent Bank and clients.

d) Other off-balance sheet positions

RSD 000	31.12.2023.	31.12.2022.
Suspended interest	1,907,527	2,385,070
Custody	1,068,156	681,388
Savings bonds	5,000,181	5,015,685
Framework credit lines from other banks	8,061,551	3,519,672
Write-off	20,640,596	22,366,175
Covered nostro letters of credit	14,349	4,128
Revocable commitments	142,204,580	96,284,068
Received asset collaterals	157,101,305	167,047,730
Guarantees received	69,853,290	60,967,735
Repo transactions - Long-term bonds	7,894,869	5,964,964
Repo transactions - Treasury bills of the banking sector	60,000,000	-
Spot transactions	5,973,493	7,272,230
Payments NKOSK	140,672	160,936
Other	9,933	8,887
Balance at December 31, 2023	**479,870,502**	**371,678,668**

For contingent liabilities stated in off-balance sheet assets, the Bank estimated and formed a provision for expenses in the amount of RSD 1,757,446 thousand (2022: RSD 2,041,916 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, 2023, the Bank was involved as a defendant in 47,528 cases (on December 31, 2022: 55,489 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 charges), which does not include disputes in which there is no monetary claim by the prosecutor to the Bank, amounts to RSD 8,309,828 thousand (December 31, 2022: RSD 8,192,329 thousand). The specified amount does not include interest and fees.

As disclosed in Note 37 to the financial statements, as of December 31, 2023, the Bank made provisions for losses contingent on the aforementioned lawsuits in the amount of RSD 1,222,224 thousand (December 31, 2022: RSD 1,159,391 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 2023 and 2022 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, 2023:

	December 31, 2023																	
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	Nova KBM d.d.	OTP INVEST AD BEOGRAD	OTP SERVICES DOO BEOGRAD
Receivables																		
Receivables under derivatives	-	-	1,174,714	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and receivables due from banks and other financial institutions	-	-	8,258,148	-	-	-	23,879	-	-	2,229,742	-	-	268	-	-	6,824	-	-
Loans and receivables due from customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	-	-	149,650	-	-	-	-	-	23,446	-
Investments in subsidiaries	171,068	-	-	-	-	-	-	-	270,348	314,098	-	-	-	-	-	-	-	-
Intangible assets	-	-	17,063	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	28	1	(13,275)	-	178	755	(8,015)	-	22	3,219	94,505	-	9	293	12	-	45	451
Total receivables	**171,096**	**1**	**9,436,650**	**-**	**178**	**755**	**15,864**	**-**	**270,370**	**2,547,059**	**244,155**	**-**	**277**	**293**	**12**	**6,824**	**23,491**	**451**
Liabilities																		
Labilities under derivatives	-	-	241,348	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other liabilities due to banks, other financial institutions and the central bank	133,966	86,608	27,640,879	68	-	-	-	58,806,021	117,753	1,261,716	634,646	-	503	391	5,705	-	10,188	-
Deposits and other liabilities due to customers	-	-	-	-	130,951	2,194,230	-	-	-	-	-	-	-	-	-	-	-	289,988
Subordinated liabilities	-	-	8,806,517	-	-	-	-	11,823,593	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	1,445	-	74	-	-	-	-	23,565	293	-	12	301	-	-	-	1,483
Other liabilities	4	-	64,771	106	38,326	1,903	-	-	2	13,345	46,315	-	57	488	-	7	25	100,848
Total liabilities	**133,970**	**86,608**	**36,754,960**	**174**	**169,351**	**2,196,133**	**-**	**70,629,614**	**117,755**	**1,298,626**	**681,254**	**-**	**572**	**1,180**	**5,705**	**7**	**10,213**	**392,319**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share capital	-	-	59,395,644	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total equity	**-**	**-**	**59,395,644**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			
Total equity and liabilities	**133,970**	**86,608**	**96,150,604**	**174**	**169,351**	**2,196,133**	**-**	**70,629,614**	**117,755**	**1,298,626**	**681,254**	**-**	**572**	**1,180**	**5,705**	**7**	**10,213**	**392,319**
Total net	**37,126**	**(86,607)**	**(86,713,954)**	**(174)**	**(169,173)**	**(2,195,378)**	**15,864**	**(70,629,614)**	**152,615**	**1,248,433**	**(437,099)**	**-**	**(295)**	**(887)**	**(5,693)**	**6,817**	**13,278**	**(391,868)**
Guarantees and other sureties issued	-	-	492,130	-	-	-	-	-	-	-	-	-	12,725	334,297	-	-	-	-
Guarantees and other sureties issued in foreign currency	-	-	471,038	-	-	-	-	-	-	6,444,554	-	-	2,461	-	-	-	-	-
Guarantees for liabilities in foreign currency	-	-	11,257,918	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets to secure liabilities	-	-	571,808	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other derivatives at contracted notional amounts	-	-	56,966,978	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims based on the repurchase agreement - Repo transactions			7,894,869															
Other off-balance sheet items - treasury transactions (spot, T+1)	-	-	1,096,761	189,577	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other off-balance sheet items –guarantees and other sureties received	-	-	963,168	-	-	-	-	-	-	-	-	-	15,186	334,297	-	-	-	-
Other off-balance sheet items – revocable commitments	-	-	-	-	10,000	-	-	-	-	696,099	292,934	-	-	-	-	-	-	200,000
Other off-balance sheet items - remaining			2,355				155								15	-	-	-
Liabilities per RSD guarantees and other sureties issued	-	-	-	-	-	(1,219,122)	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities per foreign currency guarantees and other sureties issued	-	-	(553,060)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total off-balance sheet items	**-**	**-**	**79,163,965**	**189,577**	**10,000**	**(1,219,122)**	**155**	**-**	**-**	**7,140,653**	**292,934**	**-**	**30,372**	**668,594**	**15**	**-**	**-**	**200,000**

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**

42. RELATED PARTY TRANSACTIONS (Continued)

Income and expenses arising from related party transactions for the period from January 1 through December 31, 2023 were as follows:

December 31, 2023																			
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	Nova KBM d.d.	OTP Bank JSC Ukraine	OTP INVEST AD BEOGRAD	OTP SERVICES DOO BEOGRAD
Income																			
Interest income	-	-	652,339	-	50	-	21	-	-	105,103	-	-	-	-	-	-	-	-	-
Fee and commissions income	34	24	385,370	38,341	216	90,161	4	-	1,999	38,927	166,810	101	199	2,167	879	369	11	108	3,044
Gains on changes in the fair values of financial instruments	-	-	3,611,473	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on derecognition of financial instruments measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange gains and positive currency clause effects	189	-	1,191,952	63,037	296	900	3,269	133,586	280	1,377	851	-	-	2	6	2	-	-	476
Gains on the reversal of assets not measured at fair value through profit or loss (FVtPL)	-	-	141,314	-	94	4,970	1,993	-	-	114,402	3,349	-	34	674	187	6	-	20	-
Other operating income	253	-	3,796	-	677	-	-	-	63,347	478,852	160,144	-	-	293	-	-	-	-	3,196
Other income	-	-	6,519	-	-	104	-	-	-	-	-	-	-	-	-	-	-	-	-
Total income	**476**	**24**	**5,992,763**	**101,378**	**1,333**	**96,135**	**5,287**	**133,586**	**65,626**	**738,661**	**331,154**	**101**	**233**	**3,136**	**1,072**	**377**	**11**	**128**	**6,716**
Expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest expenses	(1,456)	-	(1,858,122)	(1,008,983)	(3,230)	(197,431)	-	(3,343,829)	(6,141)	(66,073)	(9,713)	(18,788)	-	-	-	-	-	-	(1,329)
Fee and commissions expenses	-	-	(392,924)	(32,623)	-	(1,583)	(11)	-	-	-	(4,284)	-	(134)	-	-	(72)	-	-	-
Losses on changes in the fair values of financial instruments	-	-	(3,514,397)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange losses and negative currency clause effects	(68)	-	(1,349,839)	(19,579)	(345)	(283)	(44,726)	(47,968)	(106)	(4,117)	(334)	-	(1)	-	(2)	(9)	-	(2)	(329)
Losses on impairment of financial assets not measured at fair value through profit or loss (FVtPL)	-	-	(95,227)	-	(97)	(837)	(2,474)	-	-	(106,811)	(1,671)	-	(44)	(5)	-	(16)	-	-	(1,483)
Other expenses	-	-	(201,046)	-	(7,004)	(22,214)	-	-	-	-	(73,944)	-	(21)	-	-	(10)	-	-	(5,292)
Total expenses	**(1,524)**	**-**	**(7,411,555)**	**(1,061,185)**	**(10,676)**	**(222,348)**	**(47,211)**	**(3,391,797)**	**(6,247)**	**(177,001)**	**(89,946)**	**(18,788)**	**(200)**	**(5)**	**(2)**	**(107)**	**-**	**(2)**	**(8,433)**
Total, net	**(1,048)**	**24**	**(1,418,792)**	**(959,807)**	**(9,343)**	**(126,213)**	**(41,924)**	**(3,258,211)**	**59,379**	**561,660**	**241,208**	**(18,687)**	**33**	**3,131**	**1,070**	**270**	**11**	**126**	**(1,717)**

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:

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)

During 2023, the members of the Executive Board and Board of Directors were remunerated as follows.

RSD 000	December 31, 2023	December 31, 2022
Gross salaries of Executive Board members	186,437	148,722
Net salaries of Executive Board members	159,852	127,816
Gross remuneration to The Board of Directors and The Audit Committee	22,504	15,782
Net remuneration to The Board of Directors and The Audit Committee	14,585	9,532

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.

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.
The bank has regulated the domain of control and management of liquidity risk by a set of internal acts which are in line with the acts of the National Bank of Serbia regulating liquidity management, with other policies and relevant acts of the bank, as well as with the standards of the parent bank
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.
The bank monitors exposure to liquidity risk at the level of externally and internally prescribed limits
During 2023 and 2022, 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
On the day 31.12.2023	139.12%	1.74	2.44

* 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 2023 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

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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, 2023 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	76,240,474	4,139,727	23,797,621	58,047,356	185,244	-	302,877	**162,713,299**
Pledged financial assets	-	-	-	-	-	-	939,080	**939,080**
Receivables under financial derivatives	991,715	17,384	2,513	-	-	-	366,784	**1,378,396**
Securities	4,182,936	2,580,128	1,206,577	22,195,772	3,509,060	-	35,191	**33,709,664**
Loans and receivables due from banks and other financial institutions	64,272,521	155,522	2,291,673	6,074,458	-	-	2,970	**72,797,144**
Loans and receivables due from customers	18,150,914	37,783,417	122,519,232	236,585,176	121,101,982	-	1,128,900	**537,269,621**
Other assets	4,324,434	1,586	-	-	-	268,579	107,621	**4,702,220**
Total assets	**168,162,994**	**44,677,764**	**149,817,616**	**322,902,762**	**124,796,286**	**268,579**	**2,883,423**	**813,509,424**
Liabilities under financial derivatives	59,818	10,975	1,555	-	-	-	366,783	**439,131**
Deposits and other liabilities due to banks, other financial institutions and the central bank	6,900,869	4,521,720	46,109,538	82,493,008	2,864,118	-	528,858	**143,418,111**
Deposits and other liabilities due to customers	370,736,362	30,222,477	78,506,380	64,416,482	18,769	-	1,782,503	**545,682,973**
Subordinated liabilities	-	-	48,560	2,971,763	17,609,787	-	-	**20,630,110**
Other liabilities	568,121	251,586	1,140,392	934,472	102,205	30,699	57,774	**3,085,249**
Total liabilities	**378,265,170**	**35,006,758**	**125,806,425**	**150,815,725**	**20,594,879**	**30,699**	**2,735,918**	**713,255,574**
Liquidity gap as of 31.12.2023.	**(210,102,176)**	**9,671,006**	**24,011,191**	**172,087,037**	**104,201,407**	**237,880**	**147,505**	**100,253,850**
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**

The structure of asset and liability maturities as at December 31, 2023 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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	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**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023 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	76,240,474	4,139,727	23,797,621	58,047,356	185,244	-	302,877	**162,713,299**
Pledged financial assets	-	-	-	-	-	-	939,080	**939,080**
Receivables under financial derivatives	991,715	17,384	2,513	-	-	-	366,784	**1,378,396**
Securities	4,182,936	2,580,128	1,206,577	22,195,772	3,509,060	-	35,191	**33,709,664**
Loans and receivables due from banks and other financial institutions	64,272,521	155,522	2,291,673	6,074,458	-	-	2,970	**72,797,144**
Loans and receivables due from customers	21,760,935	44,872,721	152,198,359	328,282,046	173,324,535	-	1,128,900	**721,567,496**
Other assets	4,439,955	1,739	11,438	6,842	-	118	783,346	**5,243,438**
Total assets	**171,888,536**	**51,767,221**	**179,508,181**	**414,606,474**	**177,018,839**	**118**	**3,559,148**	**998,348,517**
Liabilities under financial derivatives	59,818	10,975	1,555	-	-	-	366,783	**439,131**
Deposits and other liabilities due to banks, other financial institutions and the central bank	6,961,301	4,682,362	48,790,121	82,500,779	3,149,534	-	528,857	**146,612,954**
Deposits and other liabilities due to customers	371,412,457	30,791,245	82,145,449	64,812,309	18,769	-	1,782,502	**550,962,731**
Subordinated liabilities	58,266	1,349,813	19,105,439	2,971,763	22,325,181	-	-	**45,810,462**
Other liabilities	1,028,436	297,712	2,976,664	1,254,640	151,765	3,680	278,148	**5,991,045**
Total liabilities	**379,520,278**	**37,132,107**	**153,019,228**	**151,539,491**	**25,645,249**	**3,680**	**2,956,290**	**749,816,323**
Liquidity gap as of 31.12.2023.	**(207,631,742)**	**14,635,114**	**26,488,953**	**263,066,983**	**151,373,590**	**(3,562)**	**602,858**	**248,532,194**
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**

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:

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, 2023 was as follows:

December 31, 2023								
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	2,023,141	8,916,625	31,317,317	27,912,913	5,708,068	142,432	11,257,917	87,278,413
Letters of credit issued	38,317	20,317	208,555	-	-	-	-	267,189
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	109,222	656,105	2,507,721	234,826	265,765	241,631	-	4,015,270
Other irrevocable commitments in RSD	-	-	-	-	-	-	-	-
Total irrevocable commitments	**109,222**	**656,105**	**2,507,721**	**234,826**	**265,765**	**241,631**	**-**	**4,015,270**
Commitments for undrawn loans and facilities, revocable	973,358	3,011,235	17,382,054	35,638,223	11,645,508	3,624,449	69,929,752	142,204,579
Total commitments	**3,478,043**	**16,783,530**	**43,622,186**	**62,325,970**	**14,278,369**	**3,878,928**	**83,323,861**	**227,690,887**

December 31, 2023								
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	-	658,642	171,968	-	-	-	-	830,610
Derivatives held for trading at contractual price - SWAPS	-	53,638,147	222,371	4,278,429	11,141,500	-	-	69,280,447

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)

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 Bank has defined its inclination and tolerance towards this risk through its Risk Management Strategy.

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 limits are regularly reviewed from the point of adequacy and taking into account the Bank's inclination towards this risk

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 gep analysis (mismatch analysis). The size of the mismatch (gep) for a certain time interval (bucket) is indicative of the Bank's exposure to the repricing risk.

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December 31, 2023

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, 2023:

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	99,741,638	-	-	-	-	-	62,971,661	162,713,299
Pledged financial assets	939,080	-	-	-	-	-	-	939,080
Receivables under financial derivatives	991,715	17,384	2,513	-	-	-	366,784	1,378,396
Securities	3,688,431	4,000,569	-	1,164,951	6,870,413	17,949,578	35,722	33,709,664
Loans and receivables due from banks and other financial institutions	66,659,730	2,376	1,907	3,022	6,051,169	-	78,940	72,797,144
Loans and receivables due from customers	167,066,490	152,619,526	28,585,406	96,632,659	32,961,023	54,292,716	5,111,801	537,269,621
Other assets	-	-	-	-	-	-	5,243,439	5,243,439
TOTAL ASSETS	**339,087,084**	**156,639,855**	**28,589,826**	**97,800,632**	**45,882,605**	**72,242,294**	**73,808,347**	**814,050,643**
Liabilities under financial derivatives	59,818	10,975	1,555	-	-	-	366,783	439,131
Deposits and other liabilities due to banks, other financial institutions and the central bank	24,011,823	88,549,804	8,289,907	17,889,975	529,043	70,304	4,077,255	143,418,111
Deposits and other liabilities due to customers	102,473,691	87,196,814	63,643,320	164,134,932	56,900,468	54,556,676	16,777,072	545,682,973
Subordinated liabilities	-	11,131,502	9,373,896	-	-	-	124,712	20,630,110
Other liabilities	-	-	-	-	-	-	5,991,045	5,991,045
TOTAL LIABILITIES	**126,545,332**	**186,889,095**	**81,308,678**	**182,024,907**	**57,429,511**	**54,626,980**	**27,336,867**	**716,161,370**
GAP at December 31, 2023	**212,541,752**	**(30,249,240)**	**(52,718,852)**	**(84,224,275)**	**(11,546,906)**	**17,615,314**	**46,471,480**	**97,889,273**
CUMULATIVE GAP at December 31, 2023	**212,541,752**	**182,292,512**	**129,573,660**	**45,349,385**	**33,802,479**	**51,417,793**	**-**	**-**
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**	**-**	**-**

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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**	**-**	**-**

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December 31, 2023

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)	(951,009)	250,177	135,566	155,330	(680,472)
Scenario 2	Parallel down (-200 for FCY; -250 for RSD)	1,252,132	(62,027)	(142,275)	(161,708)	260,057
Scenario 3	Steepener (short rates down, long rates up)	(1,251,312)	(850,367)	(51,371)	(65,820)	(2,218,870)
Scenario 4	Flattener (short rates up, long rates down)	982,429	905,277	77,572	95,734	1,030,506
Scenario 5	Short rates up	380,406	823,224	119,260	142,150	732,520
Scenario 6	Short rates down	(394,196)	(853,364)	(123,931)	(147,859)	(1,519,351)
MIN		**(1,251,312)**	**(853,364)**	**(142,275)**	**(161,708)**	**(2,218,870)**

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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 2023, 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. In accordance with the Group's norms, the Bank is not allowed to invest in goods or derivatives based on goods. During 2023, 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.

			31.12.2023.			
RSD 000	EUR	CHF	USD	Other	RSD	Total
Cash and balances held with the central bank	48,623,830	1,302,303	386,654	253,308	112,147,204	162,713,299
Pledged financial assets	571,808	-	367,272	-	-	939,080
Receivables under financial derivatives	366,784	-	-	-	1,011,612	1,378,396
Securities	2,259,753	-	-	-	31,449,911	33,709,664
Loans and receivables due from banks and other financial institutions	9,713,657	157,966	2,354,753	437,777	60,132,991	72,797,144
Loans and receivables due from customers	359,503,507	110,158	227,668	-	177,428,288	537,269,621
Other assets	242,540	(827)	(3,911)	(8,353)	4,472,771	4,702,220
TOTAL ASSETS (I)	**421,281,879**	**1,569,600**	**3,332,436**	**682,732**	**386,642,777**	**813,509,424**
Liabilities under financial derivatives	366,783	-	-	-	72,348	439,131
Deposits and other liabilities due to banks, other financial institutions and the central bank	112,200,747	5,291	129,896	10,966	31,071,211	143,418,111
Deposits and other liabilities due to customers	240,914,305	8,797,922	12,174,867	1,557,948	282,237,931	545,682,973
Subordinated liabilities	20,630,110	-	-	-	-	20,630,110
Other liabilities	1,502,317	1	86,930	1,522	1,494,479	3,085,249
TOTAL LIABILITIES (II)	**375,614,262**	**8,803,214**	**12,391,693**	**1,570,436**	**314,875,969**	**713,255,574**
ON-BALANCE GAP (I) - (II)	**45,667,617**	**(7,233,614)**	**(9,059,257)**	**(887,704)**	**71,766,808**	**100,253,850**
OFFSET OFF-BALANCE SHEET ITEMS	**(44,305,389)**	**7,233,718**	**9,000,286**	**888,006**	**27,257,861**	**74,482**
OPEN LONG POSITION as of December 31, 2023	1,362,228	104	-	2,570	99,024,669	100,389,571
OPEN SHORT POSITION as of December 31, 2023	-	-	58,971	2,268	-	61,239
NET OPEN POSITION as of December 31, 2023	**1,362,228**	**104**	**58,971**	**4,838**	**99,024,669**	**100,450,810**
NET OPEN POSITION as of December 31, 2022	**392,282**	**14,580**	**24,952**	**12,652**	**93,211,302**	**93,655,768**

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December 31, 2023

43. RISK MANAGEMENT (Continued)

43.3. Market Risks (Continued)

43.3.1. Foreign Exchange Risk (Continued)

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, 2023	-	14,580	-	7,574	93,211,302	93,233,456
OPEN SHORT POSITION as of December 31, 2023	392,282	-	24,952	5,078	-	422,312
NET OPEN POSITION as of December 31, 2023	**392,282**	**14,580**	**24,952**	**12,652**	**93,211,302**	**93,655,768**
NET OPEN POSITION as of December 31, 2022	**645,785**	**7,095**	**22,846**	**16,899**	**80,801,580**	**81,494,205**

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 regularly reviewed for adequacy and revised at least once a year.

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, 2023, the Bank's foreign currency risk ratio equaled 0.40%.

	2023	2022
Foreign exchange risk indicator	0.40%	2.10%

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 2023, exposure to foreign exchange risk was significantly below the level prescribed by the regulator, and it consistently remained below the internally defined limits of open positions, foreign exchange risk, and FX VaR.

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.

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December 31, 2023

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.

	31.12.2023.			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	125.53	0.83	103.89	107.01	3.12	109.08	5.19	114.28	10.39
EUR	117.17	(11,625.72)	(1,362,228.06)	(1,403,094.91)	(40,866.84)	(1,430,339.47)	(68,111.40)	(1,498,450.87)	(136,222.81)
USD	105.87	557.03	58,971.08	60,740.22	1,769.13	61,919.64	2,948.55	64,868.19	5,897.11
GBP	135.06	(8.37)	(1,131.00)	(1,164.93)	(33.93)	(1,187.55)	(56.55)	(1,244.10)	(113.10)
AUD	72.41	1.20	87.00	89.61	2.61	91.35	4.35	95.70	8.70
CAD	80.01	(1.47)	(118.00)	(121.54)	(3.54)	(123.90)	(5.90)	(129.80)	(11.80)
SEK	10.60	(85.50)	(906.00)	(933.18)	(27.18)	(951.30)	(45.30)	(996.60)	(90.60)
NOK	10.38	39.41	409.00	421.27	12.27	429.45	20.45	449.90	40.90
RUB	1.18	881.50	1,037.00	1,068.11	31.11	1,088.85	51.85	1,140.70	103.70
DKK	15.72	(7.19)	(113.00)	(116.39)	(3.39)	(118.65)	(5.65)	(124.30)	(11.30)
JPY	0.75	876.11	656.00	675.68	19.68	688.80	32.80	721.60	65.60
HUF	0.31	1,244.97	381.00	392.43	11.43	400.05	19.05	419.10	38.10
Net open position		**-**	**(1,364,496)**	**(1,405,431)**	**-**	**(1,432,721)**	**-**	**(1,500,946)**	**-**
Gold		-	54,842	56,487	-	57,584	-	60,326	-
Net impact on the financial result		**-**	**-**	**-**	**(39,086)**	**-**	**(65,143)**	**-**	**(130,285)**
Capital		**-**	**103,897,031**	**-**	**103,857,945**	**-**	**103,831,888**	**-**	**103,766,746**
FX risk ratio			**1.37%**		**1.41%**		**1.44%**		**1.50%**
Capital requirement for FX risk ratio		**-**	**113,547**	**116,953**	**-**	**119,224**	**-**	**124,902**	**-**

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, 2023, 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.

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 and 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, 2023.

Macroeconomic scenarios	Weights of scenarios used on December 31, 2023	projection of GDP change				
		2023	2024	2025	2026	2027
Baseline scenario	60.00%	1.70%	3.00%	3.30%	3.70%	4.10%
Moderate stress scenario	20.00%	1.70%	3.70%	4.50%	4.50%	4.50%
Serious stress scenario	20.00%	1.70%	-1.50%	0.50%	2.30%	3.30%

Macroeconomic scenarios	Weights of scenarios used on December 31, 2022	projection of GDP change			
		2021	2022	2023	2024
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%

Macroeconomic scenarios	Scenario weights used at December 31, 2023	Scenario weights used at December 31, 2022
Scenario 1	0.00%	0.00%
Scenario 2	20.00%	20.00%
Scenario 3	0.00%	0.00%
Scenario 4	60.00%	60.00%
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.

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, 2023 and December 31, 2022, 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
31.12.2023.	Gross carrying value	Accumulated impairment allowance/provisions	Net carrying value		
On-balance sheet items					
Cash and balances held with the central bank	144,799,355	9,004	144,790,351	17,922,948	162,713,299
Pledged financial assets	939,080	-	939,080	-	939,080
Financial assets at FVtPL, held for trading	-	-	-	1,378,396	1,378,396
Financial assets at FVtOCI	33,673,943	-	33,673,943	35,721	33,709,664
Loans and receivables due from banks and other financial institutions	73,183,880	386,736	72,797,144	-	72,797,144
Loans and receivables due from customers	557,956,809	20,687,188	537,269,621	-	537,269,621
Investments in subsidiaries	-	-	-	173,096	173,096
Investments in associates and joint ventures	-	-	-	755,514	755,514
Intangible assets	-	-	-	1,451,938	1,451,938
Property, plant and equipment	-	-	-	12,018,055	12,018,055
Investment property	-	-	-	231,234	231,234
Non-current assets held for sale and discontinued operations	-	-	-	4,955	4,955
Other assets	-	-	-	5,243,439	5,243,439
Total on-balance sheet exposure	**810,553,067**	**21,082,928**	**789,470,139**	**39,215,296**	**828,685,435**
Off-balance sheet items					
Guarantees and sureties issued	76,287,684	656,861	75,630,823	-	75,630,823
Credit commitments	146,219,850	1,100,585	145,119,265	-	145,119,265
Total off-balance sheet exposure	**222,507,534**	**1,757,446**	**220,750,088**	**-**	**220,750,088**
Total credit risk exposure	**1,033,060,601**	**22,840,374**	**1,010,220,227**	**39,215,296**	**1,049,435,523**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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
31.12.2022.	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, 2023

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, 2023:

31.12.2023.	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	**144,799,355**	**-**	**-**	**-**	**144,799,355**	**9,004**	**-**	**-**	**-**	**9,004**	**144,790,351**
Pledged financial assets	**939,080**	**-**	**-**	**-**	**939,080**	**-**	**-**	**-**	**-**	**-**	**939,080**
Loans and receivables due from banks	72,789,066	24,334	370,480	-	**73,183,880**	15,801	455	370,480	-	**386,736**	**72,797,144**
Housing loans*	113,828,568	12,391,038	1,522,457	430,434	**128,172,497**	241,936	540,573	619,427	99,529	**1,501,465**	**126,671,032**
Loans and receivables due from large and medium-sized entities	216,970,358	46,181,375	4,628,553	164,375	**267,944,661**	1,897,738	3,475,026	3,403,466	95,351	**8,871,581**	**259,073,080**
Consumer loans	120,385,771	6,408,037	11,277,158	40,120	**138,111,086**	1,045,592	537,123	7,870,997	31,828	**9,485,540**	**128,625,546**
Loans and receivables due from small and micro entities	8,290,433	534,356	426,828	6,896	**9,258,513**	229,053	75,534	340,518	1,934	**647,039**	**8,611,474**
Loans and receivables due from municipalities	14,316,580	32,246	121,226	-	**14,470,052**	57,414	2,923	121,226	-	**181,563**	**14,288,489**
Loans at amortized cost (due from banks and customers)	**546,580,776**	**65,571,386**	**18,346,702**	**641,825**	**631,140,689**	**3,487,534**	**4,631,634**	**12,726,114**	**228,642**	**21,073,924**	**610,066,765**
Securities at FVtOCI	33,167,406	506,537	-	-	**33,673,943**	-	-	-	-	**-**	**33,673,943**
Total financial assets	**725,486,617**	**66,077,923**	**18,346,702**	**641,825**	**810,553,067**	**3,496,538**	**4,631,634**	**12,726,114**	**228,642**	**21,082,928**	**789,470,139**
Guarantees and sureties issued	71,132,544	5,074,513	80,627	-	**76,287,684**	379,364	223,279	54,218	-	**656,861**	**75,630,823**
Credit commitments	143,817,382	2,296,784	105,684	-	**146,219,850**	937,004	108,443	55,138	-	**1,100,585**	**145,119,265**
Total off-balance sheet exposure	**214,949,926**	**7,371,297**	**186,311**	**-**	**222,507,534**	**1,316,368**	**331,722**	**109,356**	**-**	**1,757,446**	**220,750,088**

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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)

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, 2023

December 31, 2023									
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	**493,365**	**837,045**	**280,626**	**101,099**	**391,360**	**-**	**7,027,139**	**9,464,881**	**203,561**
Housing loans	30,075	193,159	160,307	101,099	391,360	-	3,137,092	8,377,945	-
Consumer and cash loans	325,654	612,510	118,959	-	-	-	3,849,603	1,075,276	7,161
Transaction accounts and credit cards	-	15,553	1,360	-	-	-	40,444	11,660	58,674
Other receivables	137,636	15,823	-	-	-	-	-	-	137,726
Receivables from the corporate sector	**4,083,624**	**85,366**	**-**	**-**	**-**	**38,754,857**	**3,816,219**	**-**	**32,246**
Loans to medium and large companies	3,924,122	57,232	-	-	-	38,654,553	3,545,469	-	-
Loans to micro and small enterprises	159,502	28,134	-	-	-	75,970	270,750	-	-
Loans to municipalities	-	-	-	-	-	-	-	-	32,246
Financial institutions	-	-	-	-	-	24,334	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans at amortized cost (placements with other banks and receivables from loans from customers)	**4,576,989**	**922,411**	**280,626**	**101,099**	**391,360**	**38,754,857**	**10,843,358**	**9,464,881**	**235,807**
Securities at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total financial assets	**4,576,989**	**922,411**	**280,626**	**101,099**	**391,360**	**38,754,857**	**10,843,358**	**9,464,881**	**235,807**

* 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, 2023

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, 2023

	December 31, 2023								
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	**-**	**1,948**	**1,551**	**-**	**-**	**-**	**6,828**	**5,288**	**4,908**
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transaction accounts and credit cards	-	1,948	1,551	-	-	-	6,828	5,288	4,908
Other receivables	-	-	-	-	-	-	-	-	-
Receivables from the corporate sector	**47,132**	**851**	**-**	**44,781**	**-**	**6,518,194**	**739,786**	**-**	**-**
Loans to medium and large companies	47,132	851	-	44,781	-	6,489,710	611,842	-	-
Loans to micro and small enterprises	-	-	-	-	-	28,484	127,944	-	-
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)	**47,132**	**2,799**	**1,551**	**44,781**	**-**	**6,518,194**	**746,614**	**5,288**	**4,908**
Securities at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total financial assets	**47,132**	**2,799**	**1,551**	**44,781**	**-**	**6,518,194**	**746,614**	**5,288**	**4,908**

* 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, 2023

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023

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, 2023 and December 31, 2022

Cash and balances held with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2022	**124,132,753**	**-**	**-**	**-**	**124,132,753**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Repaid funds	-	-	-	-	**-**
Exposure increase	35,721,700	-	-	-	**35,721,700**
Exposure decrease	(15,055,098)	-	-	-	**(15,055,098)**
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, 2023	**144,799,355**	**-**	**-**	**-**	**144,799,355**

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**
Increase due to acquisition	-	-	-	-	**-**
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**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023 and December 31, 2022 (continued)

Pledged financial assets	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2022	**445,087**	**-**	**-**	**-**	**445,087**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Repaid funds	-	-	-	-	**-**
Exposure increase	476,417	-	-	-	**476,417**
Exposure decrease	-	-	-	-	**-**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	17,576	-	-	-	**17,576**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2023	**939,080**	**-**	**-**	**-**	**939,080**

Pledged financial assets	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2021	**463,080**	**-**	**-**	**-**	**463,080**
Increase due to acquisition	-	-	-	-	**-**
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**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023 and December 31, 2022 (continued)

Loans and receivables due from banks	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2022	**11,302,072**	**1,221**	**383,895**	**-**	**11,687,188**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	377	(377)	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	(1,123)	-	1,123	-	**-**
Repaid funds	(6,357,513)	-	-	-	**(6,357,513)**
Exposure increase	1,278,010	23,490	330	-	**1,301,830**
Exposure decrease	(1,949,965)	-	-	-	**(1,949,965)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	68,517,208	-	-	-	**68,517,208**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	(14,868)	-	**(14,868)**
Gross carrying value at December 31, 2023	**72,789,066**	**24,334**	**370,480**	**-**	**73,183,880**

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**
Increase due to acquisition	-	-	-	-	**-**
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**

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, 2023 and December 31, 2022 (continued)

Loans at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2022	**474,897,751**	**59,676,333**	**17,109,336**	**1,030,949**	**552,714,369**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	7,394,299	(7,288,417)	(105,882)	-	**-**
Transfer to Stage 2	(14,411,628)	15,113,923	(702,295)	-	**-**
Transfer to Stage 3	(2,321,565)	(2,331,197)	4,652,762	-	**-**
Repaid funds	(120,518,129)	(7,966,170)	(256,077)	-	**(128,740,376)**
Exposure increase	3,109,468	925,951	70,389	60,982	**4,166,790**
Exposure decrease	(59,872,173)	(5,266,855)	(1,367,004)	(86,427)	**(66,592,459)**
Effects of modifications that do not lead to derecognition	(2,270,960)	(346,480)	(29,646)	(21,647)	**(2,668,733)**
Increases due to creation and acquisition	187,784,647	13,029,964	24,716	-	**200,839,327**
Decrease due to write-off	-	-	(1,392,148)	(94,774)	**(1,486,922)**
Sales	-	-	(27,929)	(247,258)	**(275,187)**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2023	**473,791,710**	**65,547,052**	**17,976,222**	**641,825**	**557,956,809**

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**
Increase due to acquisition	-	-	-	-	**-**
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**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023 and December 31, 2022 (continued)

Securities at FVtOCI and securities at AC	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2022	**40,942,631**	**495,000**	**-**	**-**	**41,437,631**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Repaid funds	(15,882,100)	-	-	-	**(15,882,100)**
Exposure increase	735,418	11,537	-	-	**746,955**
Exposure decrease	(90,379)	-	-	-	**(90,379)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	7,461,836	-	-	-	**7,461,836**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2023	**33,167,406**	**506,537**	**-**	**-**	**33,673,943**

* 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, 2021	**44,452,139**	**495,213**	**-**	**-**	**44,947,352**
Increase due to acquisition	-	-	-	-	**-**
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**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023 and December 31, 2022 (continued)

Commitments and contingent liabilities	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2022	**91,160,078**	**9,970,972**	**98,077**	**-**	**101,229,127**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	1,345,099	(1,332,933)	(12,166)	-	**-**
Transfer to Stage 2	(366,027)	367,333	(1,306)	-	**-**
Transfer to Stage 3	(13,374)	(26,859)	40,233	-	**-**
Repaid funds	(28,761,830)	(6,320,886)	(31,094)	-	**(35,113,810)**
Exposure increase	24,490,439	49,456	11,902	-	**24,551,797**
Exposure decrease	(14,872,993)	(1,702,280)	(566)	-	**(16,575,839)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	70,835,990	1,291,981	604	-	**72,128,575**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2023	**143,817,382**	**2,296,784**	**105,684**	**-**	**146,219,850**

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**
Increase due to acquisition	-	-	-	-	**-**
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**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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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, 2023 and December 31, 2022 (continued)

Financial guarantees and sureties issued	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2022	**64,128,387**	**3,790,948**	**157,593**	**-**	**68,076,928**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	180,184	(155,311)	(24,873)	-	**-**
Transfer to Stage 2	(2,553,932)	2,553,932	-	-	**-**
Transfer to Stage 3	(11,618)	-	11,618	-	**-**
Repaid funds	(30,883,930)	(1,675,750)	(64,352)	-	**(32,624,032)**
Exposure increase	1,087,892	19,536	813	-	**1,108,241**
Exposure decrease	(1,852,016)	(558,696)	(172)	-	**(2,410,884)**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases due to creation and acquisition	41,037,577	1,099,854	-	-	**42,137,431**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Gross carrying value at December 31, 2023	**71,132,544**	**5,074,513**	**80,627**	**-**	**76,287,684**

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**
Increase due to acquisition	-	-	-	-	**-**
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**

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, 2023 and December 31, 2022:

Cash and balances held with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2022	**(99,770)**	**-**	**-**	**-**	**(99,770)**
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	(2,988)	-	-	-	**(2,988)**
Decrease of impairment allowance	93,677	-	-	-	**93,677**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	-	-	-	-	**-**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	77	-	-	-	**77**
Impairment allowance at December 31, 2023	**(9,004)**	**-**	**-**	**-**	**(9,004)**

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)**
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	(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)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023 and December 31, 2022 (continued):

Loans and receivables due from banks	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2022	**(88,352)**	**(63)**	**(383,895)**	**-**	**(472,310)**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	(39)	39	-	-	
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Reduction of the correction of repaid funds	128,503	-	-	-	**128,503**
Increase of impairment allowance	(89,407)	(2,485)	(1,839)	-	**(93,731)**
Decrease of impairment allowance	175,858	2,004	386	-	**178,248**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(142,743)	-	-	-	**(142,743)**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	379	50	14,868	-	**15,297**
Impairment allowance at December 31, 2023	**(15,801)**	**(455)**	**(370,480)**	**-**	**(386,736)**

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)**
Increase due to acquisition	-	-	-	-	**-**
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)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023 and December 31, 2022 (continued):

Loans at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2022	**(3,536,025)**	**(4,372,093)**	**(11,782,890)**	**(533,067)**	**(20,224,075)**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	(1,234,058)	1,185,389	48,669	-	
Transfer to Stage 2	457,495	(1,104,673)	647,178	-	**-**
Transfer to Stage 3	17,665	1,263,307	(1,280,972)	-	**-**
Reduction of the correction of repaid funds	1,674,986	520,530	106,613	-	**2,302,129**
Increase of impairment allowance	(1,907,353)	(4,590,130)	(5,561,593)	(56,029)	**(12,115,105)**
Decrease of impairment allowance	3,838,025	3,239,294	4,149,742	49,038	**11,276,099**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(2,784,777)	(781,135)	(11,171)	-	**(3,577,083)**
Decrease due to write-off	-	-	1,303,827	82,115	**1,385,942**
Sales	-	-	24,963	229,301	**254,264**
Other adjustments	2,309	8,332	-	-	**10,641**
Impairment allowance at December 31, 2023	**(3,471,733)**	**(4,631,179)**	**(12,355,634)**	**(228,642)**	**(20,687,188)**

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)**
Increase due to acquisition	-	-	-	-	**-**
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)**

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, 2023 and December 31, 2022 (continued):

Securities at FVtOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2022	**(273,873)**	**(46,121)**	**-**	**-**	**(319,994)**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Reduction of the correction of repaid funds	198,271	-	-	-	**198,271**
Increase of impairment allowance	-	-	-	-	**-**
Decrease of impairment allowance	-	-	-	-	**-**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(51,727)	-	-	-	**(51,727)**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	-	-	-	-	**-**
Impairment allowance at December 31, 2023	**(127,329)**	**(46,121)**	**-**	**-**	**(173,450)**

Securities at FVtOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2021	**(225,467)**	**(46,121)**	**-**	**-**	**(271,588)**
Increase due to acquisition	-	-	-	-	**-**
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)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023 and December 31, 2022 (continued):

Commitments and contingent liabilities	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2022	**(632,963)**	**(697,799)**	**(33,066)**	**-**	**(1,363,828)**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	(181,424)	178,087	3,337	-	**-**
Transfer to Stage 2	22,769	(23,602)	833	-	**-**
Transfer to Stage 3	332	12,312	(12,644)	-	**-**
Reduction of the correction of repaid funds	402,994	431,104	14,611	-	**848,709**
Increase of impairment allowance	(903,072)	(238,705)	(34,778)	-	**(1,176,555)**
Decrease of impairment allowance	1,160,994	517,052	6,680	-	**1,684,726**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(807,797)	(287,215)	(115)	-	**(1,095,127)**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	1,163	323	4	-	**1,490**
Impairment allowance at December 31, 2023	**(937,004)**	**(108,443)**	**(55,138)**	**-**	**(1,100,585)**

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)**
Increase due to acquisition	-	-	-	-	**-**
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)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023 and December 31, 2022 (continued):

Financial guarantees and sureties issued	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2022	**(419,550)**	**(188,557)**	**(69,982)**	**-**	**(678,089)**
Increase due to acquisition	-	-	-	-	**-**
Transfer to Stage 1	(23,700)	10,766	12,934	-	**-**
Transfer to Stage 2	18,313	(18,313)	-	-	**-**
Transfer to Stage 3	546	-	(546)	-	**-**
Reduction of the correction of repaid funds	303,877	56,155	14,378	-	**374,410**
Increase of impairment allowance	(98,323)	(141,403)	(14,373)	-	**(254,099)**
Decrease of impairment allowance	199,767	108,415	3,279	-	**311,461**
Effects of modifications that do not lead to derecognition	-	-	-	-	**-**
Increases in accruals and acquisitions	(361,091)	(50,441)	-	-	**(411,532)**
Decrease due to write-off	-	-	-	-	**-**
Sales	-	-	-	-	**-**
Other adjustments	797	99	92	-	**988**
Impairment allowance at December 31, 2023	**(379,364)**	**(223,279)**	**(54,218)**	**-**	**(656,861)**

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)**
Increase due to acquisition	-	-	-	-	**-**
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)**

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 2023 and 2022 is presented below.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

43. RISK MANAGEMENT (Continued)

43.4. Credit Risk (Continued)

Restructured Assets (Continued)

31.12.2023.									
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	**-**	**-**	**207,750**	**1,771**	**670,804**	**-**	**308,449**	**-**	**1,188,774**
Housing loans	-	-	-	-	4,994	-	-	-	4,994
Consumer and cash loans	-	-	168,171	1,771	664,284	-	302,674	-	1,136,900
Transaction and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	39,579	-	1,526	-	5,775	-	46,880
Receivables from the corporate	**-**	**-**	**1,814,493**	**2,741**	**1,303,037**	**-**	**291,764**	**366**	**3,412,401**
Large companies	-	-	-	-	1,094,760	-	-	-	1,094,760
Small and medium-sized enterprises	-	-	1,639,855	2,741	208,277	-	-	-	1,850,873
Micro enterprises and entrepreneurs	-	-	174,638	-	-	-	291,764	366	466,768
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**-**	**-**	**2,022,243**	**4,512**	**1,973,841**	**-**	**600,213**	**366**	**4,601,175**

* 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, 2023

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 is done on the basis of an additional condition

43. RISK MANAGEMENT (Continued)

43.4. Credit Risk (Continued)

Restructured Assets (Continued)

31.12.2023.									
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	**-**	**-**	**-**	**-**	**59,122**	**-**	**9,636**	**-**	**68,758**
Large companies	-	-	-	-	35,687	-	-	-	35,687
Small and medium-sized enterprises	-	-	-	-	23,435	-	-	-	23,435
Micro enterprises and entrepreneurs	-	-	-	-	-	-	9,636	-	9,636
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**-**	**-**	**-**	**-**	**59,122**	**-**	**9,636**	**-**	**68,758**

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)

31.12.2023.								
Balance sheet receivables	Gross value as at December 31, 2023	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, 2023	Net value as of December 31, 2023
Receivables from retail	**1,408,798**	**-**	**1,188,774**	**282,071**	**-**	**(117,389)**	**2,198,112**	**1,333,904**
Housing loans	362,458	-	4,994	84,580	-	(17,409)	265,463	160,761
Consumer and cash loans	915,902	-	1,136,900	194,263	-	(102,452)	1,756,087	1,052,323
Transaction and credit cards	-	-	-	-	-	-	-	-
Other receivables	130,438	-	46,880	3,228	-	2,472	176,562	120,820
Receivables from the corporate	**5,621,516**	**-**	**3,412,401**	**2,891,650**	**-**	**(287,466)**	**5,854,801**	**3,787,959**
Large companies	345,371	-	1,094,760	51,397	-	(84,207)	1,304,527	729,707
Small and medium-sized enterprises	4,549,450	-	1,850,873	2,838,298	-	496,165	4,058,190	2,656,301
Micro enterprises and entrepreneurs	726,695	-	466,768	1,955	-	(699,424)	492,084	401,951
Financial institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**7,030,314**	**-**	**4,601,175**	**3,173,721**	**-**	**(404,855)**	**8,052,913**	**5,121,863**

31.12.2023.								
Off-Balance sheet receivables	Gross value as at December 31, 2023	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, 2023	Net value as of December 31, 2023
Receivables from retail	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-
Transaction and credit cards	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
Receivables from the corporate	**-**	**-**	**68,758**	**-**	**-**	**-**	**68,758**	**40,690**
Large companies	-	-	35,687	-	-	-	35,687	13,209
Small and medium-sized enterprises	-	-	23,435	-	-	-	23,435	18,738
Micro enterprises and entrepreneurs	-	-	9,636	-	-	-	9,636	8,743
Financial institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**-**	**-**	**68,758**	**-**	**-**	**-**	**68,758**	**40,690**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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, 2023

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, 2023 and December 31, 2022:

December 31, 2023 Loans due from banks - *RSD 000*	Stage 1 12-month ECL, cumulative	Stage 2 Lifetime ECL, cumulative	Stage 3 Lifetime ECL, cumulative	POCI assets, cumulative	Total, cumulative
Not past due	72,789,066	24,334	-	-	**72,813,400**
Up to 30 days past due	-	-	-	-	**-**
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	-	-	370,480	-	**370,480**
Gross carrying value	**72,789,066**	**24,334**	**370,480**	**-**	**73,183,880**
Impairment allowance	15,801	455	370,480	-	**386,736**
Net carrying value	**72,773,265**	**23,879**	**-**	**-**	**72,797,144**

December 31, 2022 Loans due from banks - *RSD 000*	Stage 1 12-month ECL, cumulative	Stage 2 Lifetime ECL, cumulative	Stage 3 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**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

43. RISK MANAGEMENT (Continued)

43.4. Credit Risk (Continued)

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

December 31, 2023	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	6,513,328	280,372	-	-	**6,793,700**
Up to 30 days past due	168,355	98,660	-	15	**267,030**
From 31 to 60 days past due	1	28,768	-	5	**28,774**
From 61 to 90 days past due	1	11,074	-	-	**11,075**
Non-performing	-	-	-	-	**-**
Not past due	-	-	33,852	26	**33,878**
Up to 30 days past due	-	-	7,765	-	**7,765**
From 31 to 60 days past due	-	-	11,254	-	**11,254**
From 61 to 90 days past due	-	-	6,655	1	**6,656**
Over 90 days past due	-	-	648,828	3,523	**652,351**
Gross carrying value	**6,681,685**	**418,874**	**708,354**	**3,570**	**7,812,483**
Impairment allowance	48,084	52,421	581,048	3,531	**685,084**
Net carrying value	**6,633,601**	**366,453**	**127,306**	**39**	**7,127,399**

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**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

43. RISK MANAGEMENT (Continued)

43.4. Credit Risk (Continued)

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

December 31, 2023	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	53,531,799	201,737	-	21,787	**53,755,323**
Rating 2	31,418,358	114,115	-	43,657	**31,576,130**
Rating 3	5,677,052	20,300	-	7,525	**5,704,877**
Rating 4	6,913,139	54,843	-	8,926	**6,976,908**
Rating 5	4,756,272	13,548	-	19,720	**4,789,540**
Rating 6	2,637,814	5,524,364	-	61,342	**8,223,520**
Rating 7	1,068,463	2,949,429	-	37,684	**4,055,576**
Rating 8	-	2,107,594	-	53,787	**2,161,381**
Rating 9	-	1,401,591	-	45,589	**1,447,180**
Default	-	-	1,522,457	130,417	**1,652,874**
Without rating	7,825,671	3,517	-	-	**7,829,188**
Gross carrying value	**113,828,568**	**12,391,038**	**1,522,457**	**430,434**	**128,172,497**
Impairment allowance	241,936	540,573	619,427	99,529	**1,501,465**
Net carrying value	**113,586,632**	**11,850,465**	**903,030**	**330,905**	**126,671,032**

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**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

43. RISK MANAGEMENT (Continued)

43.4. Credit Risk (Continued)

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

December 31, 2023	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	27,182,518	2,993	-	-	**27,185,511**
Rating 2	18,452,279	7,011	-	1,093	**18,460,383**
Rating 3	7,647,645	8,006	-	198	**7,655,849**
Rating 4	7,912,288	32,223	-	379	**7,944,890**
Rating 5	10,325,936	44,348	-	272	**10,370,556**
Rating 6	5,993,342	48,321	-	414	**6,042,077**
Rating 7	5,442,205	1,153,933	-	120	**6,596,258**
Rating 8	724,146	2,360,602	-	2,310	**3,087,058**
Rating 9	-	2,265,674	-	114	**2,265,788**
Default	-	-	10,495,991	31,650	**10,527,641**
Without rating	30,023,727	66,052	72,813	-	**30,162,592**
Gross carrying value	**113,704,086**	**5,989,163**	**10,568,804**	**36,550**	**130,298,603**
Impairment allowance	997,508	484,702	7,289,949	28,297	**8,800,456**
Net carrying value	**112,706,578**	**5,504,461**	**3,278,855**	**8,253**	**121,498,147**

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**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

43. RISK MANAGEMENT (Continued)

43.4. Credit Risk (Continued)

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

December 31, 2023	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	19,301,246	174,582	-	-	**19,475,828**
Rating 2	35,869,227	4,075,028	-	-	**39,944,255**
Rating 3	49,634,601	13,305,998	-	-	**62,940,599**
Rating 4	32,377,866	1,277,110	-	-	**33,654,976**
Rating 5	11,500,441	1,462,521	-	-	**12,962,962**
Rating 6	12,356,122	9,015,425	-	-	**21,371,547**
Rating 7	58,413,506	1,889,013	-	-	**60,302,519**
Rating 8	1,203,751	1,352,539	-	-	**2,556,290**
Rating 9	-	13,637,690	-	-	**13,637,690**
Default	488	-	5,176,607	171,271	**5,348,366**
Without rating	18,920,123	558,071	-	-	**19,478,194**
Gross carrying value	**239,577,371**	**46,747,977**	**5,176,607**	**171,271**	**291,673,226**
Impairment allowance	2,184,205	3,553,483	3,865,210	97,285	**9,700,183**
Net carrying value	**237,393,166**	**43,194,494**	**1,311,397**	**73,986**	**281,973,043**

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**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

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 31.12.2023.	Impairment allowance at 31.12.2023.	Gross carrying value at 31.12.2022.	Impairment allowance at 31.12.2022.
Not past due	601,856,132	(9,395,890)	535,840,302	(8,866,037)
Up to 30 days past due	14,426,702	(688,215)	13,164,860	(517,287)
From 31 to 60 days past due	900,223	(266,453)	889,084	(173,211)
From 61 to 90 days past due	613,232	(161,423)	614,280	(162,500)
From 91 to 180 days past due	1,153,186	(540,015)	1,039,812	(439,806)
Over 180 days past due	12,191,214	(10,021,928)	12,853,219	(10,537,544)
Total	**631,140,689**	**(21,073,924)**	**564,401,557**	**(20,696,385)**

43. RISK MANAGEMENT (Continued)

43.4. Credit Risk (Continued)

Credit risk exposure per industry and geographic concentration as of December 31, 2023:

December 31, 2023	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	**46,565,339**	**-**	**98,234,016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Pledged financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**939,080**	**-**
Financial assets measured at FVtOCI	**-**	**-**	**33,673,943**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retail segment loans	**80,648,679**	**4,239,827**	**90,322,445**	**3,572,181**	**47,430,076**	**3,018,177**	**34,576,579**	**2,103,867**	**264,049**	**29,404**	**76,521**	**1,778**
Housing loans	37,710,920	555,338	58,917,343	592,060	18,570,528	359,602	11,185,429	145,205	59,648	-	75,752	670
Consumer and cash loans	40,342,043	3,426,265	28,841,380	2,814,909	27,815,144	2,462,053	22,499,847	1,869,439	199,297	27,787	440	-
Transaction account loans and credit cards	328,264	32,788	533,970	44,613	232,049	22,084	191,406	23,378	729	323	310	1,046
Other receivables	2,267,452	225,436	2,029,752	120,599	812,355	174,438	699,897	65,845	4,375	1,294	19	62
Corporate segment loans	**110,294,372**	**1,125,484**	**134,035,379**	**3,231,339**	**32,990,183**	**578,246**	**8,849,388**	**413,297**	**-**	**-**	**155,538**	**-**
Industry sector A	17,228,609	276,098	406,529	787	722,498	6,986	82,932	232,595	-	-	-	-
Industry sectors B, C and E	35,910,553	300,981	20,033,253	1,106,182	19,194,454	146,684	2,128,835	61,177	-	-	105,564	-
Industry sector D	31,087,984	-	11,165,091	177,883	71,471	-	481	-	-	-	-	-
Industry sector F	6,000,447	207,872	10,808,353	831,583	913,413	7,263	2,038,629	2,109	-	-	-	-
Industry sector G	12,047,415	271,831	33,721,507	678,902	8,681,048	142,242	3,659,076	79,793	-	-	-	-
Industry sectors H, I and J	2,830,463	56,795	24,773,999	105,621	1,219,561	25,703	539,078	23,547	-	-	-	-
Industry sectors L, M, N, P, Q, R and S	5,188,901	11,907	33,126,647	330,381	2,187,738	249,368	400,357	14,076	-	-	49,974	-
Loans and receivables due from banks and other financial institutions	**1,261**	**1,667**	**62,373,977**	**-**	**604**	**-**	**191**	**-**	**-**	**-**	**10,437,367**	**368,813**
Total on-balance sheet exposure	**237,509,651**	**5,366,978**	**418,639,760**	**6,803,520**	**80,420,863**	**3,596,423**	**43,426,158**	**2,517,164**	**264,049**	**29,404**	**11,608,506**	**370,591**
Credit commitments	18,216,010	-	45,111,481	79,843	5,253,056	784	4,886,651	-	-	-	2,739,859	-
Guarantees and sureties issued	33,351,775	23,541	87,045,340	52,863	17,639,186	13,678	8,069,666	15,185	3,856	50	4,342	367
Total off-balance sheet exposure	**51,567,785**	**23,541**	**132,156,821**	**132,706**	**22,892,242**	**14,462**	**12,956,317**	**15,185**	**3,856**	**50**	**2,744,201**	**367**
Total financial liabilities	**289,077,436**	**5,390,519**	**550,796,581**	**6,936,226**	**103,313,105**	**3,610,885**	**56,382,475**	**2,532,349**	**267,905**	**29,454**	**14,352,707**	**370,958**

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**

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, innovative and technical activities, administrative and auxiliary service activities, education, health and social protection, art, entertainment and recreation and other activities

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, 2023 and December 31, 2022 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, 2023 and December 31, 2022. All the figures are stated in RSD '000.

RSD 000	31.12.2023.		31.12.2022.	
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%	58,938,639	692,933	36,636,296	492,311
From 50% to 70%	39,435,901	466,714	41,391,802	359,308
From 70% to 90%	28,303,816	319,797	47,596,992	417,559
From 90% to 100%	743,927	25,720	2,058,158	70,202
From 100% to 120%	551,170	38,359	1,285,869	51,730
From120% to 150%	254,422	13,285	566,333	41,987
Over 150%	274,577	58,633	368,413	51,495
Total	**128,502,452**	**1,615,441**	**129,903,863**	**1,484,592**
Average LTV	52.41%		61.67%	

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2023

43. RISK MANAGEMENT (Continued)

43.4. Credit Risk (Continued)

Collaterals (Continued)

RSD 000	31.12.2023.		31.12.2022.	
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%	1,014,636	388,109	854,761	323,755
From 50% to 70%	454,718	199,799	361,982	161,884
From 70% to 90%	212,043	132,185	270,521	149,058
From 90% to 100%	26,565	17,780	72,144	52,237
From 100% to 120%	38,954	32,028	55,920	39,142
From120% to 150%	-	-	17,090	16,697
Over 150%	46,638	41,325	32,326	30,047
Total	**1,793,554**	**811,226**	**1,664,744**	**772,820**
Average LTV	52.14%		56.52%	

RSD 000	31.12.2023.		31.12.2022.	
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%	23,691,798	537,951	24,354,313	852,087
From 50% to 70%	16,678,964	658,947	16,478,195	892,839
From 70% to 90%	8,206,665	138,554	13,501,736	164,411
From 90% to 100%	23,023,278	334,874	14,970,619	172,898
From 100% to 120%	5,651,240	279,304	4,778,137	150,862
From120% to 150%	6,193,171	140,249	8,187,679	271,050
Over 150%	22,948,587	1,629,763	22,760,107	2,105,369
Total	**106,393,703**	**3,719,642**	**105,030,786**	**4,609,516**
Average LTV	135.88%		120.64%	

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, 2023 and December 31, 2022 per type, number and appraised value are presented in the table below:

	December 31, 2023		December 31, 2022	
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	41,477	562,213,721	37,917	450,709,033
Deposits	474	4,938,547	477	4,994,278
Pledge liens	1,341	89,724,130	1,320	107,024,265
Guarantees	9,977	72,045,704	9,073	65,125,753

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, 2023	December 31, 2022
Fair value	423,840	3,160,249

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 2023, the Bank realized a total write-off of balance sheet receivables in the amount of RSD 1,647,588 thousand (RSD 2,452,555 thousand in 2022), out of which RSD 100,252 thousand was directly written off (RSD 228,208 thousand in 2022), while transfer to off-balance sheet records amounted to RSD 1,574,336 thousand (in 2022 RSD 2,224,348 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.

Self assessment of operational risks

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)

Self-assessment of operational risks (continued)
A special segment of self-assessment of operational risks developed in cooperation with the parent bank refers to the system of testing the effectiveness and functionality of controls in processes that recognize the existence of operational risks. This tool also identifies key controls that have been established for high inherent risks and as such, they have special treatment in testing. In accordance with the results of the assessment of the functionality of controls, new controls are introduced, existing ones are improved, or it is assessed that the existing controls are adequate and have the capacity to mitigate identified operational risks in individual business processes.

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 29 separate Business Continuity Plans (BCPs) for the Bank's critical organizational units. Moreover, the Bank's Executive Board has adopted the Procedure 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 and Operations.

Externalization (Outsourcing) Risk
The Bank manages the risk of outsouricing activities to third parties through assessments and established control mechanisms before concluding contracts with third parties, i.e. service providers, while taking necessary measures to protect against negative impacts on the Bank's operations and reputation. The bank has a clearly established procedural framework that is also regulatory defined, as well as the application software provided for the operation of the mentioned process, with the existence of a set of control points in the process itself.

43. RISK MANAGEMENT (Continued)

43.5 Operational Risk (continued)

New Product Introduction Risk

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

To ensure business continuity, the Group's Administrative Board has adopted a document called the Business Continuity Provision Regulation with annexes, as well as 29 individual BCP Action Plans for the Group's critical processes. Also, the Group's Executive Board has adopted a document called the Procedure for managing communication during a crisis situation.

The Group ensures business continuity management based on BCP documentation that is based on the analyzed business impact (BIA) and business risk.

Its purpose is to minimize operational, financial, legal, reputational risks, impact on clients, and other material consequences caused by business interruption, and to ensure the functioning of critical business functions and/or their return to function within predefined deadlines. The BCP ensures the re-establishment of regular operations within a reasonable time frame (RTO) in cases of significant and unforeseen, partial or complete, business interruptions.

The Group regularly conducts BCP testing at least once a year. Also, at the beginning of the year, the bank defines all planned BCP testing activities through a BCP calendar that is coordinated with the respective IT and operations sectors.

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 2023, and as at December 31, 2023, 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 December 31, 2023, the Bank did not exceed any of the prescribed limits.

43. RISK MANAGEMENT (Continued)

43.10 ESG risk

In line with its leadership position in the domestic market in total credit activities, the Bank is firmly strategically committed to being the leader in green and sustainable financing too. In mid-2022, the Bank adopted a Sustainable Business Strategy, which defined its goals until 2025, in accordance with the strategic directions of OTP Group Hungary when it comes to Environmental, Social, Governance (ESG) issues and sustainability. The validity of the existing Strategy was confirmed by the Bank also in 2023. Prior to this, the Bank has adopted a framework for managing ESG risks in the credit approval and monitoring process for legal entities, which is continuously improved and aligned with the development of the regulatory framework of the OTP Group, based on EU sustainability standards. Accordingly, the Bank has no appetite at all to finance clients who carry out activities that are unacceptable to the Bank and the OTP Group and are on the ESG exclusion list. There were no such transactions in the Bank's credit portfolio in 2023, which the Bank regularly reported through its quarterly reports on the utilization of risk inclination limits to the Bank's management bodies, bearing in mind that ESG risk is one of the risks included in the overall Statement on the Bank's risk appetite.

Based on the aforementioned framework for managing ESG risks in the credit approval process for legal entities (from the segment of the economy and small businesses), the Bank performs segmentation of clients and their transactions into one of the 4 ESG risk categories - low, medium, medium-high, and high. Client categorization is done according to the sector (NACE) code, which also provides categorization of credit placements themselves, in combination with the remaining maturity. Transactions of a larger amount or by clients who are classified in higher ESG risk categories, are also subjected to additional analysis through special ESG questionnaires, which provide more information for appropriate categorization of clients. Additionally, if it is a green credit transaction, regardless of the ESG risk category that the client has itself, the transaction will automatically be rated as low risk in terms of ESG risk. The Bank continually works on improving its processes, especially when it comes to data collection, which is obtained through publicly available data or information obtained from clients themselves.

In the credit approval process, the Bank particularly recognizes the impact of climate and environmental risks to which clients are potentially exposed, either in the form of physical risks or transition risks, which are currently more acute than chronic. Also, during 2023, the Bank improved data collection on mortgage collateral by securing information about their energy classes through publicly available registries.

The Bank continually works to improve its processes related to the ESG risk management framework, including raising knowledge and awareness of its employees about the importance of this topic. In 2023, in addition to the permanent organizational unit within the risk management function responsible for coordinating ESG risks at the Bank level, an ESG commission was also established, as a new body in the Bank, which supports the Executive Board in all matters related to ESG and sustainable development.

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 National Bank of Serbia 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.

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44. CAPITAL MANAGEMENT (Continued)

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

RSD 000	31.12.2023. Basel III	31.12.2022. 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	-	-
Current year's loss	-	-
Intangible assets	(1,451,939)	(1,254,606)
Deferred tax assets contingent on the future profitability except for those arising from temporary differences, net of the relating deferred tax liabilities	-	-
Revaluation reserves and other unrealized gains	78,822	78,661
Unrealized losses on securities at FVtOCI	(131,064)	(300,339)
Reserves from profit		-
Other reserves	31,793,083	30,701,394
Regulatory adjustment of the common equity Tier 1 capital	(35,527)	(42,319)
Direct or indirect investments in banks and other financial sector entities where the Bank has significant holdings	-	-
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	(35,579)	(46,756)
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	(265,316)	(278,961)
Common equity Tier 1 capital	**89,348,124**	**88,252,718**
Additional Tier 1 capital		
Core capital – Tier 1	**89,348,124**	**88,252,718**
Qualifying subordinated liabilities	14,548,907	14,652,450
Supplementary Tier 2 capital	**14,548,907**	**14,652,450**
Total regulatory capital	**103,897,031**	**102,905,168**
Risk-weighted assets		
Risk-weighted credit risk exposures	421,828,793	431,414,167
Risk-weighted foreign exchange risk exposures	-	2,156,678
Risk-weighted market (price) risk exposures	472,923	453,372
Credit exposure adjustment risk	695,763	329,581
Risk-weighted operational risk exposures	62,346,259	52,922,704
Common Equity Tier 1 capital ratio (CET1 ratio)	**18.41%**	**18.11%**
Tier 1 capital ratio (T1 ratio)	**18.41%**	**18.11%**
Total capital adequacy ratio	**21.41%**	**21.12%**
Total capital buffer requirements (%)	**6.69%**	**6.67%**

44. CAPITAL MANAGEMENT (Continued)

As of December 31, 2023, 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	31.12.2023.	31.12.2022.
Amount of the Bank's capital	EUR 10 million	887 mil EUR	877 mil EUR
Total capital adequacy ratio	Minimum 8 %	21.41%	21.12%
Core capital Tier 1 ratio	Minimum 6%	18.41%	18.11%
Common equity Tier 1 capital ratio	Minimum 4.5%	18.41%	18.11%
Concentration risk ratio	Maximum 50%	3.70%	5.27%
The sum of the Bank's investments	Maximum 60%	11.81%	11.56%
Investments in non-FSI entities	Maximum 10%	0.02%	0.01%
Exposure to a single entity/a group of related entities	Maximum 25%	17.29%	19.10%
Sum of all large Bank's exposures	Maximum 400%	81.88%	75.14%
Liquidity ratios			
a) quick liquidity ratio	Minimum 0.5	1.74	1.87
b) liquidity ratio	Minimum 0.8	2.44	2.05
Liquidity coverage ratio	Minimum 100%	139.12%	143.82%
Foreign exchange risk ratio	Maximum 20%	0.40%	2.10%

The Bank monitors and controls the above listed adequacy indicators prescribed by NBS on an ongoing basis. In 2023, as well as in 2022, 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

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 2023, 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, 2023, 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, 2023, 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, 2023				December 31, 2022			
RSD 000	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets	**-**	**1,378,396**	**-**	**1,378,396**	**-**	**448,484**	**-**	**448,484**
Receivables under derivatives	-	1,378,396	-	1,378,396	-	448,484	-	448,484
Securities	**531**	**33,693,946**	**15,187**	**33,709,664**	**560**	**41,456,408**	**15,699**	**41,472,668**
Securities at FVtPL	-	-	-	-	-	-	-	-
Securities at FVtOCI	531	33,693,946	15,187	33,709,664	560	41,456,408	15,699	41,472,668
Financial liabilities	**-**	**(439,131)**	**-**	**(439,131)**	**-**	**(398,327)**	**-**	**(398,327)**
Derivative liabilities	-	(439,131)	-	(439,131)	-	(398,327)	-	(398,327)

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, 2023, 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, 2023, 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, 2023				
RSD 000	Level 1	Level 2	Level 3	Total	Carrying value
Cash and balances held with the central bank	-	162,713,299	-	162,713,299	162,713,299
Pledged financial assets	-	939,080	-	939,080	939,080
Loans and receivables due from banks and other financial institutions	-	-	72,797,144	72,797,144	72,797,144
Loans and receivables due from customers	-	-	532,704,565	532,704,565	537,269,621
Other assets	-	-	5,243,439	5,243,439	5,243,439
	-	**163,652,379**	**610,745,148**	**774,397,527**	**778,962,583**
Deposits and other liabilities due to banks, other financial institutions and the central bank	-	-	143,413,317	143,413,317	143,418,111
Deposits and other liabilities due to customers	-	-	545,705,624	545,705,624	545,682,973
Other liabilities	-	-	5,991,045	5,991,045	5,991,045
	-	**-**	**695,109,986**	**695,109,986**	**695,092,129**

	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**

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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:

	31.12.2023.		31.12.2022.	
RSD 000	*<12 months*	*>12 months*	*<12 months*	*>12 months*
Cash and balances held with the central bank	104,177,822	58,535,477	140,512,381	-
Pledged financial assets	-	939,080	-	445,087
Receivables under derivative financial instruments	1,011,612	366,784	71,060	377,424
Securities	7,969,642	25,740,022	14,266,140	27,206,528
Loans and receivables due from banks and other financial institutions	66,719,716	6,077,428	11,188,084	26,794
Loans and receivables due from customers	178,453,563	358,816,058	181,503,148	350,987,146
Investments in associates and joint ventures	-	173,096	-	149,650
Investments in subsidiaries	-	755,514	-	755,514
Intangible assets	-	1,451,938	-	1,254,606
Property, plant and equipment	-	12,018,055	-	11,507,553
Investment property	-	231,234	-	370,153
Deferred tax assets	-	-	-	57,199
Non-current assets held for sale and discontinued operations	4,955	-	6,248	-
Other assets	4,453,132	790,307	1,789,801	1,537,429
TOTAL ASSETS	**362,790,442**	**465,894,993**	**349,336,862**	**394,675,083**
Liabilities under derivative financial instruments	72,348	366,783	22,088	376,239
Deposits and other liabilities due to banks, other financial institutions and the central bank	57,532,128	85,885,983	113,169,936	56,830,688
Deposits and other liabilities due to customers	479,465,219	66,217,754	441,491,887	7,266,422
Subordinated liabilities	48,560	20,581,550	83,328	14,665,300
Provisions	-	3,535,247	-	3,772,895
Deferred tax liabilities	-	34,133	-	-
Current tax liabilities	1,206,239	-	1,042,563	-
Other liabilities	4,302,812	1,688,233	979,262	3,953,351
TOTAL LIABILITIES	**542,627,306**	**178,309,683**	**556,789,064**	**86,864,895**

47. ADDITIONAL INFORMATION ON CASH FLOWS

RSD 000	31.12.2023.	31.12.2022.
In RSD:		
Gyro account (Note 18)	46,565,339	10,848,986
Cash on hand (Note 18)	12,330,706	10,256,232
Total RSD	**58,896,045**	**21,105,218**
In foreign currencies:		
Foreign currency accounts (Note 22)	4,214,202	4,882,772
Cash on hand in foreign currencies (Note 18)	5,530,665	6,165,628
Other monetary items in foreign currencies (Note 18)	26,299	87,797
Total cash funds in foreign currencies	**9,771,166**	**11,136,197**
Gold and other precious metals (Note 18)	61,576	57,538
Total cash and cash equivalents	**68,728,787**	**32,298,953**

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, 2023, 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 1,137,919,254 thousand. The amount of reconciled liabilities and receivables is 99.99% of the total amount returned after reconciliation by clients, or 73.73% of the total amounts sent for reconciliation. The total amount of unmatched liabilities and receivables is RSD 56,175 thousand.

2023		
	Assets	Liabilities
Mismatched number	220	158
Total matching number	6,662	7,033
% of mismatched number	**3.30%**	**2.25%**
Total mismatched (RSD 000)	45,314	10,861
Total matching amount (RSD 000)	457,447,148	381,542,062
% of mismatched amount	**0.01%**	**0.00%**

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, 2023	Official middle exchange rate on December 31, 2022
USD	105.8671	110.1515
CHF	125.5343	119.2543
EUR	117.1737	117.3224

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, 2023.

Novi Sad, March 15, 2024

Vladimir Pejčić
Director of the Accounting Directorate

Branimir Spasić
Member of the Executive Board

OTP banka Srbija a.d. Novi Sad

Predrag Mihajlović
Chairman of the Executive Board

Annual Business Report

for 2023

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Foreword by the President of the Executive Board

Predrag Mihajlović

Dear Friends,

Upon witnessing in year 2022 increase of benchmark interest rates by the European Central Bank (ECB), the US Fed, as well as by the National Bank of Serbia, a standstill can be seen from September this year, with no further increases and stabilising the inflation. What encourages is the quite stable financial sector of Serbia, perhaps one of the most stable in the region and Europe due to high capital adequacy rate, high liquidity rate, and banks are prepared for any challenges that may come from the surroundings. All banks in Serbia undergo stress tests on a regular basis and maintain the capital adequacy level in order to amortise potential adverse effects of a crisis. I must also mention that growth projections for 2024. are very positive, since we are expecting a credit activity increase in the years to come, with further inflation drop, both in the Eurozone and Serbia.

I am proud to say that results of OTP banka have remained record-breaking in all aspects of operation. We succeeded in achieving record business results and growth in all business segments, which was rewarded by prestigious international awards. Our Bank was declared the best bank for cash management services in Serbia for 2023 by Euromoney, the world's leading financial magazine. As before, this award is a reflection of our top-notch expertise, but also of great effort and commitment to provide clients with an exceptional customer experience at all times through products and services we continuously improve together. For the second time in a row, OTP banka is also the winner of Best Bank in Foreign Exchange Operations in Serbia award for 2023 by the Global Finance magazine. This year, we have also received the "Serbia's Corporate Banking Market Leader 2023" accolade from Euromoney.

In terms of loans, with a total amount of around EUR 4.6 billion, we remained the leader on the Serbian market. Housing loans exceed one billion euros, with a market share of 22.1%. A major surge was also recorded in the area of cash loans, where the amount of EUR 1.1 billion was reached with a growth of 2.7% y-o-y, which represents 19.5% of the market share. The corporate banking segment also achieved significant growth, where with EUR 2.5 billion OTP banka remains one of the leading bank on the market with 16.1% market share in corporate lending. What is very important to mention is the responsible cost management that we managed to optimize during the integration, which makes up a significant part of our results.

We did not rest in terms of acquisitions and recognising opportunities on the domestic market, thus in July 2023, OTP Fund Management from Hungary, together with OTP banka Srbija, successfully acquired the asset management company ILIRIKA DZU, which continued to operate within the OTP Group in Serbia as OTP Invest. The investment funds market in Serbia is currently characterized by low product penetration, but we believe that there is significant potential to grow.

Along with keeping the Bank's market position, digital transformation is also our priority. Our investments are focused on digitalisation, automation, efficiency increase processes, objective of which should be a higher satisfaction degree of users of our services. From our agile teams, where all commences, to the digital factory, every day we work on enhancements that at the end of the day look like, for example, our m-bank application, which is especially praised by clients, or as the innovative OTP Junior card product, a unique product on our market for young people from 11 to 18 years of age, in order to learn how to become financially independent. For us, financial literacy is becoming an increasing focus, because we believe that we are the ones who must initiate and raise this topic to a higher level, which will ensure a more stable future for everyone.

We have continued with our implemented Innovation Strategy and achieved that last year's "INNOVATION Challenge" format has now become widely recognizable, and colleagues are happy to respond since they have the opportunity to learn how to develop ideas through different methodologies and thereby generate new ideas. At the end of the year, OTP Connect was also launched - a unique program for cooperation, development and innovation incentive, where we are eagerly waiting to receive new vendors and partners.

All this was recognized by HR professionals and the Bank was renewed with the “Employer Partner” certificate, a prestigious HR award from the “Selectio” consulting company.

For years, we have been building the image of an institution that is a corporate social responsibility leader, and this year was really special in that regard. I would like to remind that the Bank’s priorities in this area include ecology, sports, culture, support to socially sensitive groups, financial education and support for smaller local communities. We have recently launched the pioneering initiative “Together for stronger solidary society” dedicated to creating a single Register of Civil Society Organizations, which the Bank will exempt from commissions when humanitarian donations are paid to their special-purpose accounts. The objective of our new oasis, OTP Village, is to connect our employees and partners more with nature and help biodiversity by growing bees and honey plants. Due to its great popularity, Generator Zero experienced another cycle committed to innovations for reducing carbon footprint, which was followed by the fourth social entrepreneurship fair, the Generator of Good Deeds. The second literary competition for the first unpublished novel with the BOOKA publishing house saw the light at the end of the year, while the global initiative partnership “Priceless Planet Coalition” by Mastercard, aim of which is to reforest endangered areas of the planet, was renewed for the third consecutive year. We also became the official signatory of the UN Responsible Banking Principles - a unique sustainable development framework, developed through cooperation between banks across the world and the United Nations Environment Programme Finance Initiative (UNEP, FI). We were also presented with awards, both at the level of our parent Group and from organizations and institutions. We remained the official bank of the Olympic Committee of Serbia in the sixth Olympic cycle, as well as faithful institutional partners of the Gallery of Matica Srpska.

For the end, I leave what is most important, that makes up our team, which is our people. I am proud that we socialize even more through various internal activities and events, which often have an environmental or humanitarian component, where at the New Year’s party attended by almost 2,000 colleagues, we collected over 2 tons of food and donated it to the Little Big People and Solidarity Kitchen associations, while we educated our youngest about the importance of bees and spending time in nature, and crowned all of this with work actions through the OTP Club of Volunteers. We ended the year by signing a Medical Donation Contract worth five million dinars with the Ministry of Health. In this way, the Bank will directly contribute to the improvement of emergency medicine in Serbia, by donating defibrillators to hospitals in larger cities and portable defibrillators to health centres in remote rural areas.

To be on the helm of such a team is a true pleasure for me.

Yours faithfully,

Predrag Mihajlović

1.2

About OTP Group

OTP Group is one of the fastest growing and one of the leading banking groups in the region of Central and Eastern Europe, with outstanding profitability and a stable capital and liquidity position. Headquartered in Hungary, it has a diverse and transparent ownership structure, while it has been listed on the Budapest Stock Exchange since 1995.

As the most active consolidator in the banking sector of the Central and Eastern European region, the Group has successfully acquired and integrated 23 banks since the beginning of 2000. Today, it is present in 12 countries of the Central and Eastern Europe and Central Asia regions, and is currently the market leader in Hungary, Bulgaria, Serbia, Montenegro, and Slovenia. Two acquisitions were completed during the previous year alone, namely Nova KBM Group from Slovenia and IPOTEKA Bank from Uzbekistan became two new members of OTP Group. With integrity and determination, OTP Group is focused on helping the development of the Central and Eastern European region to become the continent's growth engine. With over 41,000 employees in now 12 countries, the Group provides universal financial services to around 17.5 million customers.

The Group strives to provide excellent financial services through digital innovation, artificial intelligence and data-driven insights. It uses synergy within the group and acts as a driver of digital transformation of the region.

In the first nine months of 2023, OTP Group generated profit of EUR 2.25 billion after tax (which is almost four times the amount compared to the same period of the previous year), while for the third quarter a profit of EUR 0.73 billion was realized after tax. It is important to note that OTP Group is among the 5 banks in Europe that are most stress resilient. Namely, the European Banking Authority (EBA) announced stress test results of the European banking sector, which encompassed 70 EU banks, with 75% of assets of the European banking sector. The stress test was created with the objective to assess the resistance to stress of banks' capital positions in the event of a significant macroeconomic crisis. If we compare results in Europe - OTP Group is among the 5 banking groups in Europe that are most stress resilient according to the reduction of CET1 capital, based on the three-year stress scenario. In this year's stress test, OTP Group is among the top 25% for all tested indicators. The test result confirms that even under stress, OTP Group's capital position is stable.

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. Sustainability is at the very top of OTP Group's priorities, which is why it has defined the ESG strategy pillars with the aim to avoid adverse effects on the environment and society, use potential for business improvement and to become a regional leader in green financing and building a sustainable future. 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. 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, to which OTP banka in Serbia joined at the end of 2023. We have thus joined the world's largest banking community focused on sustainable financing.

1.3

About OTP banka Srbija a.d. Novi Sad

OTP banka Srbija is one of the leading financial institutions and the largest creditor in Serbia. Our comparative advantage and what distinguishes us on the banking market is clients' trust, determination of partners, expertise and commitment of our employees, with strong support from the parent OTP Group.

Our network comprising 154 branches (out of which two are OTP partner branches intended for partners, investors, brokers and third parties) in 91 cities and 275 ATMs, is among the largest in Serbia, maintaining thereby presence in the entire territory of the country.

We have succeeded in achieving record business results and growth in all business segments with a total net loan balance of EUR 4.6 billion, with EUR 7.1 billion in assets, 2.720 employees and over 725.000 active clients. In 2023 the Bank achieved a positive operating result (before provisioning and tax) in the total amount of 23,169 million dinars. Retail loans increased by ca 1% comparing to 2022, with a market share of 18.9%. In the course of 2023, 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 19.5%. Simultaneously, the Corporate Division managed to exceed the expected market share in the segment of placed corporate loans and achieve the level of 16.1%.

In July 2023, OTP Fund Management from Hungary, together with OTP banka Srbija, successfully acquired ILIRIKA DZU (founded in 2007), the Serbian subsidiary of ILIRIKA Group, which continued to operate within the OTP Group in Serbia as OTP Invest, focused on brokerage and asset management services. Bearing in mind the leading position of OTP banka in Serbia and expert support of the Global Markets Directorate from our parent OTP Group, with this acquisition we will significantly expand the range of capital market products and services of our Bank. Investment services will primarily be available to our private banking clients, with simultaneously expanding the range of sales channels.

We are focused on innovation and digitalization of our operations, which provides customers with new benefits with a focus on enhancing digital banking and customer experience. In addition to upgrading existing products and services, we are proud that new and quite often unique products are created in our digital factory, such as the Junior card for young people, which ensures their financial independence. Together with the completely new and improved m-bank application, with this move we have provided a unique and easy experience to all our clients who can perform their financial obligations on a daily basis, buy insurance, plan their budget, apply for a cash loan.

One of our key strategic directions is the green transition, i.e. commitment to sustainable business and ESG projects, thus it is not unusual that we have positioned ourselves as a leader in green transition in Serbia and the application of ESG principles of action.

Guided by the adopted ESG Strategy, 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).

The economic growth is incomplete for us if it does not imply a responsible attitude towards natural resources and the environment. We create, implement 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 2023, the general advocacy in the field of corporate social responsibility, as well as the Generator project and our contribution to sports.

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 year alone, we granted employees a day off on their birthday, a new, improved private health insurance, as well as special benefits with a certain amount at their disposal through the House of Benefits application. Our work was recognized again and we received a renewed "Employer Partner" certificate, a prestigious HR award from the "Selectio" consulting company.

We pay a lot of attention to customer experience in general, and in particular through the strong Voice of Customer (VoC) program, actively following insights of our clients. Through regular surveys, interviews and sessions, we receive feedback, ensure an open and constant dialogue with our clients, which allows us to understand their needs and preferences.

A major upgrade of digital channels this year was achieved with the help of contemporary UX and additional enhancements, which resulted in the introduction of Omnichannel Tribe and the launch of new digital functions on a monthly basis. The purpose of the Tribe is to create a channel of services and products, with features and functionalities that even surpass the currently dominant network channel. In addition, the "AI Assistant" is not the future in our Bank, but is widely implemented and represents our software tool that uses advanced artificial intelligence techniques to support employees in efficiently accessing and processing key information based on internal documents.

A large number of initiatives and projects were implemented in the course of the year, of which the multi-awarded Generator Zero project particularly stood out, a competition which for the second time (out of seven cycles) was intended for innovative solutions aimed at reducing the carbon footprint. Since 2023, all our green projects are a part of the Generator Lab platform, among which is the Social Entrepreneurship Fair "Generator of Good Deeds" organized in the Ušće shopping centre, the second cycle of the literary contest for the first unpublished novel with the BOOKA publishing house, and the partnership on the global "Priceless Planet Coalition" initiative by Mastercard, which we joined for the third time. We opened our honey oasis near Belgrade, "OTP Village", intended for our socializing and familiarising with the nature, and through the Club of Volunteers we realized two actions at the end of the year.
We launched the pioneering initiative "Together for stronger solidary society" dedicated to creating a single Register of Civil Society Organizations, which we will exempt from commissions when humanitarian donations are paid to their special-purpose accounts, and once again instead of holiday gifts, we directed the money into a New Year's donation to the Ministry of Health for the purchase of defibrillators for hospitals in larger cities and portable defibrillators in health centres in remote rural areas.

As the official bank of the Olympic Committee of Serbia, we organized another "Olympic training with OTP banka" in the sixth Olympic cycle, intended for elementary school students and boldly started preparations for the Olympic year.

We are members of various business organizations and associations, through which we actively promote highly ethical business standards and strive 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 Leasing Srbija, a leader in the leasing market in our country, as well as OTP Osiguranje, which through OTP banka provides life insurance services, also operate within OTP Group.

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. OTP Bank has no registered branches. During 2023, OTP banka did not buy back its own shares.

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

Despite the consequences of the pandemic and the economic crisis, which caused disruptions in the world food and energy market and the growth of global inflation, as well as the tightening of monetary conditions to control price growth, the world economy proved to be more resilient than originally expected. However, economic growth is still uneven across countries and regions, faster than expected in the United States of America, and slower in China and the Eurozone, which was most affected by the effects of the conflict in Ukraine and the rise in energy prices in the previous year.

The slowdown in global inflation is mainly driven by the decrease in world energy and food prices. As a result of the established downward trajectory of inflation and the effects of previous monetary policy tightening, it is estimated that central banks of developed countries are generally near the end of the monetary policy tightening cycle. At the same time, the leading central banks, the Federal Reserve System and the European Central Bank, emphasize that the tighter monetary conditions will be maintained in the coming period, until they are sure of a sustainable reduction in inflation and a return to the 2% target.

After increasing the reference interest rate in the first half of the year by 150 bps, in the second half of the year the Executive Board of the National Bank of Serbia maintains the reference interest rate at an unchanged level due to the easing of global inflationary pressures, as well as the established downward trajectory of domestic inflation and its expected movement within the target limits in the horizon of monetary policy. Key policy rate in Serbia in December was 6.5%, while the rates on deposit and lending facilities were raised to 5.25% and 7.75%, respectively.

The National Bank of Serbia made a decision in September to withdraw a part of banks' excess dinar liquidity by mandatory reserve instruments, thereby further tightening domestic monetary conditions. The mandatory reserve rates on the foreign currency reserve basis were increased by 3 percentage points each, and the mandatory reserve rates on the dinar reserve basis by 2 percentage points each. Also, the percentages of the part of the mandatory foreign exchange reserve allocated in dinars were increased by 8 percentage points each.

The tightening of the monetary policy of the National Bank of Serbia influenced the growth of interest rates on the interbank money and credit market in dinars. At the same time, the tightening of the monetary policy of the European Central Bank resulted in the growth of interest rates on the money market in the euro area, and thus also of interest rates on corporate loans on the domestic market. Without waiting for the risks of rising interest rates in the euro zone to materialize and affect the possibility of repaying housing loans, and thus financial stability, the National Bank of Serbia made a decision to limit the interest rate for debtors who use the first housing loan with a variable interest rate, and whose contracted amount does not exceed 200 thousand euros in the period from October 2023 to the end of 2024.

Y-o-y inflation has been on a downward trajectory since April, with its level for the last five months being even lower than projected. Inflation was 7.6% in December, which is almost twice as low as at the end of 2022. The slowdown in inflation in December is the result of lower growth in food prices and prices within the core inflation, whose y-o-y growth has been at a single-digit level since June and was reduced to 6.5% in December. In addition to easing global cost pressures, the tightening of monetary conditions also contributed to the fall in core inflation. The decrease in inflation was reflected in the fall in inflation expectations of the financial sector for one year ahead, as well as in the movement of expectations for the next 2-3 years within the limits of the goal of the National Bank of Serbia. The average inflation in 2023 was 12.1%, which is close to the achieved inflation in 2022 (11.9%).

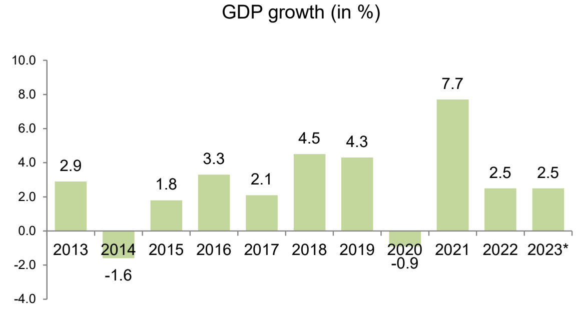
Thanks to the preserved macroeconomic and financial stability and the timely and comprehensive package of economic measures adopted by the National Bank of Serbia and the Government of the RS, Serbia recorded a cumulative real GDP growth of around 12% in the three crisis years. According to the flash estimate of the SORS on economic trends in 2023, the real y-o-y growth of Serbia's GDP was 2.5%. Activity growth was achieved in all production and service sectors. The biggest growth was achieved by the energy sector, agriculture, and construction thanks to the intensification of the implementation of infrastructure projects. Resilience in the conditions of the slowdown in external demand was demonstrated by the manufacturing industry, achieving growth in production and exports. Favorable trends continued in the labor market, where further employment growth, unemployment reduction and real wage growth were recorded.

With the reduction of global inflationary pressures, the recovery of the euro zone, and thus the external demand, as well as due to the expected acceleration of the realization of planned investment projects in the field of transport, energy and communal infrastructure, in 2024, GDP growth is expected to accelerate to 3%-4%, and then a return to the pre-pandemic growth path of around 4% per year. 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, as well as preserving a favorable investment environment.

Economic activity

During 2023, there was an acceleration of economic activity, as a result of the recovery in the construction and manufacturing sectors, and the services sector also made a positive contribution. According to the SORS preliminary estimate of economic developments in 2023, Serbia's real GDP growth stood at 2.5%, and it was achieved as a result of the growth of the service sector, agriculture and construction, while the industry sector made a slightly smaller contribution. It is estimated that GDP growth in 2024 will be at the level of 3-4%, and then a return to the pre-pandemic growth trajectory of around 4% per year is expected in the medium term.

The risks of realizing the projection to the greatest extent relate to factors from the international environment, primarily to geopolitical relations and prospects for global economic growth, as well as their impact on the world prices of energy and primary products. When it comes to factors from the domestic environment, the projection risks relate to the level of FDI inflows, the outcome of the agricultural season in the following year, the pace of investment in infrastructure and the energy sector.



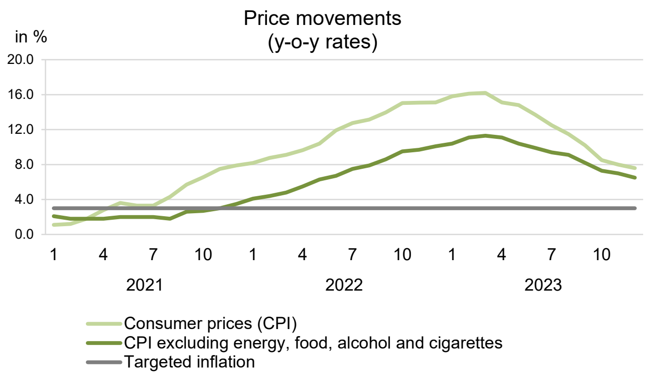
* NBS projection

Inflation

In December, y-o-y inflation was 7.6%, while the average annual inflation in 2023 equalled 12.1%.

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 2022, the growth in prices of food and non-alcoholic beverages further slowed down in December and amounted to 8.4%. The easing of cost pressures in food production, along with a good agricultural season, reflected in the stabilization of processed food prices in the second half of 2023. On the other hand, the y-o-y growth of energy prices in December was higher than overall inflation and amounted to 8.7%.

Core inflation was considerably lower than headline inflation and amounted to 6.5% in December 2023, which was contributed by the effects of monetary policy tightening, weakening of cost pressures and falling inflationary expectations.



A continuation of the decrease in year-on-year inflation is expected in the coming period as well. Inflation will continue to decelerate and should return to the target range in mid-2024, then move closer to the central target value of 3% at the end of the year. The effects of the previous tightening of monetary conditions, the slowdown of import inflation, as well as the expected further decline in inflationary expectations will contribute to such a trend.

Monetary policy

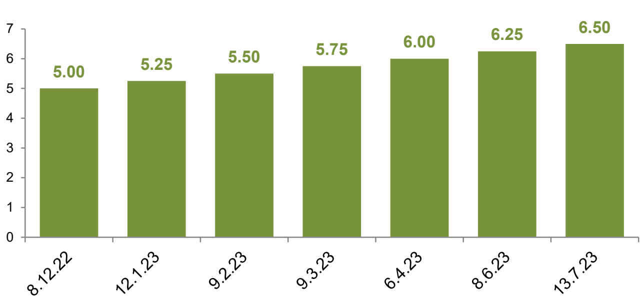
Since July 2023, the reference interest rate is at the level of 6.5%. The July increase of the reference interest rate represents its fifteenth increase starting in April 2022, ending with which it was increased by a total of 550 bps. After the July increase, interest rates on deposit and lending facilities remained at the levels of 5.25% and 7.75%, respectively.

The retention of the reference interest rate at an unchanged level was determined by the continued relaxation of global inflationary pressures, as well as the established downward path of domestic inflation and its expected return to the target limits in the middle of next year. During 2023, monetary conditions were tightened through the basic instrument, the interest rate, and in September, by increasing the mandatory reserve rates, after which the effects of the adopted measures should be assessed. Transferring the previous tightening of monetary policy to interest rates on the money, credit and savings markets indicates the effectiveness of the transmission mechanism of monetary policy.

Delivering price stability in the medium term and preserving the achieved financial stability will remain a priority of the National Bank of Serbia's monetary policy, along with supporting continued growth and development of our economy, a further rise in employment and a favourable investment environment.

The tightening of monetary conditions influenced the growth of interest rates on the money and credit market, confirming the effectiveness of the monetary policy transmission mechanism. The growth of the total money supply in the third quarter is crucially determined by the growth of the dinar component, whereby retail dinar savings shows new record levels. Domestic credit activity, viewed y-o-y, stagnates as a result of the high base from the previous year, the maturity of loans from guarantee schemes, higher interest rates on loans due to the tightening of the monetary policies of the European Central Banks and the National Bank of Serbia, as well as the tightened credit standards of banks. The relative stability of the dinar against the euro, higher interest rates on dinar savings compared to foreign currency savings, as well as its more favorable tax treatment, contributed to its more dynamic growth. The dynamics of the interannual growth of monetary aggregates is slowing down due to lower credit activity, while increased fiscal duties are acting in the opposite direction.

Reference interest rate (in %)



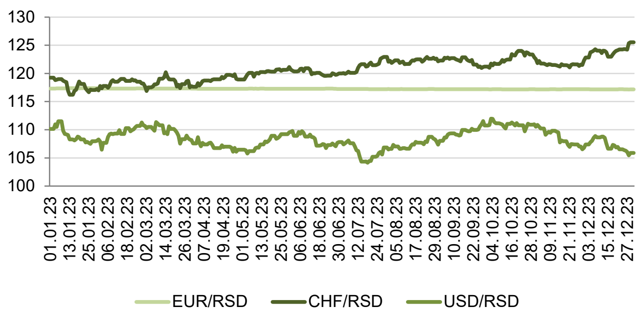
Exchange rate

The stable movement of the exchange rate of the dinar against the euro from 2022 continued during 2023, so that its value at the end of the year was nominally 0.1% higher than at the end of 2022. The National Bank of Serbia contributed the most to the stable movement of the dinar exchange rate, which intervened on the interbank foreign exchange market both on the buying and selling side.

Favorable balance of payments trends (growth in exports, decline in imports and inflows based on FDI), high purchase of effective foreign currency and inflow of foreign currency based on transactions with payment cards are reflected in appreciation pressures. During the third quarter, the supply of foreign currency on the interbank foreign exchange market significantly exceeded the demand, and the National Bank of Serbia eased the appreciation pressures with a net purchase of foreign currency and contributed to the further increase of foreign exchange reserves.

By maintaining the relative stability of the exchange rate of the dinar against the euro, the National Bank of Serbia significantly contributes to limiting the spillover effects of import price growth on domestic prices, as well as macroeconomic stability in conditions of increased global uncertainty.

Exchange rate movements during 2023

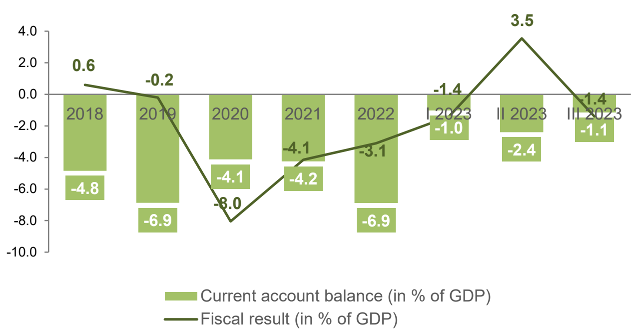


The fiscal result and the current account deficit

The account of economic relations with foreign countries shows positive trends, so in nine months of 2023, a current account deficit of less than 800 million euros was recorded, which is even 2.5 billion euros lower than in the same period of 2022, and at the same time the lowest deficit so far. The biggest impact on the reduction of the current deficit had the goods deficit, with the continued increase in the surplus on the services account, while the increased deficit on the primary income account based on the growth of foreign direct investments and a slight decrease in the surplus on the secondary income account acted in the opposite direction.

According to current projections, the current account deficit will be around 2.5% of GDP this year. The expected acceleration of the investment cycle and the related import of equipment and raw materials, which will be largely compensated by the growth of export capacities and the recovery of external demand, will affect the fact that the current account deficit in 2024 and in the medium term moves around the level of 4% of GDP, which is the level that ensures external demand.

The fiscal result and the current account deficit



Foreign trade

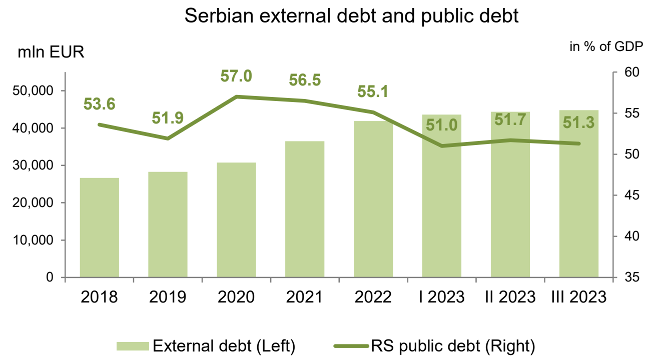
In the period January-November 2023, compared to the same period of the previous year, the export of goods achieved a growth of 4.5%, driven by higher exports of the processing industry and electricity, while the export of services recorded a growth of 19.6%, driven by the growth of ICT, transport and business services. In the same period, the import of goods decreased by 5.2% y-o-y, with the biggest contribution to the decrease coming from the lower import of energy products, while the import of services increased by 15%.

It is expected that new investments and an increase in export supply will ensure high export growth in the medium term. The projection takes into account that the new investment cycle will also affect the growth of imports of equipment and raw materials. In addition, it is expected that the surplus in trade in services will continue to grow slightly, primarily in ICT and business services, tourism and air transport services.

External debt and public debt

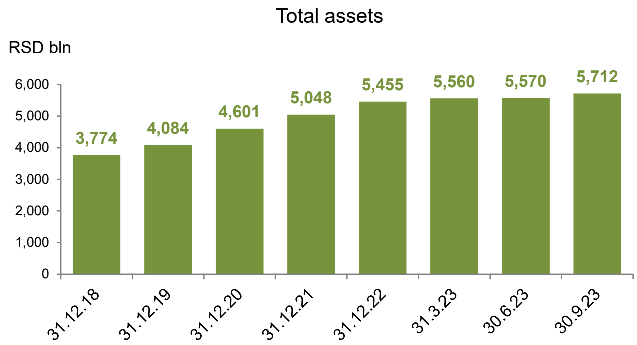
During first eleven months in 2023, public debt was lowered to the level of 51.5% of GDP (from 53.5% at the end of 2022). In the last two years, there has been an intensive growth of public debt in euros. Due to more favorable conditions for borrowing on the foreign market, Eurobonds were issued in euros on two occasions. In addition, part of the debt in US dollars, Chinese yuan and UAE dirhams was converted into euros, due to the much smaller fluctuation of the exchange rate of the euro against the dinar, compared to the mentioned currencies, in order to reduce the currency risk. According to data from 30.11.2023. year, the largest part of the public debt of the Republic of Serbia is denominated in euros and amounts to 58.0%. Then the dinar with 21.2% and the US dollar with 13.4% are the most represented.

The share of public debt in GDP is expected to be 53.3% at the end of 2023. In the coming years, a decrease in ratios is expected, which should amount to 50.0% at the end of 2026. In the given period, the implementation of large infrastructure projects is expected, which will mainly be financed from loans, and their more intensive implementation compared to the previous period. Here we can see a clear coordination of fiscal and development goals. The sustainability of public debt and the gradual decline of its share in GDP are taken into account, while simultaneously using new borrowing to improve infrastructure conditions that lead to the growth of GDP, living standards and new investments.



Banking sector

At end of Q3 of 2023, the Serbian banking sector numbered 20 banks, among which foreign-owned banks still have a dominant share. The banking market is very saturated since the five largest banks have 61.0% of the market share, which is similar to the end of 2022. 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 2023, total net balance sheet assets of the Serbian banking sector amounted RSD 5,712 billion, and total capital RSD 785 billion.



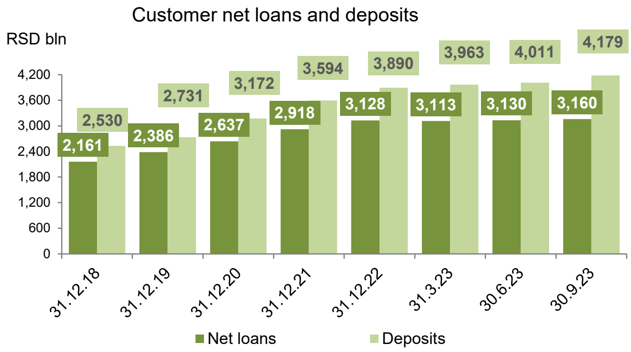
Net result in the overall banking sector achieved in the first nine months of 2023 amounted to RSD 101.5 billion, representing an increase of 83% compared to the same period previous year. A positive result was reported by 19 bank with total profit of RSD 101,543 million, while 1 bank operated with a loss of RSD 60 million.

Changes in key elements of banking sector profitability (in RSD mln)

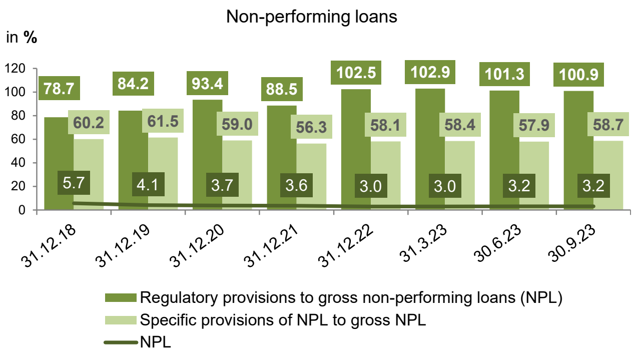
	30.09.2022.	30.09.2023.	Change
Net interest	109,043	165,407	⇧ 52%
Net fees	53,496	57,267	⇧ 7%
Credit losses	-11,112	-11,890	⇧ 7%
Exchange rate effect	-5,680	-1,515	⇩ -73%
Result	55,562	101,482	⇧ 83%

Total net loans of the banking sector in Serbia at the end of the third quarter of 2023 increased by 1.0% comparing to end of previous year. Measured by the share of dinar in total receivables, the dinarisation of corporate and household receivables reached 33.5% in November 2023.

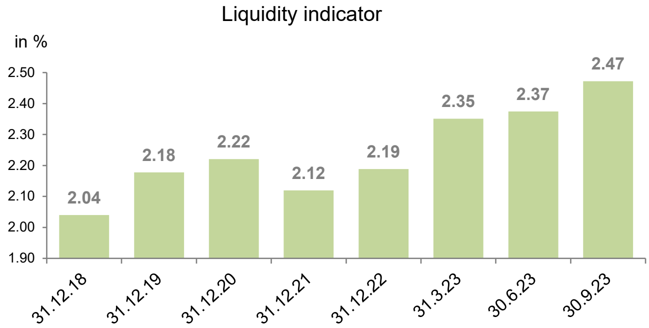
The main sources of financing of the banking sector in Serbia are still received deposits, which share in total liabilities was 73.2%. Total deposits at the end of the third quarter amounted to RSD 4,179 billion, which represents an increase of 7.4% as compared to end of last year. Since the beginning of the year till November, household savings increased by RSD 71.9 billion, or 4.5%, which indicates citizens' confidence in the stability and safety of the banking sector.



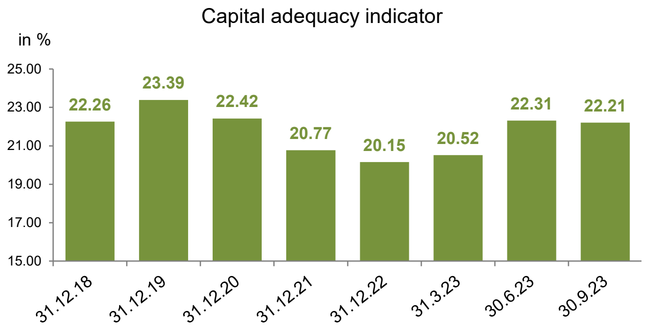
The gross NPL ratio was at level of 3.2% in September 2023. The NPL coverage remained high – in September, allowances for impairment to total loans stood at 100.9% of NPLs, and allowances for impairment to NPLs measured 58.7%.



The Serbian banking sector is still characterized by very high liquidity. At the end of the third quarter of 2023, the average monthly liquidity ratio stood at 2.47% (regulatory minimum is 1%), while the narrower liquidity ratio stood at 1.69% (regulatory minimum is 0.7%).



The Serbian banking sector is well capitalised. At the end of September 2023, average value of the capital adequacy ratio of the Serbian banking sector was 22.21%, 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 2023, the retail banking sector remained focused on the needs of its clients and the development of long-term relationships. The constant growth of household lending is one of the key indicators of the support that the Bank provides to its clients, individuals. In 2023, loans grew by about 1% compared to 2022, whereby OTP Banka managed to achieve a market share of 18.9%.

In the course of 2023, the market recorded a decline in the demand for housing loans. OTP Banka has maintained one of the leading positions in the housing loan market with a market share of 22.1%.

Favorable trends in the retail segment are the result of finding the optimal price level and product mix. Special actions and campaigns were organized for the promotion of cash loans, which resulted in a market share of 19.5% in cash loans.

The total amount of deposits in the retail sector reached the amount of about RSD 229 billion. At the end of the year, a savings campaign was launched, which led to an increase in the market share of OTP Bank's household deposits, which at the end of 2023 recorded a level of 11.4%.

Since the focus of retail operations is client satisfaction and an outstanding user experience, the introduction of changes has continued, and in a system that fosters a culture of innovation at the level of the entire group, it is understood that constant work is being done on an offer that has a value in use for clients and makes everyday banking services as easy as possible for them.

In the dynamic world of banking, the demands of clients change rapidly, and in order for the bank to respond to their needs, our Digital Factory played a key role, through which we change our way of working and follow the digital era, applying an agile organization. As the financial literacy of young people is an important and big topic for us, we are proud of the fact that we have launched a product intended for teenagers on the market - the OTP Mastercard Junior card.

In the last year, the population has made a big shift in favor of mobile banking. Our m-bank application provides users with the ability to perform a variety of transactions, from online cash loans to mobile wallet payments. With more than 1.13 million cards during the year, we recorded 79 million transactions.

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 somewhat 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, at OTP Banka "Digitally where the client is", represents an additional challenge precisely for the improvement of processes that until almost dominantly functioned according to analog principles. Clients expect us to enable them to establish a business relationship with the bank without coming to a branch, which means opening an account, applying for a cash loan, opening a savings account, as well as purchasing an insurance policy.

However, what sets us apart is not only technological progress, but also a commitment to sustainability. We initiate and implement numerous projects under the Generator Lab platform that supports innovation and green initiatives, while the last two editions of the Generator Zero competition were dedicated to solutions that affect the reduction of the carbon footprint. All this makes us a pioneer of digital transformation that improves not only the banking experience but also the world around us.

During this and the previous year, OTP Banka significantly participated in lending to small and medium-sized enterprises. During 2023, in the Small Business segment, the bank realized loans to legal entities and entrepreneurs in the total amount of more than RSD 15 billion.

In the course of 2023, some of the important projects were completed, but some new ones were also started that will contribute to greater efficiency and increase the satisfaction of our clients. What we would like to highlight is that we have implemented a new account opening process, which involves only one visit of our clients to the bank. Also, we worked on developing the credit process in order to shorten the response time to client requests to a maximum of a day or two.

OTP Banka is a member of the first Serbian AgroTech Supercluster. Together with the startup Agremo, we are working on developing a software platform that uses artificial intelligence and machine learning technologies. In this way, we provide innovative and advanced solutions in the field of agriculture.

At the end of 2023, the European Bank for Reconstruction and Development (EBRD) approved a loan in the amount of EUR 60 million to OTP Banka for further lending to small and medium-sized enterprises in Serbia. The financing is intended to support investments for small and medium-sized enterprises. As part of this financial package, a 10 million euro loan is intended for the Go Green program for SMEs.

This financial package will enable OTP Banka to continue supporting investments of small and medium-sized enterprises in improving technology and equipment, increasing competitiveness, as well as providing support for export potential. This loan also supports the green economy of Serbia, bearing in mind that 50 percent of the loan for SMEs and 70 percent of the part intended for the Go Green program for SMEs will be in accordance with the EBRD initiative towards the Green Economy Transition (GET). Upon successful completion of their investment projects, small and medium-sized enterprises financed through the Go Green program for SMEs will be entitled to a refund of 10 percent of the loan amount or 15 percent for investments in renewable energy sources and certain projects in agriculture.

OTP Banka has a developed service model for private banking clients that includes investment and financial counseling, as well as know-how in asset management. Taking into account the fact that 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 advisers recommend to each client individually the way in which they can invest their funds in the domestic or foreign market, in accordance with their profile, financial plans and other factors. Knowledge of the local market by the bank's employees is crucial here, and the possibility of crossing different areas of their expertise, such as corporate business, leasing or insurance, is an advantage.

1.6

Corporate Banking

OTP Banka was declared the best bank for cash management services (Cash management) in Serbia for 2023 by the world's leading financial magazine Euromoney. The recognition was awarded to us based on a survey of 29 thousand corporate clients using transaction services and financial professionals from around the world who voted for the best in specific markets.

In addition, for the second time in a row, OTP Banka is the winner of the award for the Best Bank in the buisness of buying and selling foreign exchange in Serbia for the year 2023 by Global finance magazine. The award selection criteria included transaction volume, market share, global coverage, customer service, competitive pricing and innovative technologies.

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.

Two year after the largest banking integration on the Serbian market in an enviroment of dynamic and frequent changes, major consolidation and grouping of the banking sector, OTP Banka managed to maintain one of the leading positions on the market in the field of buisness lending.

In the segment of Corporate buisness, the OTP Banka records excellent results and with the achieved level of EUR 2.5 billion with about 16.1% 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.

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.

Total gross corporate loans increased in 2023 through the improvement of co-operation with the existing and new clients. During the 2023 the Bank has approved significant amount of loans to mid-size and corporate enterprises. This affected the corporate loans to reach about 16.1% market share at the end of 2023. 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 15.1% at the end of 2023.

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.

Global transaction banking services stand side by side with credit activities since the bank has recognized the importance of transaction banking in the productive and efficient activity of every legal entity. OTP Banka is focused on offering a complete range of cash management services following market trends and thus meeting the demands of domestic and foreign clients. In the domain of e-commerce services, we achieved a volume increase of more than 115% in 2023 and recorded around 11 million transactions. Since 2013, 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 addition to the standard factoring-related products and services available on the market, OTP Banka can additionally support international companies with a supply chain financing platform and international factoring services.

What sets OTP Banka apart on the market when it comes to factoring services is the fact that clients perceive the bank as a partner and advisor in solving 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.

We strategically support the development of the start-up community and encourage the progress of the innovation ecosystem, which is why we launched the unique OTP Connect program. OTP Connect, as a place to connect innovators and our bank, represents an open platform and training ground for joint growth and development. In this way, we combine the bank as a traditional buisness organization with startups as generators of new and technologically advances solutions.

OTP Bank has become an official signatory of the UN Principles for Responsible Business and the United Nations Environmental Financial Initiative Program. Thus, we became the first and only bank in Serbia to be a member of the UN initiative, whereby we committed ourselves to be consistent in our sustainability strategy, to work towards the adoption and implementation of sustainable practices as the basis of our business while at the same time preserving sustainable finances at the highest level.

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 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, as well as the criteria for their recognition and valuation according to the types of collateral.

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 2023, the Bank further improved its framework for the identification and management of ESG risks, through appropriate process automation. Also, in accordance with its strategic orientation of positioning as a leading bank in green financing, in parallel with the careful verification of the fulfillment of all conditions related to green financing in new placements, the Bank continued to work on screening its existing loan portfolio, in order to identify already existing "green" transactions or looking at the potential for further greening of the credit portfolio. During the year, the regular credit process itself was additionally improved by identifying the client based on his belonging to the respective ESG risk category, compliance with the requirements from the Bank's ESG Exclusion List, as well as assessments of clients' exposure to climate and environmental risks.

The bank regularly adjusts its risk-taking framework annually, both with the business strategy and taking into account the assessment of the possible impact of risks from the international and local macroeconomic environment on the quality of the loan portfolio. Also, the expected movements of macroeconomic factors are continuously included in the assessment of expected credit losses, ensuring an adequate level of provisions for those losses. During 2023, the Bank maintained the NPL indicator at an almost unchanged level, and as of December 31, 2023, according to the methodology of the National Bank of Serbia, the value of the indicator was 3.42%, while on December 31, 2022, it amounted to 3.36%. The realised indicator is almost at the level of the NPL indicators of the banking sector, which is amounted to 3.2% in the third quarter 2023.

Detailed information on the level, structure and concentration of credit risk is presented in the Notes to the Bank's financial statements.

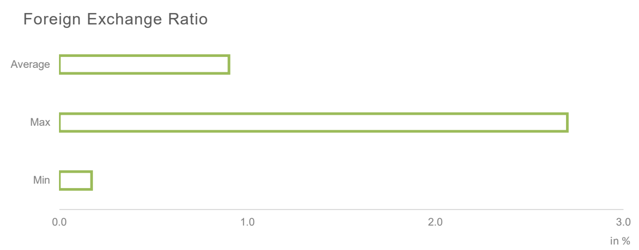
Market risk

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.



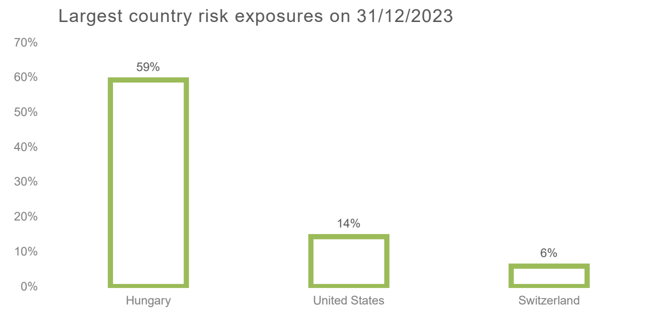
During 2023, the Bank has maintained the level of foreign exchange risk significantly below the regulatory level.

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.). Additionally, in accordance with the standards of its Group when it comes to ESG risk management, the Bank has included the assessment of the impact of ESG risks in the operational risk management process, through its consideration during the creation of scenario analyses, risk self-assessment and through the collection of data on losses with possible implications on ESG 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. 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 and a Disaster Recovery Plan that enable uninterrupted and continuous operation of all significant systems and processes of the Bank, as well as limiting losses in emergency situations. The Business Continuity Plan is based on business impact analysis and risk assessment.

The plan determines key business activities (including activities entrusted to third parties), resources and systems needed to perform business processes. The Bank regularly tests the Business Continuity Plan and the Recovery Plan and reports the results of the tests to the Bank's authorities with adequate documentation. Plans are 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 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 2023.

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 2023. while excess of liquidity the Bank has placed in debt securities issued by Republic of Serbia, REPO and overnight transactions with National Bank 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	2023
Average during period	2.09
Highest	2.44
Lowest	1.75
On 31st December	2.44

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 2023, and on 31st December 2023 was 139.12%.

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 2023

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 2023, the level of capital and the adequacy indicator had the following trend:

capital of the Bank.

On 15.12.2023. the Bank signed a new subordinated loan agreement with OTP Bank Plc Budapest, in the nominal amount of RSD 5.9 billion with a maturity date of December 15, 2033, which will be included in TIER 2 capital of the Bank in 2024.

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

Capital **In 000 RSD**	**31.3.2023**	**30.6.2023**	**30.9.2023**	**31.12.2023**
Total capital	**102,873,064**	**103,095,432**	**103,095,623**	**103,897,031**
Tier 1 capital	**88,368,778**	**88,441,669**	**88,445,673**	**89,348,124**
Common equity Tier 1 capital	**88,368,778**	**88,441,669**	**88,445,673**	**89,348,124**
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	30,701,394	30,701,394	30,701,394	31,793,083
Losses from previous years	0	0	0	0
Revaluation reserves	-154,995	-95,573	-83,715	-52,242
Intangible assets	-1,215,269	-1,210,846	-1,228,278	-1,451,939
Deductible items related to DTI ratio and maturity exceeding in case of cash, consumer and other loans placed to retail segment	-321,469	-311,553	-308,347	-300,895
Deferred taxes depending on future profitability	0	0	0	0
Other CET 1 regulatory adjustments	-36,527	-37,397	-31,025	-35,527
Additional Tier 1 capital	0	0	0	0
Tier 2 capital	**14,504,286**	**14,653,763**	**14,649,950**	**14,548,907**
Subordinated liabilities	14,504,286	14,653,763	14,649,950	14,548,907
Total risk weighted assets	**480,625,640**	**469,488,040**	**471,294,649**	**485,343,738**
Total risk weighted assets for credit risk	426,867,149	415,871,542	417,753,175	421,828,793
Total risk weighted assets for market risk	424,821	408,123	411,005	472,923
Total risk weighted assets for operational risk	52,922,704	52,922,704	52,922,704	62,346,259
Total risk weighted assets for CVA risk	410,966	285,671	207,765	695,763
Total capital adequacy ratio 8%	**21.40%**	**21.96%**	**21.87%**	**21.41%**
Tier 1 capital adequacy ratio 6%	**18.39%**	**18.84%**	**18.77%**	**18.41%**
CET 1 capital adequacy ratio 4.5%	**18.39%**	**18.84%**	**18.77%**	**18.41%**

During 2023, the Bank maintained the level of capital adequacy within the regulatory framework.

The bank's net profit realized at the end of 2022 was RSD 10,862 million. During 2023, part of the profit in the amount of RSD 9,770 million was used to pay a dividend to the bank's shareholder OTP banka Plc Budapest, while the rest of the undistributed profit in the amount of RSD 1,092 million was allocated to Other reserves.

The Bank signed an Annex with OTP Malta on changing the maturity date of the subordinated line in the nominal amount of RSD 2.9 billion, so that this line could be fully included in TIER 2

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.

1.10

Financial indicators of OTP Banka Srbija

In 000 RSD

Income Statement	2022	2023
Net interest income	21,137,140	29,673,940
Net fees and commissions income	8,270,905	9,047,791
Operating expenses*	-14,759,143	-17,319,539
Profit before tax	12,505,816	19,387,795
Profit after tax	10,861,689	16,745,770
Balance Sheet		
Cash and balances with central bank	140,512,381	162,713,299
Loans and receivables	543,705,172	610,066,765
Securities	41,472,668	33,709,664
Other assets	18,321,724	22,195,707
Total Assets	**744,011,945**	**828,685,435**
Deposits and other liabilities to other banks, financial organizations, central bank and other customers	618,758,933	689,101,084
Reserves	3,772,895	3,535,247
Subordinated liabilities	14,748,628	20,630,110
Other liabilities	6,373,503	7,670,548
Total liabilities	**643,653,959**	**720,936,989**
Total equity	**100,357,986**	**107,748,446**
Total liabilities and equity	**744,011,945**	**828,685,435**
Key performance indicators		
Capital adequacy ratio (CAR)	21.12%	21.41%
Net interest margin (total assets %)	3.00%	3.77%
ROA	1.54%	2.13%
ROE	11.35%	16.09%
Number of employees	**2,692**	**2,720**
Number of branches and sub branches	**155**	**154**
Total assets market share	**13.6%**	**13.9%****

** Operating expenses include wages, salaries and other personnel expenses, depreciation costs and other expenses*

*** as of 30.09.2023*

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, 2023 amounted to RSD 828,685 million, which represents the 11.4% increase compared to the previous year. Increase of loans and receivables from banks and other financial organizations, as well as funds placed with the central bank, had the most important influence on assets (balance sheet) increase. Loans and receivables from clients increased by about 1%, which influenced the market share of gross loans to remain stable and amount to 17.1% at the end of 2023 year.

Profit after tax in 2023 amounts to RSD 16,746 million which represents an increase of RSD 5.9 billion compared to the result of the previous year. This growth was mostly contributed by the increase in interest income, which is significantly the result of an increase in the reference interest rates of the central bank.

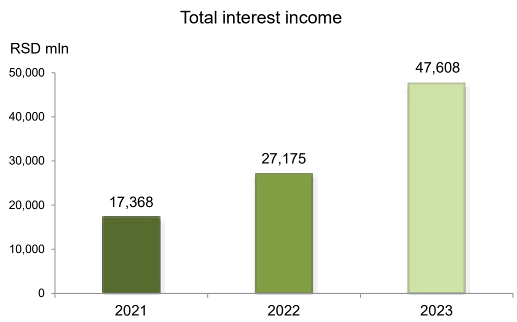
In 2023, the OTP Banka succeeded to maintain the capital adequacy ratio significantly above the minimum requirements, thus the ratio on December 31, 2023 year was 21.41%. Aiming to keep all business performance indicators in accordance with set limits, in December 2023 the Bank signed an agreement with the parent bank on the withdrawal of a subordinated line in the nominal amount of RSD 50 million, so that this line could be 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 23,169 million in 2023 year, which is an increase of about RSD 6.9 billion compared to the previous year. In accordance with the measures adopted by the NBS, which temporarily limited the interest rates on housing loans, OTP bank recorded a loss in the amount of RSD 2.7 billion.

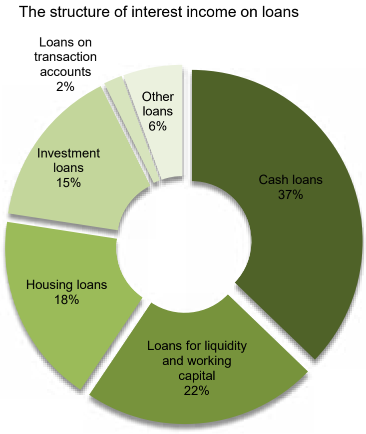
Income

The average key policy rate increase from 2.6% in 2022 to 6.1% in 2023 was also reflected in the increase in interest rates on the banking market. In accordance with that trend, the Bank increased interest rates on local and foreign currency loans and thus has recorded interest income increase. Thanks to that as well as the Bank's intensive lending activity the total interest income in 2023 recorded the amount of RSD 47,608 million. This represents a 75% increase compared to the previous year.

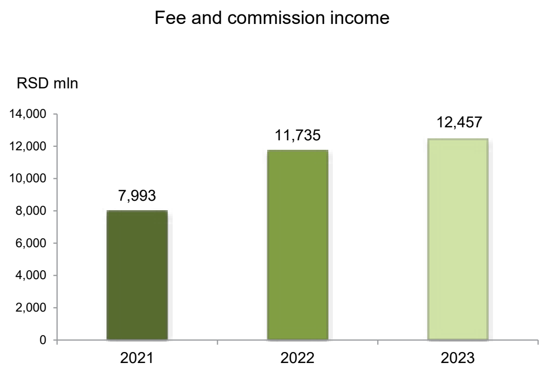


In total interest income structure, interest income on loans and income from cash and assets with the central bankhave the highest share. Interest income on loans participate with 83.4%, and income from cash and assets with the central bankwith 4.9% in total interest income.

Interest income on loans has the smaller share in total interest income compared to last year, but still achieved a significant increase of RSD 15.5 billion compared to 2022, primarily due to the increase in reference interest rates. From the structural point of view interest income on cash loans participated with 37% in total interest income, while the housing loans and working capital and liquidity loans participate with 18% and 22% respectively in the total interest income.

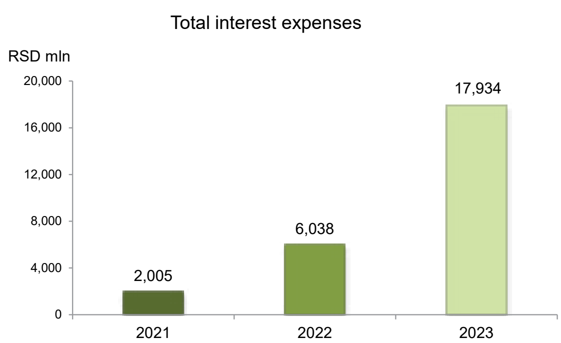


Fee and commission income in 2023 amounted to RSD 12,457 million, which represents a growth of 6% compared to the previous year. This is primarily result of income on payments and turnover fees, which make ~37% of total fee and commission income that is mainly performed by corporate clients. Also, significant participation in total fee and commission income have the cards transactions fees ~24% and the account maintenance fees ~17%.



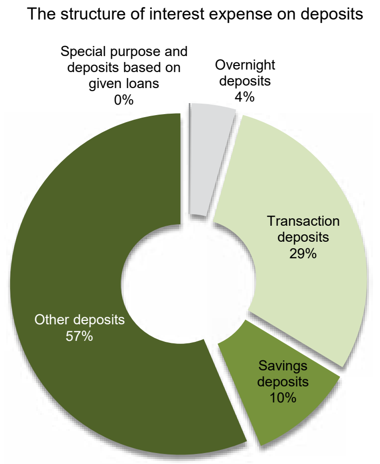
Expenses

Total interest expenses in 2023 year are RSD 17,934 million that represents three times higher interest expenses compared to the last year. This is 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.

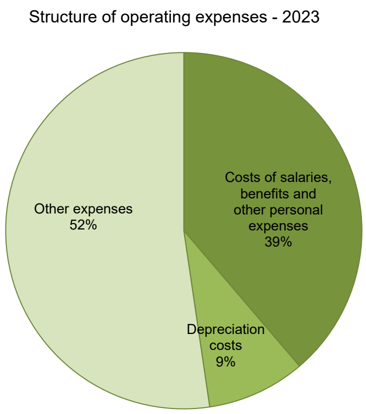


In interest expenses structure the major part refers to interest expenses on deposits 71.4%, while interest expenses related to subordinated loans participate with 5.5%. Interest expenses on the basis of received loans increased by RSD 2.9 billion compared to the previous year, both due to financing by the Group and loans by international financial institutions (EBRD, EIB).

The largest share in the interest expenses on deposits have other deposits 57% followed by transaction deposits with 29% and savings deposits with 10% participation.



Total operating expenses at the end of 2023 year were RSD 17,320 million that is above the 2022 year expenses by 17%. The growth is mostly related to the increase in provisioning expenses based on court cases, costs of production services, non-material costs and costs of net earnings. In operating expenses structure, the major part take the other expenses, i.e. operating expenses 52%. Salary, salary related contribution expenses and other personnel expenses make 39% of total operating expenses, while depreciation costs account for 9% of the total operating expenses .

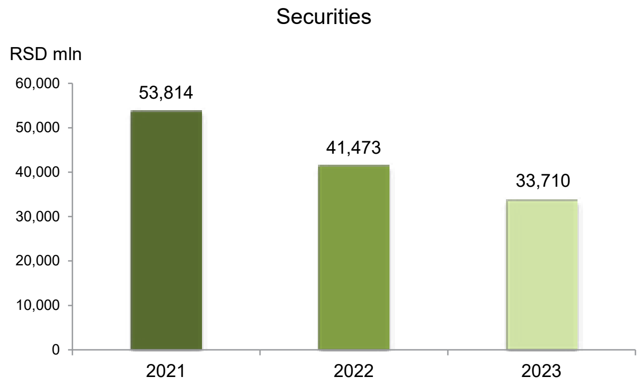


BALANCE SHEET

In 2023, the OTP Banka increased its balance sheet assets for RSD 84,673 million compared to the end of 2022 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.

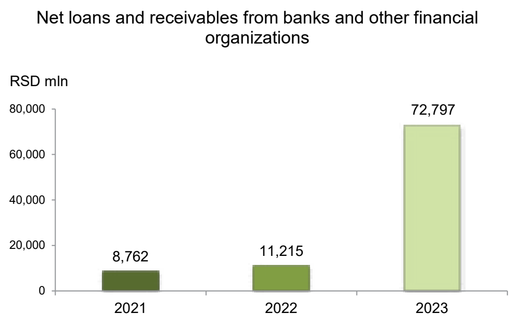
Securities

Securities, at the 31st of December, 2023 record a decrease of 19% compared to the 31st of December, 2022 and their share in the total assets is 4.1%.



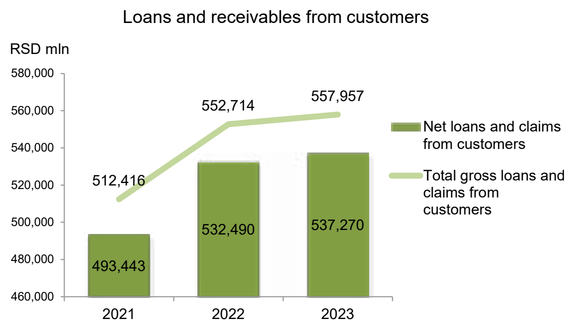
Loans and receivables from banks and other financial organizations

Net loans and receivables from banks and other financial organizations in 2023 are in accordance with achieved level of depositary and lending activities aiming to generate higher profitability of whole business. Surplus of dinar liquidity in 2023 was largely invested in repo loans, which are about RSD 60 billion higher than at the end of the previous year.



Loans and receivables from customers

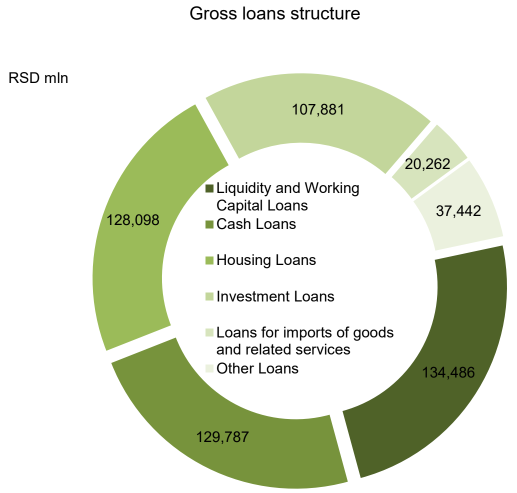
The OTP Banka increased the level of gross loans and receivables to customers during 2023 for 1% compared to the previous year. The increase in gross loans was recorded primarily in loans given to the corporate and cash loans given to the retail.



In terms of sectoral structure, in the structure of gross loans, corporate and loans to public entities contribute with share of 48.3%. The largest part of corporate loans are loans with a foreign currency clause and foreign currency loans.

Retail sector participates with 47.6% in total gross loans and receivables from customers. Cash loans represent the largest share in total gross retail loans of 48.9%, while mortgage loans took part of 48.3%.

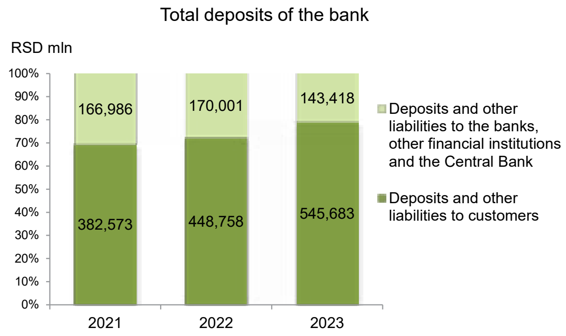
From the products point of view, in the gross loans structure, working capital and liquidity loans have the largest share of 24.1%, while cash loans participate with 23.3% and housing loans with 23.0%.



The ratio of gross loans to deposits from customers amounted to 102% as of 31.12.2023 and shows a decrease compared to last year (123%) as a result of an increase in deposits.

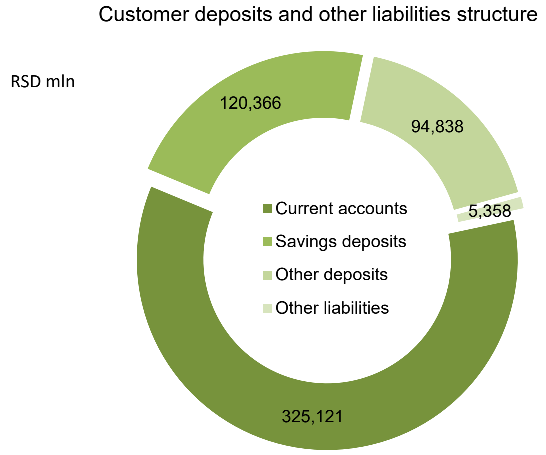
Deposits

Conditions for maintaining high level of liquidity and placement growth were secured by increased level of deposits during 2023 year. Total deposits of the OTP Banka at the 31st of December, 2023 amounted to RSD 689 billion; the major part is coming from deposits from customers ~79%, while the financing from banks and other financial institutions was at the level of ~21%.



Savings deposits participate with 22% in total deposits, while transaction deposits have largest contribution of 60%.

FX deposits participate with 48% 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.



In terms of sectoral structure, in the structure of customer deposits and other liabilities, the largest share has the retail sector, 42.1%, while deposits to companies have a share of 39.8%, and public entities 6.2%.

1.11

Plans for the future

The OTP banka Srbija has defined the following strategic objectives for the 2024:

Five main strategic directions for the future:

1. ENHANCE CUSTOMER EXPERIENCE

2. IMPROVE DATA DRIVEN MANAGEMENT

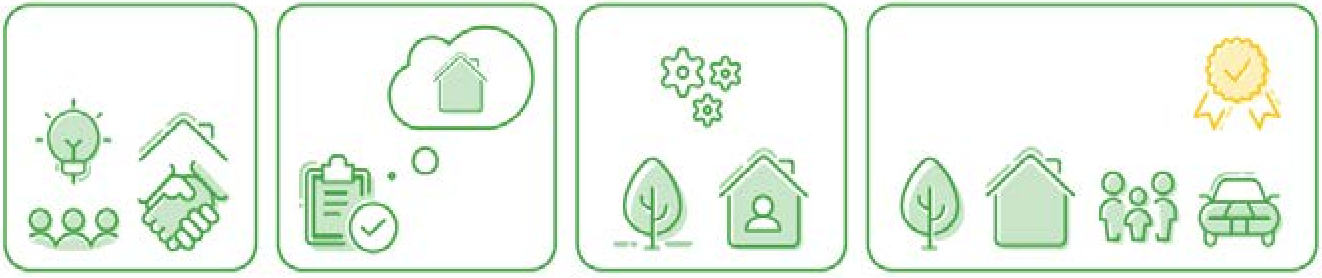
3. OPERATIONAL EFFICIENCY IMPROVEMENT

4. FOCUS ON PEOPLE AND CULTURE

5. FOCUS ON GROWTH

-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 goals. 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 2023.

Non-financial statement for 2023

Content

Non-financial statement

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2.1

Foreword by the President of the Executive Board

Predrag Mihajlović

Dear Friends,

Upon witnessing an increase of benchmark interest rates by the European Central Bank (ECB), the US Fed, as well as by the National Bank of Serbia in 2022, a standstill can be seen from September this year, with no further increases and stabilising the inflation. What encourages is the quite stable financial sector of Serbia, perhaps one of the most stable in the region and Europe due to high capital adequacy rate, high liquidity rate, and banks are prepared for any challenges that may come from the surroundings. All banks in Serbia undergo stress tests on a regular basis and maintain the capital adequacy level in order to amortise potential adverse effects of a crisis. I must also mention that growth projections for 2024 are very positive, since we are expecting a credit activity increase in the years to come, with further inflation drop, both in the Eurozone and Serbia.

I am proud to say that results of OTP banka have remained record-breaking in all aspects of operation. We succeeded in achieving record business results and growth in all business segments, which was rewarded by prestigious international awards. Our Bank was declared the best bank for cash management services in Serbia for 2023 by Euromoney, the world's leading financial magazine. As before, this award is a reflection of our top-notch expertise, but also of great effort and commitment to provide clients with an exceptional customer experience at all times through products and services we continuously improve together. For the second time in a row, OTP banka is also the winner of Best Bank in Foreign Exchange Operations in Serbia award for 2023 by the Global Finance magazine. This year, we have also received the "Serbia's Corporate Banking Market Leader 2023" accolade from Euromoney.

In terms of loans, with a total amount of around EUR 4.6 billion, we remained the leader on the Serbian market. Housing loans exceed one billion euros, with a market share of 22.1%. A surge was also recorded in the area of cash loans, where the amount of EUR 1.1 billion was reached with a growth of 2.7% y-o-y, which represents 19.5% of the market share. The corporate banking segment also achieved significant growth, where with EUR 2.5 billion OTP banka remained among the market leaders with 16.1% market share in corporate lending. What is very important to mention is the responsible cost management that we managed to optimize during the integration, which makes up a significant part of our results.

We did not rest in terms of acquisitions and recognising opportunities on the domestic market, thus in July 2023, OTP Fund Management from Hungary, together with OTP banka Srbija, successfully acquired the asset management company ILIRIKA DZU, which continued to operate within the OTP Group in Serbia as OTP Invest. The investment funds market in Serbia is currently characterized by low product penetration, but we believe that there is significant potential to grow.

Along with keeping the Bank's market position, digital transformation is also our priority. Our investments are focused on digitalisation, automation, efficiency increase processes, objective of which should be a higher satisfaction degree of users of our services. From our agile teams, where all commences, to the digital factory, every day we work on enhancements that at the end of the day look like, for example, our m-bank application, which is especially praised by clients, or as the innovative OTP Junior card product, a unique product on our market for young people from 11 to 18 years of age, in order to learn how to become financially independent. For us, financial literacy is becoming an increasing focus, because we believe that we are the ones who must initiate and raise this topic to a higher level, which will ensure a more stable future for everyone.

We have continued with our implemented Innovation Strategy and achieved that last year's *"INNOVATION Challenge"* format has now become widely recognizable, and colleagues are happy to respond since they have the opportunity to learn how to develop ideas through different methodologies and thereby generate new ideas. At the end of the year, OTP Connect was also launched - a unique program for cooperation, development and innovation incentive, where we are eagerly waiting to receive new vendors and partners.

All this was recognized by HR professionals and the Bank was renewed with the *"Employer Partner"* certificate, a prestigious HR award from the "Selectio" consulting company.

For years, we have been building the image of an institution that is a corporate social responsibility leader, and this year was really special in that regard. I would like to remind that the Bank's priorities in this area include ecology, sports, culture, support to socially sensitive groups, financial education and support for smaller local communities. We have recently launched the pioneering initiative "Together for stronger solidary society" dedicated to creating a single Register of Civil Society Organizations, which the Bank will exempt from commissions when humanitarian donations are paid to their special-purpose accounts. The objective of our new oasis, OTP Village, is to connect our employees and partners more with nature and help biodiversity by growing bees and honey plants. Due to its great popularity, Generator Zero experienced another cycle committed to innovations for reducing carbon footprint, which was followed by the fourth social entrepreneurship fair, the Generator of Good Deeds. The second literary competition for the first unpublished novel with the BOOKA publishing house saw the light at the end of the year, while the global initiative partnership *"Priceless Planet Coalition"* by Mastercard, aim of which is to reforest endangered areas of the planet, was renewed for the third consecutive year. We also became the official signatory of the UN Responsible Banking Principles - a unique sustainable development framework, developed through cooperation between banks across the world and the United Nations Environment Programme Finance Initiative (UNEP, FI). We were also presented with awards, both at the level of our parent Group and from organizations and institutions. We remained the official bank of the Olympic Committee of Serbia in the sixth Olympic cycle, as well as faithful institutional partners of the Gallery of Matica Srpska.

For the end, I leave what is most important, that makes up our team, which is our people. I am proud that we socialize even more through various internal activities and events, which often have an environmental or humanitarian component, where at the New Year's party attended by almost 2,000 colleagues, we collected over 2 tons of food and donated it to the Little Big People and Solidarity Kitchen associations, while we educated our youngest about the importance of bees and spending time in nature, and crowned all of this with work actions through the OTP Club of Volunteers. We ended the year by signing a Medical Donation Contract worth five million dinars with the Ministry of Health. In this way, the Bank will directly contribute to the improvement of emergency medicine in Serbia, by donating defibrillators to hospitals in larger cities and portable defibrillators to health centres in remote rural areas.

To be on the helm of such a team is a true pleasure for me.

Yours faithfully,

Predrag Mihajlović

2.2

About OTP Group

OTP Group is one of the fastest growing and one of the leading banking groups in the region of Central and Eastern Europe, with outstanding profitability and a stable capital and liquidity position. Headquartered in Hungary, it has a diverse and transparent ownership structure, while it has been listed on the Budapest Stock Exchange since 1995.

As the most active consolidator in the banking sector of the Central and Eastern European region, the Group has successfully acquired and integrated 23 banks since the beginning of 2000. Today, it is present in 12 countries of the Central and Eastern Europe and Central Asia regions, and is currently the market leader in Hungary, Bulgaria, Serbia, Montenegro, and Slovenia. Two acquisitions were completed during the previous year alone, namely Nova KBM Group from Slovenia and IPOTEKA Bank from Uzbekistan became two new members of OTP Group. With integrity and determination, OTP Group is focused on helping the development of the Central and Eastern European region to become the continent's growth engine. With over 41,000 employees in now 12 countries, the Group provides universal financial services to around 17.5 million customers.

The Group strives to provide excellent financial services through digital innovation, artificial intelligence and data-driven insights. It uses synergy within the group and acts as a driver of digital transformation of the region.

In the first nine months of 2023, OTP Group generated profit of EUR 2.25 billion after tax (which is almost four times the amount compared to the same period of the previous year), while for the third quarter, a profit of EUR 0.73 billion was realized after tax. It is important to note that OTP Group is among the 5 banks in Europe that are most stress resilient. Namely, the European Banking Authority (EBA) announced stress test results of the European banking sector, which encompassed 70 EU banks, with 75% of assets of the European banking sector. The stress test was created with the objective to assess the resistance to stress of banks' capital positions in the event of a significant macroeconomic crisis. If we compare results in Europe - OTP Group is among the 5 banking groups in Europe that are most stress resilient according to the reduction of CET1 capital, based on the three-year stress scenario. In this year's stress test, OTP Group is among the top 25% for all tested indicators. The test result confirms that even under stress, OTP Group's capital position is stable.

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. Sustainability is at the very top of OTP Group's priorities, which is why it has defined the ESG strategy pillars with the aim to avoid adverse effects on the environment and society, use potential for business improvement and to become a regional leader in green financing and building a sustainable future. 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. 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, to which OTP banka in Serbia joined at the end of 2023. We have thus joined the world's largest banking community focused on sustainable financing.

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. The 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.

Over the past years, OTP has received several awards from world magazines The Banker, Global Finance New York and Euromoney.

It is committed to the development of both its teams and employees who make up these teams, while applying its financial and technological resources with dedication and expertise so as to contribute to everyone in the business chain. OTP Group is headquartered in Hungary and has a diversified and transparent ownership structure. The banking group has been listed on the Budapest Stock Exchange since 1995.

First International ESG Summit of OTP Group

The first International ESG Summit of OTP Group was held in Budapest at the end of May, which was opened by an introductory speech by the Chairman and CEO, Mr Sándor Csányi. Representatives of 11 banks from OTP Group agreed that sustainability was one of the largest challenges and opportunities at the same time, changing the way of life, work and financing model. The green transition is not a quick process, not a sprint, but rather a marathon, which requires thoughtful planning, conscious building, and collaboration.

Our CRO and Executive Board member, Balazs Balogh, had the opportunity to present the Bank's ESG strategy with an overview of previous activities and plans in the field of green financing, managing one's own carbon footprint, collecting and using ESG data, regulatory expectations and ESG risk management.

OTP Group at the ESG Summit of the Western Balkans

OTP Group, including banks from Serbia, Croatia, Hungary, Albania and Montenegro, supported the Western Balkans ESG Summit as a platinum sponsor. This was the first major regional event dedicated to Environmental, Social, and Governance (ESG) topics. From 26 to 28 April 2023, in Porto Montenegro, regional and global government and business leaders and sustainability experts discussed and exchanged views on key ESG topics, including sustainable financing, green transition and green innovation.

Our CRO and Executive Board member, Balazs Balogh, took part in the panel focused on Sustainable financing - ensuring capital in a changing environment. Pókos Gergely, Managing Director of the Green Program Directorate at OTP Bank, and Tamás Kamarási, Chairperson of the Management Board at CKB Bank, had the main presentations, while Jandácsik Gábor, member of the Management Board at OTP Bank Albania, participated in the "Innovation pitch" section.

2.3

About OTP banka Srbija a.d. Novi Sad

OTP banka Srbija is one of the leading financial institutions and the largest creditor in Serbia. Our comparative advantage and what distinguishes us on the banking market is clients' trust, determination of partners, expertise and commitment of our employees, with strong support from the parent OTP Group.

Our network comprising 154 branches (out of which two are OTP partner branches intended for partners, investors, brokers and third parties) in 91 cities and 275 ATMs, is among the largest in Serbia, maintaining thereby presence in the entire territory of the country.

We have succeeded in achieving record business results and growth in all business segments with a total net loan balance of EUR 4.6 billion, with EUR 7.1 billion in assets, 2,720 employees and over 725,000 active clients. In 2023 the Bank achieved a positive operating result (before provisioning and tax) in the total amount of 23,169 million dinars. Retail loans increased by ca 1% comparing to 2022, with a market share of 18.9%. In the course of 2023, 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 19.5%. Simultaneously, the Corporate Division managed to exceed the expected market share in the segment of placed corporate loans and achieve the level of 16.1%.

In July 2023, OTP Fund Management from Hungary, together with OTP banka Srbija, successfully acquired ILIRIKA DZU (founded in 2007), the Serbian subsidiary of ILIRIKA Group, which continued to operate within the OTP Group in Serbia as OTP Invest, focused on brokerage and asset management services. Bearing in mind the leading position of OTP banka in Serbia and expert support of the Global Markets Directorate from our parent OTP Group, with this acquisition we will significantly expand the range of capital market products and services of our Bank. Investment services will primarily be available to our private banking clients, with simultaneously expanding the range of sales channels.

We are focused on innovation and digitalization of our operations, which provides customers with new benefits with a focus on enhancing digital banking and customer experience. In addition to upgrading existing products and services, we are proud that new and quite often unique products are created in our digital factory, such as the Junior card for young people, which ensures their financial independence. Together with the completely new and improved m-bank application, with this move we have provided a unique and easy experience to all our clients who can perform their financial obligations on a daily basis, buy insurance, plan their budget, apply for a cash loan.

One of our key strategic directions is the green transition, i.e. commitment to sustainable business and ESG projects, thus it is not unusual that we have positioned ourselves as a leader in green transition in Serbia and the application of ESG principles of action.

Guided by the adopted ESG Strategy, 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).

The economic growth is incomplete for us if it does not imply a responsible attitude towards natural resources and the environment. We create, implement 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 2023, the general advocacy in the field of corporate social responsibility, as well as the Generator project and our contribution to sports.

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 year alone, we granted employees a day off on their birthday, a new, improved private health insurance, as well as special benefits with a certain amount at their disposal through the House of Benefits application. Our work was recognized again and we received a renewed "Employer Partner" certificate, a prestigious HR award from the "Selectio" consulting company.

We pay a lot of attention to customer experience in general, and in particular through the strong Voice of Customer (VoC) program, actively following insights of our clients. Through regular surveys, interviews and sessions, we receive feedback, ensure an open and constant dialogue with our clients, which allows us to understand their needs and preferences.

A major upgrade of digital channels this year was achieved with the help of contemporary UX and additional enhancements, which resulted in the introduction of Omnichannel Tribe and the launch of new digital functions on a monthly basis. The purpose of the Tribe is to create a channel of services and products, with features and functionalities that even surpass the currently dominant network channel. In addition, the "AI Assistant" is not the future in our Bank, but is widely implemented and represents our software tool that uses advanced artificial intelligence techniques to support employees in efficiently accessing and processing key information based on internal documents.

A large number of initiatives and projects were implemented in the course of the year, of which the multi-awarded Generator Zero project particularly stood out, a competition which for the second time (out of seven cycles) was intended for innovative solutions aimed at reducing the carbon footprint. Since 2023, all our green projects are a part of the Generator Lab platform, among which is the Social Entrepreneurship Fair "Generator of Good Deeds" organized in the Ušće shopping centre, the second cycle of the literary contest for the first unpublished novel with the BOOKA publishing house, and the partnership on the global "Priceless Planet Coalition" initiative by Mastercard, which we joined for the third time. We opened our honey oasis near Belgrade, "OTP Village", intended for our socializing and familiarising with the nature, and through the Club of Volunteers we realized two actions at the end of the year. We launched the pioneering initiative "Together for stronger solidary society" dedicated to creating a single Register of Civil Society Organizations, which we will exempt from commissions when humanitarian donations are paid to their special-purpose accounts, and once again instead of holiday gifts, we directed the money into a New Year's donation to the Ministry of Health for the purchase of defibrillators for hospitals in larger cities and portable defibrillators in health centres in remote rural areas.

As the official bank of the Olympic Committee of Serbia, we organized another "Olympic training with OTP banka" in the sixth Olympic cycle, intended for elementary school students and boldly started preparations for the Olympic year.

We are members of various business organizations and associations, through which we actively promote highly ethical business standards and strive 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 Leasing Srbija, a leader in the leasing market in our country, as well as OTP Osiguranje, which through OTP banka provides life insurance services, also operate within OTP Group.

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. OTP Bank has no registered branches. During 2023, OTP banka did not buy back its own shares.

Member of the AFA Association

OTP banka has become a member of the AFA Association, a global growing community dedicated to the economic empowerment and professional affirmation of women, as well as to their connecting and active involvement in creating the future and a society of equal opportunities.

As gender equality is an important topic for us in wider social frameworks, representatives of OTP banka were extremely pleased to support the work of different committees acting within this association.

We share a common belief that the path to economic empowerment of women is through innovation, technology and enhancement of digital knowledge, but also through connecting and proactivity that leads to their full creative potential.

For two decades, OTP banka has been a member of the AmCham community

For two decades, OTP banka has been a part of the AmCham community, and since January 2023 a proud patron member of this business association. On this occasion, we organized a cocktail party at the "Madlena" Art Palace, which was attended by 250 representatives from member companies of the American Chamber of Commerce in Serbia.

At the very beginning, the attendees were greeted by Predrag Mihajlović, President of the Executive Board and CEO of our Bank, as well as Stefan Lazarević, President of AmCham Serbia Board of Governors, who emphasized the fruitful cooperation between the two organizations, which has been significantly deepened since electing Marija Popović, Executive Board member at OTP banka, for a member of the Amcham Board of Governors.

The activities of OTP banka have directly contributed to the achievement of as many as nine UN Sustainable Development Goals.

Awards for OTP banka in 2023

OTP banka was declared the best bank for cash management services in Serbia by the prestigious Euromoney magazine.

As one of the most credible international awards in the financial sector, with a tradition exceeding three decades and almost 30,000 respondents who chose the best in all markets this year, this award is not only another indicator of excellence in the operation of our Bank, but also a confirmation of trust that clients have towards us. And this is what makes us happy, even more than the award itself.

For the second time in a row, we were also the winner of Best Bank in Foreign Exchange Operations in Serbia Award for 2023 by the Global Finance magazine.

The Global Finance magazine selects the best among banks and other financial services providers on a regular basis. For the global financial community, these awards have become a standard of trust for excellence. Winners of these awards were selected from 87 countries and territories, seven regions and multiple Global categories.

Criteria for selecting the winner of the award for Best Bank in Foreign Exchange Operations encompassed the transaction volume, market share, scope of global coverage, customer service, competitive prices and innovative technologies. Particular attention was paid to the support provided by banks to clients who faced an increased number and volume of sale and purchase of foreign currency transactions, volatile currency pairs, in a dynamic international environment and occasional challenges of reduced market liquidity.

For the second year in a row since the Hot Spot eCommerce Awards, OTP banka won the award "Special Contribution for eCommerce development".

OTP banka continuously supports the development of the eCommerce community and contributes to the digitization of merchants' operations, providing them with safe and efficient cashless payment methods. Our objective is to provide support to merchants who are our clients by using one of the best Payment Gateway solutions in the world, and in addition to the standard acceptance of payment cards, at eCommerce payment points, we also offer a number of enhanced functionalities: Pay by link, Card on file, Recurring payments, but also integration with the help of plugins for all relevant platforms used in Serbia, all with the aim of faster and more efficient connection of users' eCommerce payment points. The Hot Spot eCommerce Award is presented by the eCommerce Association of Serbia.

The financial indicators are available on page 23.

2.3.1. Management

In the spirit of responsible corporate governance, the Bank has guidelines in place ensuring that its operations comply with the internationally recognised rules and standards of corporate governance, and that the public disclosure of information 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 values for shareholders in combination with the implementation of socially responsible practices, activities and initiatives.

In accordance with the Law on Banks and the Articles of Association, 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 Bank's management bodies.

The Bank's Board of Directors consists of 9 members. The Mandate of a member of the Board of Directors lasts 4 years with the possibility of reappointment.

The Bank's Executive Board consists of 7 members. All members of the Executive Board are employees of the Bank in accordance with the Law on Banks. The mandate of a member of the Executive Board is 5 years, with the possibility of reappointment.

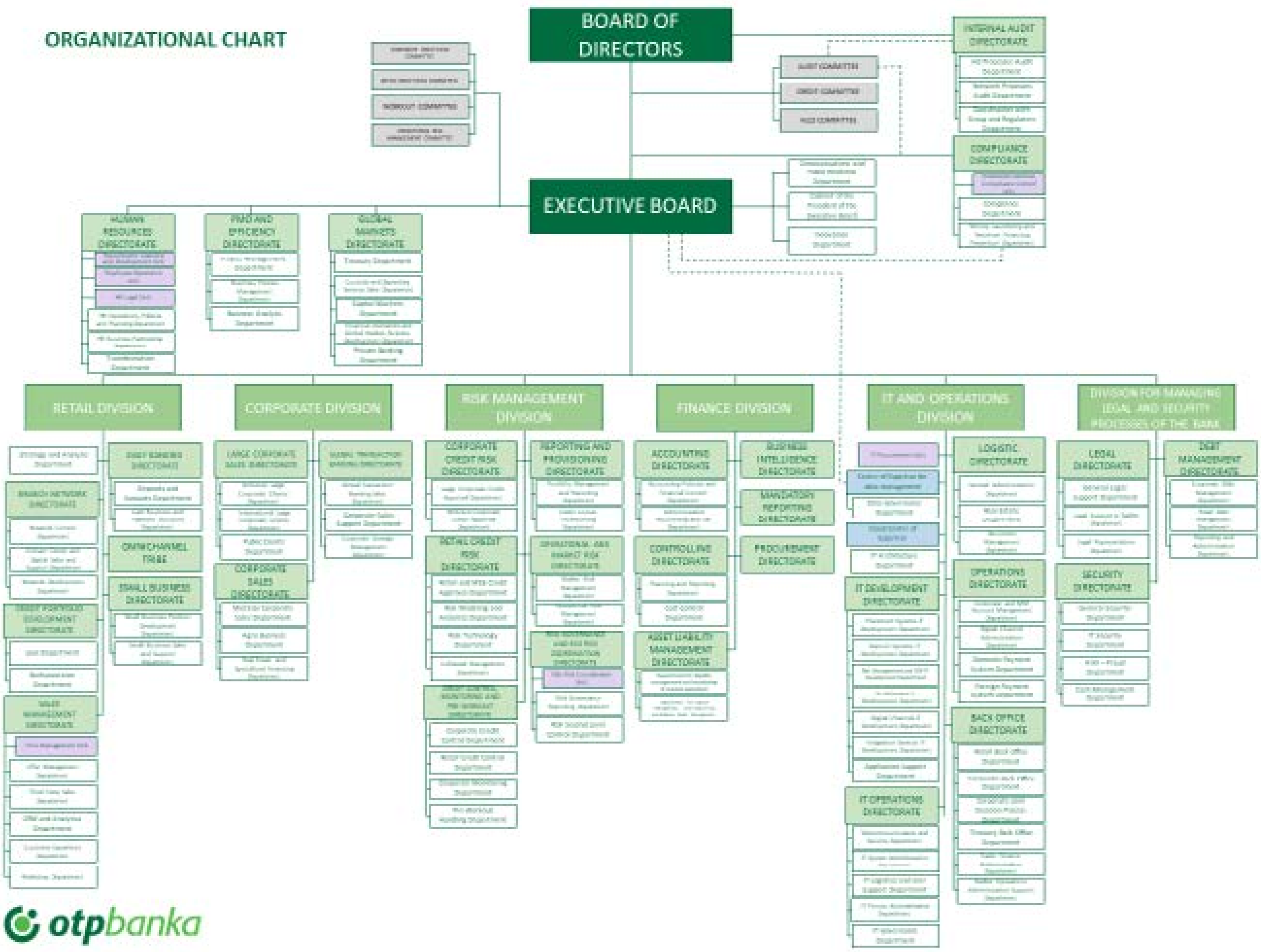
A member of the Bank's Board of Directors cannot be a member of the Executive Board.

All members of the Board of Directors and the Executive Board have been assessed by the National Bank of Serbia as persons having a good business reputation and appropriate qualifications. The Bank has procedures for appointment or reappointment of the members of the Board of Directors and the Executive Board in compliance with the Law on Banks and regulations of the National Bank of Serbia governing this matter.

Details of the members of the Board of Directors and the Executive Board are publicly available on the Bank's website
https://www.otpbanka.rs/o-nama/rukovodstvo/

The ESG Committee was formed in the Bank in September 2023, as a body that provides support to the operation of the Executive Board in connection with ESG and sustainability principles-related topics.

2.3.2. Organisational structure



2.4

Sustainability Approach

Responsibility is the foundation of OTP banka'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 banka's responsible operations in Serbia 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, 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.

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 umbrella topics as material:

1. Anti-corruption
2. Contribution to economic stability
3. Compliance
4. Anti-discrimination
5. Indirect economic impacts
6. Responsible employer
7. Diversity and equal opportunities;
8. Financial literacy

9. Financial inclusion
10. Product portfolio with environmental impact
11. Personal data protection
12. Greenhouse gas emissions

OTP Group members follow the list of identified topics and adapt it to the local context if necessary. The approach by 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 2023 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 Ethnics 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's 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 operated in order to create a lawful and ethical corporate culture that ensures the prudential and ethical operation of the Bank in the long term. 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, 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 performing outsourced activities or engaged as experts or advisors, whether natural or legal persons, must meet compliance requirements and standards as well.

Statutory regulations and internal documents that govern the compliance and anti-corruption areas at OTP banka are: The Compliance Policy/Anti-corruption Rules as a 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 Whistle-blowers, 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 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 2023, 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 formulates officially devised procedures for the performance of specific activities by individual staff members, and requires the application thereof;
- In accordance with and to the extent permitted by legal provisions, the Bank monitors the activity and transactions of individual staff members;
- 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 list above is non-exhaustive, and the Bank shall devote further attention to any other activities that may carry corruption risk. The Bank performs a risk-based assessment at predefined intervals to determine which organisational units and activities are in the current focus of the anti-corruption activity.

During the first half of 2023, the assessment performed pertained to the period from 01.10.2022-31.03.2023, 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 2023 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 an expert assessment.

Gifts and other offers also pose severe corruption risks. For the purpose of protecting against corruption, the Bank has clearly defined rules governing giving and receiving of gifts. The Bank considers unacceptable any attempt to influence the administrative process or the independence of decision-making in an improper manner through gifts or business hospitality offers, and accordingly, the Bank strictly prohibits the provision or receipt of such gifts or offers for the purpose of gaining undue advantage. The Bank also extends this prohibition to the persons interacting with its staff or contractual partners to ensure that the persons concerned may not be influenced through their relatives, friends or any other acquaintances closely associated with them.

The Bank pays special attention to ensuring that its employees and contractual partners are fully familiar with the Bank's approach to these topics, as well as with the obligations arising therefrom for them. 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. In 2023, an internal campaign was carried out for all Bank employees on the importance of reporting ethical violations and whistleblowing entitled "When you know, you don't turn your head", through which the importance of the Bank's fight against corruption was pointed out. The objective of the campaign is to raise awareness of all employees and persons engaged in the work of the Bank in relation to the values prescribed by the Code of Ethics, including the acceptance of gifts, the Bank's basic operating principles in the field of accepting gifts and anti-corruption, established controls and mechanisms for reporting actions with elements of corrupt acts, reporting ethical violations or internal whistleblowing. Examples of prohibited and permitted receipt of gifts were presented. A special compliance risk management and compliance function related training was organised for the Executive Board members, which was passed by all members of this body.

The Bank publishes the anti-corruption rules on its website, and 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 a vested business interest and a statutory obligation in ensuring that the personal interests of its employees and of members of its management bodies are not in conflict with the business interests and commitments of the Bank and its customers, and that the Bank identifies, prevents and manages the conflict of interest related to its various activities, and regulates and ensures the assessment of suppliers' compliance (supplier pre-screening).

The Bank draws up the Conflict of Interest Management Policy in Investment and Ancillary Services, which are linked to its activity of providing the investment service, ancillary services and related financial services, and which give rise to or may give rise to conflict of interest that potentially might cause adverse consequences to the business partner. The stated Policy also defines detailed rules and measures that enable preventing, identifying and managing conflict of interest situations, which may damage a 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 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 (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 above mentioned 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 (with an appointment) in the Compliance Directorate
• by calling the ethical issues hotline on 021 /4894 906 during working hours - from 9 AM to 5 PM, Monday to Friday
• by mail, to the address of OTP banka Srbija a.d. Novi Sad, to the Compliance Directorate (Trg slobode 7, 21000 Novi Sad or Bulevar Zorana Đinđića 48v, 11070 Novi Beograd)
• by 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. Whistle-blowers may not be subject to any discrimination or unfair treatment in relation to their report. Offences may 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.

It is a regulatory obligation to submit the six-month advertising plan of the most significant campaigns to the National Bank of Serbia. The report is submitted by 15 January and 15 July of the current year. In the course of 2023, there were no non-compliance cases in connection with the provision of products and services related information, or with voluntary standards and codes in this area.

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. Rules pertaining to one's behaviour in social media cover 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 employees 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.

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 Unit within the Customer Experience 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 on Personal Data Protection of 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, operates and applies a system for regulation, implementation and auditing that provides for the adequate protection of personal data by meeting the criteria specified in applicable legislation and safeguarding the Bank's core 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 centre competent for privacy and personal data protection issues is the Compliance Directorate (hereinafter referred to as: Directorate), which offers guidelines and provides support to organisational units of the Bank and subsidiaries in terms of personal data protection. A Personal Data Protection Officer, who is also the Head of the Compliance Directorate, has been appointed within the Directorate. According to the systematization, in addition to the Personal Data Protection Officer, the Senior Personal Data Protection Advisor also deals with this topic, who provides support to the Personal Data Protection Officer and in the performance of daily tasks. Also, the IT Security Department performs 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.

We have launched a strategy of appointing a personal data protection representative (hereinafter referred to as: "Representative") within all Bank's divisions, who are responsible for implementing Bank's internal acts on the topic of personal data protection in their divisions. They are responsible for drawing up the privacy notice, recording processing activities, recognising legal grounds, personal data violations, etc.

The Personal Data Protection Officer / Senior Personal Data Protection Advisor provide data protection legal assistance to representatives regarding preparation of data processing documents previously prepared and drafted by the representative, and participate in their completion. The Personal Data Protection Officer / Senior Personal Data Protection Advisor 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. The Personal Data Protection Officer / Senior Personal Data Protection Advisor 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 representatives regarding amendments thereof for the purpose of keeping records of processing actions and periodically reviewing their legal background through information about changes in legal regulations and administrative practices.

In 2023, the Directorate provided support in the area of controlling contractual and other documentation and harmonization thereof with the provisions of the Law on Personal Data Protection, it participates in various projects of the Bank and related workshops, gives opinions on the prepared impact assessment of the envisaged processing actions on personal data protection, explanations in connection with the assessment of fulfilment of conditions in the area of personal data protection, as well as regarding the test of legitimate interest assessment.

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.

Personal data protection representatives were appointed conclusive with 2023 before all Bank's divisions, except for the Retail Division, appointment of which is expected in 2024. Two educational workshops were held for the representatives on the topic of main notions from the Law on Personal Data Protection and tasks they must fulfil. In addition, regular trainings are held for all new hires on the topic of data protection, so as to raise awareness on the importance of the stated topic.

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 corresponding legal regulations and which represent 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 accordingly. 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 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 segregation of duties, establishment and assurance of fulfilment of obligation of confidentiality and compliance with the law of all third parties who hold access rights to 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 Personal Data Protection Officer, 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 Data Subjects, processed by the Bank, can exercise their rights. Data Subjects 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, i.e. 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 e-mail address which the Bank designated for these purposes (zastita_podataka@otpbanka.rs).

Detailed information on the Personal Data Protection Policy, notices of individual processing, as well as terms of addressing requests for exercising rights are publically available on the Bank's website.

In the course of 2023, 27 requests were received for exercising rights in line with the Law on Personal Data Protection, out of which 20 requests were determined as founded by the prescribed procedure, observed from the aspect of the stated Law. Three cases of personal data violation were recorded in the same period, which were reported to the regulatory body in accordance with the Law.

2.5.4. Accessibility of Financial Services

Following global trends in the digital banking segment, OTP banka 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 banka include:
1. Building a digital culture
2. Elevating Customer Experience
3. Digitalizing and improving operations
4. Establishing data-based management

The following services of OTP banka are fully available to natural persons 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 conversation with the Bank – every working day between 8.00 and 18.00h and on Saturdays 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.

Accessibility for disabled persons

In addition to improving accessibility through digital channels, we are also committed to improving physical accessibility to our facilities - 45 branches of OTP banka are accessible for persons with disabilities. In addition, 29 employees have been trained within our network to use sign language.

In addition, as a bank who cares about very important topics in the society and about each and every client, we are extremely pleased for joining the pilot project with startup company Inclusion, that provides persons with disabilities easier use of services in our branches.

To use the Inclusion application is very simple. A person with disability only needs to register in the free-of-charge application Inclusion and log in when in front of the desired branch. Our colleagues who have passed the basic training will come and do their best to make the stay in the branch more pleasant and simple.

Accessibility is lesser developed areas

We are aware of the importance of financial services availability, and therefore we strive to be present in all regions of Serbia. Out of a total of 154 branches that make up our network, 29 of them are located in underdeveloped municipalities, and 15 in extremely underdeveloped municipalities (according to the official state classification). In addition, 39 ATMs are available to clients in underdeveloped municipalities, and 17 ATMs in extremely underdeveloped municipalities.

OTP Mastercard Junior card

The OTP Junior card is a unique debit card on our market with numerous benefits for either parents or legal representatives, as well as for children who use this card. An exceptionally practical everyday solution allowing the child to independently make various payments for the child's needs, such as pocket money, snacks, bookstore purchases, payments during school trips inland or abroad, online payments and money withdrawal from ATMs. In addition to the practical function in a family's everyday life, the OTP Mastercard Junior card is also an opportunity to familiarise children with financial products and develop a responsible attitude towards finance management.

A daily spending limit in the m-bank application which can be set and enables the child to handle its own pocket money in amounts chosen by the parent for withdrawal from ATMs, online or POS terminal payments (in stores, cinemas…). After each payment made by the child, a notification is received in the m-bank application on the spent amount.

Thanks to a simple link between OTP Mastercard Junior Card and the mobile phone, the child will be able to make payments by phone even if it has forgotten the card at home. No PIN required for payments of up to 4,000 dinars, which means that the child can pay smaller amounts (for snacks, accessories or some of the daily activities) without having to remember the PIN code.

The initial daily spending limit for withdrawing cash at ATMs, and online or POS terminal payments amounts to 3,000 dinars per channel. The daily spending limit will be reset to the initial value on the next day at midnight, if there has been a limit increase above the default 3,000 dinar amount.

All clients who opened their account at OTP banka may submit a request for the issue of an additional OTP Mastercard Junior card. The only document to be provided is a birth certificate of the child, i.e. ID card of the minor, if available.

OTP banka takes care of our planet, therefore the OTP Junior card is made of recycled plastic.

Digital Channels

We strive to bring modern, digital solutions closer to clients, regardless of the channel and service a client has opted for. The contemporary life and operations dictate the trend of basic digital financial literacy. That is why we are especially glad when we offer clients enhanced and simple solutions for their requirements.

The primary objective of all application and process enhancements is to enable clients to receive the solution they expect from their bank quicker and more intuitively. From now on, even counselling has an online form for clients of OTP banka, in the form of a very important new functionality of the m-bank application, which we have called “My Finances”. It contains three practical tools to facilitate the planning and managing of finances, through the option “Categories” which clearly shows your spending classified by payment subject, then the “Budgeting” option so to designate the amount required for a certain period and the option “Targeted savings”, currently only available in OTP banka. In this way, we assist and advise users to allocate funds on a regular basis and save for something they have wanted to afford for a long time. A savings accounts, in RSD or EUR, is opened in the application very simply, the savings target is set, and funds are redirected to the account according to selected frequency.

Our clients can forget their wallets and effect all their payments in a contactless manner - with their smartphone through the Apple Pay or Google Pay functionality by downloading the application, depending on whether they use Android or IOS, and entering their Mastercard card. Payments are greatly facilitated by scanning the IPS QR code, which allows simple payment of monthly bills or payment at points of sale without using cash or payment cards, whereby the transaction is realized instantly, and only one click replaces filling in the payee’s data. Just open the application, select the IPS option and scan the QR code from the bill, whether paper-based or electronic. The payment slip will be filled in automatically, and you just have to confirm the payment or change the amount or purpose if necessary. With the IPS option, payments can be effected at points of sale in two ways: through the IPS scan (IPS skeniraj) option, by scanning the QR code generated by the merchant at the POS device or on the bill, or through the IPS show (IPS pokaži) option, in the manner that the merchant scans the QR code generated by you within the IPS option in the m-bank application.

A very useful possibility for sending money is the Transfer (Prenesi) option, for which one needs to know the payee’s telephone number and transfer the opted amount with one click in the application by opening the m-bank application, select IPS Transfer (IPS Prenesi), and inscribe the telephone number of the person receiving the money. The transaction is executed immediately.

Besides all of the stated, we would particularly like to single out the Digital Branch, i.e., the option in the m-Bank/e-Bank application, where without visiting the Bank a user may apply for a loan or overdraft, open a savings account, term funds, create a standing order or define direct debiting.

Client Satisfaction

The opinion and comments of our clients are extremely important to us, and this is why we strive to improve our Elvis application and follow the needs of our clients as best as possible. This is how we have recognised that clients sometimes just take a look at the satisfaction survey, without completing it or sharing with us their observations and satisfaction. For this reason we have decided to remind them, by sending one more SMS message, of how it is important for us to hear them, so as to make the services they use even better. We also believe that all relationships should be carefully built and kept, and we do not take any satisfied client for granted. That is why we have introduced the practice of thanking every client who has praised us and asking them to continue sharing their experiences with us.

Additionally, in the second half of 2023, we shifted to a new methodology of measuring our clients 'satisfaction, so as to align with the OTP Group standard - from now on OTP banka conducts measures with the SQM (Service Quality Measurement) index, instead of the previous NPS (Net Promoter Score). In addition to the general client satisfaction with the service, through this methodology we also monitor satisfaction with the time of waiting in queue, the time of service implementation, the professionalism and kindness of employees who provided the client with the desired service. The new methodology provides us with a larger set of information on customer experience and the possibility to better perceive and analyse areas for product and service improvement.

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.

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 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 and will not increase its credit exposure towards new clients.

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.

OTP bank first bank in Serbia to sign the UN Principles of Responsible Banking

OTP Bank has become a signatory to the UN Principles for Responsible Banking - a unique framework for sustainable banking developed through cooperation between banks around the world and the United Nations Environmental Financial Initiative Program (UNEP, FI). With this signature, OTP banka also became the first and only bank in Serbia to be a member of this UN initiative, thus committing to be consistent in its sustainability strategies and to work towards the adoption and implementation of sustainable practices as the basis of its business. The UN principles for responsible banking have been signed by more than 300 global banks so far, including our parent OTP Group.

The UN principles for responsible banking represent the main framework that ensures the alignment of bank strategies and practices with society's vision for the future, in accordance with the UN Sustainable Development Goals and the Paris Climate Agreement. According to these Principles, the signatory banks identify and measure the social and environmental impact of their business activities, set and work towards the fulfillment of goals in the areas where they have the most influence, but also regularly report to the public about their progress in this segment. The principles provide a basis by which banks can systemically understand the risks and take advantage of the opportunities arising from the transition to more sustainable economies.

"Signing the UN principles for responsible banking represents not only the ultimate, but also a sincere confirmation of our commitment and focus on creating a positive impact in society and the community in which we operate. The principles of responsible banking precisely and systematically define the role and responsibility of banks in shaping a sustainable future, what we at OTP banka stand for and what we have officially committed to with this signature. The leading position on the local market, the tendency to be a regional leader in financing a sustainable and gradual transition to a low-carbon economy, but also support for cultural, scientific, sports and social projects of national importance and transparency in reporting naturally preceded the decision to become a signatory of the initiative that arranges and affirms it on the global level. We are honored to be in the company of those who want to contribute to banking changing the world for the better," said Predrag Mihajlović, CEO and President of the Executive Board of OTP Bank Serbia, on this occasion.

The special importance of the UN Principles for Responsible Banking is that they highlight ways in which banking products, services and mutual cooperation can support and accelerate the changes necessary to achieve shared prosperity for current and future generations. By joining this initiative, signatory banks are joining the largest global banking community focused on sustainable finance, sharing good practices and developing guidelines and tools that benefit the entire industry.

Priceless planet Coalition

For the third year in a row, OTP banka Srbija is participating in the global initiative Priceless Planet Coalition by Mastercard. In cooperation with Conservation International and the World Resources Institute, the Priceless Planet Coalition aims to plant 100 million trees and thus contribute to reducing the consequences of climate change. One tree will be planted for each client who activated Apple Pay, i.e. Google Pay service or opened a Fluo, Praktik, Prestige or Klasik package account in OTP Bank by October 31, 2023, making them an important actor in the mission for a healthier Planet and preservation of flora and fauna. This has ensures the planting of 46,000 trees in the course of three months in 2023, while in total that number reached close to 80,000 in the previous three years, the Bank participated in this initiative.

Reforestation is one of the most efficient and cost-effective ways to combat climate change. For this reason, OTP Bank and Mastercard invite everyone who "can distinguish a forest from trees" to join this global green initiative in order to join forces to plant 100 million trees in 18 locations around the world.

EIB Global and OTP Bank Credit line for small and medium enterprises

In December 2022, EIB Global, the branch of the European Investment Bank (EIB) for activities outside the European Union, agreed with OTP Bank Srbija and OTP Leasing Srbija a credit line worth 80 million euros to support small and medium-sized enterprises by improving long-term financing of enterprises in Serbia. This credit line aims to increase the SMEs innovation and growth capacity, while creating new employment opportunities.

This financial arrangement complies with the Economic and Investment Plan of the European Commission for the Western Balkans, aimed at encouraging the sustainable development of the region through support within the Team Europe initiative. It contributes to increasing the competitiveness of Serbian SMEs, growth led by the private sector and the implementation of the upcoming national strategy for SMEs.

EIB has a long-standing successful cooperation with OTP banka Srbija, which for 15 years enabled the efficient placement of financial resources for SMEs and mid-market capitalization companies. Through joint operations, banks have supported small businesses in various fields, such as energy, environmental protection, industry, health, education, services, tourism and agriculture.

EBRD credit line for small and medium enterprises

In December 2021 and October 2022, the European Bank for Reconstruction and Development (EBRD) granted OTP Bank two lines respectively amounting to 2.3 billion dinars and 25 million euros to support small and medium-sized enterprises. At the end of 2023, it approved a loan for financing in the amount of 60 million euros. As part of that financial package, a 10 million euro loan is intended for the SMEs (small and medium-sized enterprises) Go Green program, supported by the European Union (EU).

The foregoing financial package enables OTP Bank Serbia to continuously support investments of small and medium-sized enterprises in improving technology and equipment, increasing competitiveness, as well as providing support for export potential. In addition, this loan also supports the green economy of Serbia, bearing in mind that 50 percent of the loan for SMEs and 70 percent of the part intended for the Go Green program for SMEs will be aligned to the EBRD initiative - Transition to a Green Economy (GET).

Upon successful completion of their investment projects, small and medium-sized enterprises financed through the Go Green program for SMEs will be entitled to a refund of 10 percent of the loan amount or 15 percent for investments in renewable energy sources and certain agricultural projects. The EU will provide incentives to help bridge the gap between high initial costs and future returns on investment.

SMEs represent the backbone of the Serbian economy and provide two thirds of jobs in the country. Improving their access to finance is of vital importance for the sustainable and inclusive economic growth of Serbia, as well as its integration into regional and global markets. OTP banka Srbija is a long-standing partner of the EBRD with strong references in terms of supporting domestic SMEs, with a focus on green transition and sustainability.

Products and services for farm holdings

In its operations, OTP Bank pays special attention to the agricultural sector, especially to the development of quality and innovative products for registered agricultural holdings. As a leading bank in Serbia in the agro segment, we are aware of how much investment our farmers need in order to improve their business and be competitive on the local and European markets. Therefore, we strive to adapt our offer to their needs, offering a wide range of banking products.

Traditionally, we presented our products and services at the 90th International Agricultural Fair in Novi Sad in 2023: a unique agro package account that offers more services at a lower price - dinar current account, DinaCard debit card, Mastercard Debit contactless card on request, statement delivery on the account electronically and at the bank counter, notifications about all changes to the account via SMS and M-bank. Regarding overdrafts, the Bank has made this product available even to users who are not Bank clients, and they can obtain it in the amount of up to 20,000 euros with fixed interest rate, in accordance with the Bank's credit policies. Furthermore, for all owners of registered agricultural holdings, OTP Bank offers quick working capital loans of up to 1,500,000 dinars, for six or 12 months without currency risk, with dinar installments that are always fixed, under a minimal procedure and a quick approval period. Dinar loans are available for working capital in the amount of up to one million euros, and so are investment loans with a repayment term of up to five or 15 years and a grace period of up to one year. Payments can be made at client's choice - monthly, quarterly or semestral. Even if the client wants to refinance a loan from another bank in this way, this service remains simple and quick.

"We are aware that obtaining all the necessary documentation for financial institutions when it comes to agricultural holdings may be a challenge, and in this sense OTP banka has taken a really significant step for our standardized offer. The documentation for farmers now comes down to one piece of paper and an ID card, which significantly facilitates and simplifies the whole process," said Dejan Mirč, head of our the Agro Business Department, on this occasion.

In order for as many farmers as possible to have access to these benefits, CEO and President of the Executive Board of OTP Bank, Predrag Mihajlović and Đorđe Raković, Director of AP Vojvodina Guarantee Fund, signed the Cooperation Agreement between OTP Bank and the Guarantee Fund of AP Vojvodina. Thanks to this agreement, agro-loans offered by the bank will now be available to registered agricultural holdings on the territory of Vojvodina that have been approved by the Fund.

The cooperation agreement between OTP Bank and the AP Vojvodina Guarantee Fund was symbolically signed by Soter Rover - a robot that can cultivate a garden, orchard or vineyard by itself. This is an invention of the namesake company - one of the ten finalists of this year's cycle of the Generator ZERO competition of OTP Bank.

OTP banka finances "Digital Village" partner project

OTP Bank became a financial partner of the "Digital Village" project, which Delta Holding, BioSens Institute and Mokrin House launched in 2022. The project is a pioneering initiative in the segment of comprehensive digital transformation of the overall agricultural activity in Mokrin - a large and by all accounts advanced rural area. Thanks to this cooperation, agricultural producers who are members of the "Digital Village" will again gain access to all agro-services and products from the portfolio, including investment loans, loans for working capital, use of the bank's digital services, as well as numerous financial education opportunities.

"Digital village" aims to create opportunities for easier, more efficient and sustainable production, higher earnings for agricultural producers and more attractive life in the countryside, with a special focus on young people. Aware of the fact that agriculture has a strong development potential, as well as its share in the entire domestic economy, our involvement as the first partner in the field of finance represents an additional incentive not only for this project, but also for the entire Serbian countryside.

Thanks to this project, farmers can easily and quickly access basic service information (weather forecast, exchange rate list, fuel prices, fertilizer prices, prices of goods on domestic and foreign exchanges), expert-advisory information (notifications about diseases and pests occurrences, as well as recommended species treatments to combat them, recommendations related to the dosing of artificial fertilizers, optimal deadlines for farming operations), satellite monitoring of production plots with basic indicators, and financial support will be provided in the next phase (loan inquiries and obtaining offers, loan applications through the platform, requests for production insurance policy offers, savings and deposits offers).

In front of the Bank, the Memorandum of Cooperation was signed by Marija Popović, our member of the Executive Board in charge of the corporate segment, and Dejan Mirč, head of the Agro Business, Department while on behalf of our partners the Memorandum was signed by Marija Desivojević Cvetković, vice president of Delta Holding, Dr. Vladimir Crnojević, director of the BioSens Institute and Branimir Brkljač, founder of Mokrin House.

"Given that the key idea of the "Digital Village" initiative is to cover most of the needs of the average farmer in Serbia through a specially created software platform, and that OTP Bank is one of the leaders of digitization in the banking sector, getting involved in this project was a completely natural step for us. Data show that about 70 percent of the total global arable land is in the hands of small farmers, but that they participate in the world market with only 35 percent of products. We hope that by joining the "Digital Village" we will help change these statistics for the better, and that we will be able to provide a more meaningful cultural life in Mokrin", said Marija Popović on that occasion.

OTP bank in the 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 respective business fields, with the aim of jointing efforts in 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 to Serbian farmers.

As members of the first Serbian AgroTech Supercluster, we have the opportunity to develop innovative and technologically advanced solutions in agriculture. With startup Agremo, we are developing a software platform that uses artificial intelligence and machine learning technologies to enable remote monitoring and analysis of primary agricultural production in all phases of the growing season. Thus, for the first time in Serbia, satellite images are being introduced on the banking market as important input data in the process of approving and monitoring agricultural loans.

This project was presented within the international program of the European Union at the Sorbonne University in Paris and this project was shortlisted among the 30 most promising out of a total of 400 applications.

In addition, the Bank is currently working on the development of a new product with the Agremo team, with the help of which we will be able to enable our clients, small farmers, to understand the benefits of using new technologies through reports on the condition of their plots and crops. Firstly, we will provide them excellent education and valuable information (they will receive reports jointly with the agro premium account package), and we will therefore enable them to use these benefits even on small plots.

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

In setting up and developing HR processes, OTP Bank is guided by the highest standards that apply in the financial sector and the global economy. With a focus on innovation, the Bank achieves its position as a preferred employer by creating benefits according to existing market trends, as well as by attracting and retaining professionals by listening and adapting to their needs. We are especially committed to attracting young talents and providing opportunities for personal and professional development.

The excellence of the HR process, continuous investment, modernization and improvement of the experience of employees in OTP banka have been confirmed by the "Employer Partner" certificate. This prestigious HR award from the "SELECTIO" consulting firm was preceded by a complex and detailed analysis, which clearly showed that OTP banka is strategically oriented towards employees, that it recognizes their key role in the overall development of the business and that it is making progress along the way. Following the 2022 certification, recertification was made in 2023, with the submission of measurable and exact data on achieved results and progress, which resulted in higher grades and better score than last year. Progress is reflected in the improvement of the selection process, the candidate experience and onboarding, ensuring a stimulating work environment, systematic provision of constructive feedback, as well as the support of employees through all stages of professional development.

On this occasion, Krstinja Šćepanović, head of the Human Resources Directorate at OTP Bank, underlined that the renewal of the certificate confirms the commitment towards continuous dialogue with employees, setting innovation trends and determined change management: "Our organization is going through numerous changes, and the excellence of the HR process is the foundation that ensures that we embark upon these changes equipped with innovative solutions and best practices, in order to shape the future that we want within our organization. Successful recertification, which allows us to continue to be the holder of the "Employer Partner" certificate, is a clear signal to us that we are on the right path, and together, we are sending a message to our candidates, employees and associates that the bank is not a static, rigid system and that we are prepared to create a stimulating and inspiring environment. Our structured and strategic approach to human capital management processes, as well as proactive participation in business decisions have been recognized as an advantage that distinguishes us, resulting in better scores and higher ratings. Recommendations for further improvements will be our guideline and standard this year too."

"The comprehensive approach to the improvement of the HR system of OTP banka Srbija is truly commendable, especially in the current dynamic period of business. During this year's certification, I would like to emphasize the inclusion of employees in change management projects and initiatives for the improvement of innovation, as well as the recognition of those employees who live organizational values through their work. The Bank consistently keeps employees and their work experience high on the list of priorities, which unequivocally contributes to successful operations. Lara Šubić Šuša, manager of the Employer Partner project from the "SELECTIO" Group, said during the awarding of the certificate.

	2022.	2023.
Total headcount	2,692	2,720

In 2022, OTP Bank hired 37 people through contracts for temporary and occasional jobs, youth cooperatives and agencies for flexible employment. In 2023, 112 people were employed on the basis of labor contracts, youth cooperatives and flexible employment agencies, in sales agents, mail, reception, archives and call centers positions.

	2022.	2023.
Fluctuation rate	11.5%	14%

headcount* by regions (branches) 2022.	Belgrade	East Serbia	Šumadija	Vojvodina 1	Vojvodina 2	Western SErbia	TOTAL
Total headcount	304	182	183	217	213	196	1,295
Number of permanent employees	273	165	161	207	195	188	1,189
Number of part-time employees	31	17	22	10	18	8	106
Number of full time employees	304	182	183	217	213	196	1,295

*Headcount
**All employees are hired based on employment contract
***All employees are hired in full time

headcount* by region (branches) 2023.	Belgrade	East Serbia	Šumadija	Vojvodina 1	Vojvodina 2	Western SErbia	TOTAL
Total headcount	316	184	182	224	215	202	1,323
Number of permanent employees	293	180	172	212	199	196	1,252
Number of part-time employees	23	4	10	12	16	6	71
Number of full time employees	316	184	182	224	215	202	1,323

*Headcount
**All employees are hired based on employment contract
***All employees are hired in full time

Gender structure of employees	2022.		2023.	
	men	women	men	women
Headcount	736	1,956	720	2,000
percentage	27%	73%	26%	74%

2.7.1. Employees satisfaction

The annual research on the engagement of OTP Bank's employees is one of the ways through which every employee gets the opportunity to share his opinion on numerous issues that shape our organization. Based on the collected insights, we create an environment in which we want to develop, build our career, and which makes us proud to be a part of it.

Based on the results of the research conducted in 2022, clear and concrete plans have been developed with the Bank's management for the improvement of individual areas at the directorate level. We discussed these plans with employees from all parts of the Bank at events in Belgrade and Novi Sad. On this occasion, 120 team members shared their opinions, comments and suggestions in order to better understand certain insights from the research and improve action plans.

We focused on topics that we recognized through research as important for further improvements of our environment:
o Attitude of management in relation to employees
o Employee wellbeing
o Recognition, performance and rewards
o Open and honest communication
o Collaboration between teams
o Career development.

Using the "World Cafe" methodology, which allows groups of participants to rotate by topic, ie, by table, all employees had the opportunity to share their opinion on each of the 6 topics. The discussion on topics was led by HR business partners and a selected representative of each group. The excellent comments and guidelines given by the employees enabled a better understanding of the research results and improved the plans implemented during 2023.

The bank's successful year was marked by another important figure: with joint efforts, continuous dialogue and successfully implemented actions, our employee engagement score improved by 8 points. The employee engagement survey conducted in 2023 showed that we love our job, enjoy working with our team, recognize the various activities that have improved our environment, and are more willing to recommend our organization as a good place to work. Topics that are important to us, and which we recognized last year as the ones we want to focus on, have also been significantly improved. We have become better at celebrating success, more satisfied with rewarding and changing the earnings model in the network, more open in communication and more focused on mutual cooperation, proud of the bank's brand and reputation on the market. We have recognized what has been done since last year's survey, and based on that, we have greater confidence in future plans.

In 2023, we started using the Heartcount tool, which allows us to monitor employee satisfaction in the work environment in real time on a weekly basis. This is especially important for colleagues in a managerial role as it allows them to track the performance of each individual employee and make informed decisions based on it.
The areas we monitor through this tool are in line with our plans to increase engagement - Wellbeing, Professional (personal) development, Relationship with management, Relationship with colleagues, Feedback, Job satisfaction, Productivity and efficiency. The ultimate goal is to feel the pulse of employees on a weekly basis, and by processing this data to gain insight into the areas that most affect employee satisfaction and engagement, as well as to monitor the effects of implementing action plans to improve engagement.

2.7.2. Diversity and equal opportunities

In its activities, 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.

These principles apply to all stages - from recruitment, employment, to opportunities for development and training. In order to support and promote diversity, we established cooperation with the United Nations Development Program, the Forum of Youth with Disabilities, and the Program for the Promotion of the Development of Roma Entrepreneurship (REDI). So far, two interns have completed a nine-month internship at the Bank through the REDI program, and in cooperation with the Forum, a competition has been opened for young people with disabilities, who will start the internship in 2024.

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 2023, 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	2022.		2023.	
Total number of employees who used their maternity leave rights	men	women	men	women
	0	159	0	117
Rate of return to work upon expiry of maternity leave	men	women	men	women
	-	98.12%	-	96%

2.7.3. 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 2023, all employees went through the process of performance evaluation and individual development.

For the pool of OTP talents, trainings were organized in the areas of: *people management, resilience, communication, team development, data management, change management.*

Employees in managerial positions went through ESG training, Strategic workshops, Board Effectiveness and Coaching programs.

The focus was on Agile Coach and trainings for Cloud, AI technologies, IT programming languages and tools.

	2022.		2023.		
	Managers	Employees (except managers)	Managers	Mid management	Employees (except managers)
Total hours of training by employees category	11,830	34,007	1,671	6,654	31,803
Average hours of training per employee	30.64	14.76	57	20.4	13.7
	Men	Women	Men	Women	
Total hours of training by gender	12,733	33,134	11,223	29,170	
Average hours of training per employee	17.30	16.94	15.6	14.6	

Level up

Hiring young people with little or no experience, investing in their development and guiding them in accordance with the Bank's strategic goals is the path we choose in our search for quality employees. In 2022, we launched an internship program dubbed "Level Up", with the idea of helping students reach the next career level among the diverse fields offered by the banking world. The areas have been selected to follow the Bank's strategic directions, and each subsequent edition of the program will follow a different theme. The entire program is designed based on the idea of learning in a real environment with a real impact on the daily operations of the Bank. In the first edition of the program, the focus was on data science, while the second edition of the topic tackled sales and analytics in a broader sense.

In the first edition, ten interns actively participated in the Bank's current projects within ten different teams, in Belgrade and Novi Sad. The second edition of the program provides an opportunity for 16 trainees. In addition to covering two topics, the program has also expanded geographically, so in addition to Belgrade and Novi Sad, we also have practitioners in Subotica, Kragujevac, Niš and Leskovac. Interns get the opportunity to go through a seven-month program that we carefully designed for them. The candidate selection program is complex and consists of four parts, during which different skills and knowledge of candidates are tested. Colleagues in charge of human resources participate in the process, as well as colleagues into whose teams practitioners are assigned following a successful completion of the selection process.

Each intern is assigned a mentor and this is an area on which special focus is placed through the program, because through the evaluation process with the interns, this aspect has been shown to have the greatest impact on their experience, as well as the experience of the team to which the intern belongs. The mentoring program is designed as a two-way process in which both parties learn and encourage each other. Interns work on various projects that have a real impact on the Bank's operations, and their environment offers the same as the bank's new employees. This is how, from the very beginning, we develop a sense of responsibility and belonging to the team.

Multidisciplinarity is valued in our Bank, and so during this program as well as the regular onboarding process, young colleagues have the opportunity to attend various workshops and lectures aimed at introducing them to topics that may not be directly related to the topic of their practice program, or the position, which they are engaged in. The work of interns and mentors is monitored with the help of various tools that allow to adequately measure the success of the program, as well as to systematically provide necessary support to all participants in the program.

2.7.4. Occupational health and safety

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 is committed to providing its employees with a healthy and technically equipped workplace that complies with labor law regulations, as well as the protection of their physical integrity and health.

The Bank adhere to local and international legal regulations on the creation and maintenance of a safe and healthy working environment. Accordingly, the safety and health system at work covers all employees. Furthermore, all employees undergo training in occupational safety and health, first aid and fire protection according to the training plan and in accordance with the deadlines prescribed by law. The Rulebook on occupational health and safety is available to all employees on the notice board through an internal portal of the Bank, as well as the Instructions for handling injuries at work that all Bank employees may access.

The obligation of every employee is to comply with the health and safety regulations related to the performance of work, 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 has concluded a contract with licensed company, which provides services in the field of occupational safety and health, and appointed a licensed persons for occupational safety and health are appointed. Engaged companies perform preventive inspections of facilities and submit reports on observed defects, which are then eliminated. In accordance with the law, measurements of working environment conditions are carried out in summer and winter, as well as periodic controls of electrical installations. In case of observed defects, they are eliminated. Also, it is the duty of all employees to inspect their workplace and work equipment, safety equipment at work before starting and during work, and to immediately notify their immediate supervisor of any deficiencies. Managers forward the report to the Logistics Directorate. The person for OSH Logistics Diretorate are obliged to carries out the inspection, and the observed deficiencies must be eliminated within 8 days from reporting. An employee has the right to leave his workplace if he/she recognizes a danger that threatens life and health.

OTP Employees are provided with regular systematic reviews. As part of the systematic examinations, an ophthalmologist's examination is also provided to employees who use equipment for working with a screen, in accordance with the Act on Risk Assessment.

	2022.	2023.
Total number injured	12	15
Number of injuries with serious consequences*	3	4
Injury rate	0.43	0.53
Injury rate with serious consequences	0.11	0.14

*sprains, dislocations, fractures

The following hazards have been identified as predominant cause of injuries, based on injury reports: tripping hazards over items placed by employees in aisles, careless movement, tripping, falls when arriving and leaving work, careless closing of cash registers. There is a record of occupational injuries resulting from the Occupational Safety and Health Act and the Rulebook on the content and manner of issuing occupational injury and occupational disease report forms, which is maintained by the delegated person for occupational safety and health.

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 amendments and supplements thereof
• 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

Sustainability of own operations

As part of OTP Bank's ESG Strategy, goals related to the impact of the bank's operations on the environment have also been defined. These include plans for decarbonization within Scope 1 and Scope 2 emissions, waste management, reduction of plastic use, use of recycled paper and reduction of paper use, use of LED lighting, measures to renovate the branch network, and renewal of rolling stock. The Logistics Directorate is responsible for this area. The bank's operations in this area are fully compliant with national legislation, which is confirmed by the fact that in 2023, as in previous years, there were no fines or other types of sanctions against the Bank in connection with non-compliance with laws and regulations.

2.8.1. Consumption of energy and energy efficiency

All branches of the bank and the central building 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. The temperature in the room is also regulated through the system with the same goal. With the same goal of contributing to energy efficiency, the temperature in the room is also regulated through this system. In addition, motion sensors have been installed in the administrative buildings in Belgrade at Bulevar Zorana Đinđić 48 and 50 in common areas (corridors, bathrooms, press rooms) in order to control and save on lighting.

Compared to the previous year, LED lighting was installed in another 30% of branches, which reduced electricity consumption. Previously, in 2021, the renovation of the building at Trg slobode 7 in Novi Sad was completed, which included replacing the complete fluo and halogen lighting with LED lighting, which reduced electricity consumption. In addition, the air conditioning system was replaced with an A+ class system, which has the highest average electricity savings in relation to capacity.

The central building in Belgrade on Zorana Đinđić Boulevard 50a/b has a solar power plant on the roof, and the produced electricity goes directly to the EPS supply system, which further contributes to energy efficiency. The bank has concluded a contract on the complete supply of electricity from renewable sources (100% ZelEPS).

Energy consumption	2022.	2023.
Electrical energy from coal	-	-
Electrical energy from hydro power plants	42,490 GJ	33,915 GJ
Fuels of various origin used in heating plants in Serbia	20,962 GJ	18,961 GJ
Natural gas	7,553 GJ	2,756 GJ
Fuel oil	1,211 GJ	1,161 GJ

Energy consumption	2022.	2023.
Total electricity	42,490 GJ	33,915 GJ
Total heating energy	28,515 GJ	22,877 GJ

* Data on electricity consumption were collected from bills of the suppliers to which the bank pays services and which contain details of energy consumption. For energy consumption for heating, the data was analyzed in two ways - some bills show

the energy used, and on others - the calculation is based on the area. An approximation was made for the part calculated by area.

Generated and sold energy	2022.	2023.
Solar energy	262.75 GJ	138.67 GJ

*In addition to the weather conditions that affect the volatility in the volume of solar energy production, in 2023 the solar power plant was out of operation for two months in the summer period due to technical maintenance.

	2022.	2023.
Energy intensity	26.37 GJ per employee	20.6 GJ po zaposlenom

2022.	
GHG emission – Scope 2*	1,517 t
Intensity of GHG emission**	0.565 t per employee

2023.	
GHG Emisije – Scope 2*	1,307 t
Intenzitet GHG Emisija**	0.480 t po zaposlenom

* 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

By switching to the use of electricity only from the hydroelectric plant, compared to the base year of 2021, Scope 2 emissions were reduced by 8,223 t, and by rationalization of the branch network - by 359 t. The replacement of old air conditioners with new, more energy-efficient ones, as well as the replacement of old lighting with LED lighting also contributed to the reduction of Scope 2 emissions.

2.8.2. Waste management

The current Rulebook on waste management and the Waste Management Plan were adopted in 2023 by the Bank's Executive Board. The Rulebook regulates the collection, disposal and other activities related to waste in all organizational parts of the Bank. The waste management plan contains, among other things, instructions for the safe storage, handling and disposal of generated waste.

In accordance with the legal obligation, the Bank has appointed a person assigned to waste management, and contracts have been concluded with companies that take over waste paper and discarded furniture for recycling purposes. Also, empty toner cartridges are collected, and hazardous waste is handed over to authorized companies in accordance with the Law on Waste Management. The total amount of submitted waste is monitored on an annual basis, and the aim is to reduce the amount of waste by reducing the amount of paper consumed thanks to digitization, as well as by reducing the use of products in plastic packaging. Reports on the annual amounts of collected waste are submitted to the Republic Institute of Statistics.

Waste separation boxes, as well as boxes for the collection of plastic caps, which are collected for humanitarian purposes for the needs of the "Cep za hendikep" Association, have been installed in the premises of the Bank's head office in Belgrade.

The bank is determined to procure recycled toners and paper with FSC certification (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 the possibility of handing it over for recycling is reduced due to the location of the facilities and the 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 was the supply of drinks in plastic packaging.

In 2022, 32 tons of paper and 32 tons of paper and 13 tons of electrical and electronic waste was delivered for recycling, and 66.6 tons of paper, 4.482 tons of electrical and electronic waste and 0.96 tons of old automobile tires were delivered in 2023.

2.9

Contribution to the community

As a responsible member of the social community, the Bank takes into account its needs, development directions and priorities, so that its activities contribute to long-term sustainability and inclusion.

Our priorities in this segment of activity are support for innovative projects and entrepreneurship, ecology and sustainable business, support for sports and cultural projects, contribution to financial education, as well as assistance to the local community, especially the most vulnerable social groups.

In choosing partners, 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 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. The support of OTP bank includes goods and monetary donations, mentoring support, support in the promotion segment, corporate volunteering, and contribution to increasing public awareness on certain topics of general importance.

In addition to independently initiating projects aimed at the welfare of the community, we are also involved in broader partnership initiatives. Through membership in local networks that promote sustainability as a healthy and desirable business model, we exchange best business practices and launch new initiatives. We firmly believe that joint action of the business, civil and state sectors is necessary for the successful development of the social community.

"Togheter for stronger social solidarity"

OTP banka Srbija, together with its friends and partners, the Serbian Philanthropic Forum and the Trag Foundation, launched the pioneering initiative "Together for a stronger social solidarity", dedicated to creating a single Register of civil society organizations that the Bank will exempt from commissions when paying humanitarian donations to their dedicated accounts. Exemption from commissions will be valid for all groups of clients and for all payment methods realized through OTP Bank, regardless of the bank where the account for the donation is sent has been opened. This initiative was launched with the aim of affirming and strengthening the culture of giving in our social community.

The register of civil society organizations, which will be exempt from commissions when donations are paid into their dedicated accounts, will gather in one place all relevant organizations engaged in humanitarian work, which at the same time need additional support and visibility. The list will be updated every 12 months, after which new organizations will be able to apply to become part of this register.

"We are very happy that through intersectoral action and cooperation, we managed to find a quality and sustainable solution to support the work of the civil sector." We believe that the creation of the Register and the exemption of commissions on the payment of humanitarian donations to special accounts will contribute to the creation of a more favorable and encouraging framework for donation and philanthropy. Our goal is to gather in the Registry, in a single location, all actors of the civil sector whose work is transparent, continuous, worthy of respect and whose results deserve additional encouragement and greater visibility. We are proud that many good deeds and ideas will thus be accomplished. Our obligation at OTP Bank, as a leader in our field, is to do everything in our power to improve the community in which we work, to make it more humane and to encourage its development, but also to set a good example for others to do the same with the initiatives we launched. It is also important for us to send a message that launching joint initiatives usually achieves better and more lasting results", said Predrag Mihajlović, President of the Executive Board of OTP Bank.

"We are aware that exempting bank commissions on monetary donations is a complex issue and that it involves entire systems in this action, but it is also important that banks have good will to resolve the issue." It is important that the lifting of commissions does not remain an isolated case from campaign to campaign, but a decision that will be made by all banks in the market. We are glad that OTP Bank, as one of the most prominent members of the Serbian Philanthropic Forum, was the first to decide to abolish bank commissions, and we are very pleased to be part of that important process. I would like to mention that gestures are very important. United around this initiative of the Serbian Philanthropic Forum and OTP Bank, we are showing the community that it is important to give the maximum contribution through our own initiatives and that donations for humanitarian and similar initiatives reach those for whom they are intended without any burden of commissions and fees," said Veran Matić, executive director of the Serbian Philanthropic Forum at the panel organized on the occasion of the presentation of the Register of organizations that will be exempt from paying commissions.

2.9.1. Innovation, entrepreneurship and green projects

Generator ZERO

In 2023, a new cycle of the Generator ZERO competition was conducted, the aim of which is to support solutions that contribute to the reduction of the carbon footprint and the growth of the green economy. The contest is open to innovators, startups, micro, small, medium and social enterprises, as well as civil society organizations, and a record 116 applications were received for this year's cycle.

The winner of the competition for 2023 is the project "Fragment plate" of startup Fragment Incorporated, which is engaged in the production of innovative and sustainable building material from 73% recycled glass. Namely, for the production of the Fragment board, it uses post-industrial glass that would end up in a landfill, which slows down the filling and accelerates the creation of new landfills. Every construction of a new landfill has a high carbon footprint and leads to the destruction of biodiversity and the environment.

The winning team won from the Bank two million dinars in advisory and strategic support in the further development and promotion of the project - presenting the solution in the OTP Lab innovation hub of the parent OTP Group and the Portfolio investment fund.

"The tradition and reputation that Generator already has is the greatest recognition for our commitment to the improvement of the circular economy and the needs of the local community. The number and quality of applications, which grows every year, is an even better indicator of the general social importance of this topic, and that was exactly the reason why we dedicated this year's cycle to reducing the carbon footprint. The Generator ZERO project, for which we have gathered today, best illustrates OTP bank's strategic commitment to sustainable business and innovative thinking towards green economy development, which justifiably became one of our most important projects over the course of seven years. We hope that some of the solutions we saw in the Generator final will help us create a more responsible and sustainable environment," said Predrag Mihajlović, President of the Executive Board, at the proclamation of winners.

Support for the project was also provided by numerous partners: ICT HUB, Blic, Mastercard, Serbia Innovates Project supported by USAID, Digital Serbia Initiative, Belgrade Open School (BOŠ), Netokracija, Schneider Electric, MPC, Supernatural - an association that deals with environmental protection.

Acknowledgment for Generator ZERO

Our Generator ZERO won the fourth prize at the Disrupt awards contest, which was organized for the third time by ADAM studio, gathering all those who think differently and are ready to experiment in their work and thus push the boundaries. OTP Bank was awarded in the Financial Sector category, which recognized our many years of efforts to support local entrepreneurs and innovators who want to reduce their carbon footprint with their ideas, projects and solutions and thereby preserve our planet and make our environment healthier.

With zo, at the unique Festival of socially responsible communication in Serbia and the region, we won the title Campaign with a purpose ECO GRAND PRIX 2023 in the category for the best ECO socially responsible campaigns. Our Generator LAB project was awarded, which was realized through three individual initiatives: Generator ZERO, Generator of Good Deeds and OTP Village. The award was presented to our Milena Mićanović, head of Communications and Public Relations, by Marija Beslać, Director of Communications and Partnerships at the Nordeus Foundation, in front of the expert Team of Honorary Selectors. For the Generator Lab project and outstanding contribution to sub-goal 8.3 of the 2030 Agenda, we won the "Champions of Sustainability" award given by the Forum for Responsible Business.

OTP Village

OTP Village, the latest "green" project of the Bank, which we are realizing in partnership with the ecological Association "Supernatural" has opened just a few kilometers from the center of Belgrade, in a location that is a habitat for thousands of bees. The launch of an urban apiary and nursery with 12 types of honey plants represents another in a series of initiatives with which we provide support for environmental activism and contribute to the increase of biodiversity in the desire to point out the key role of bees for the preservation of our entire ecosystem.

According to our Milena Mićanović, head of Communications and Public Relations, the Bank carefully evaluates its direct and indirect impacts on the environment and supports initiatives that have a positive impact on the overall state of the ecosystem: "The fact that bees pollinate more than 70 percent of plants and that the same percentage of the total flora and fauna depends on them encouraged us to think about this important topic and to start OTP Village together with our partners from the "Supernatural" Association. Establishing nurseries of honey plants and starting apiaries is our way to contribute to the preservation of biodiversity, but also to open another important ecological topic, which is the increase of knowledge about honey and wild bees, whose survival depends on the survival of almost the entire planet. A responsible, rational and sustainable attitude towards resources and the natural environment is one of the key criteria both in the selection of projects and in the selection of partners that we will support. We are grateful to our collaborators from the "Supernatural" Association for starting another green story through OTP Village, which together should encourage us to carefully and responsibly choose how we behave today, because the future and survival of those who come after us depend on it." she pointed out.

At the opening of OTP Village, all those interested had the opportunity to participate in the planting of honey plants, while Stanko Rajić, president of the Belgrade Association of Beekeepers of Serbia, and Maja Kovač, a pharmacist who founded the "Smilje i Basilje" Association, could learn more about beekeeping and its urban models, as well as the importance, importance and specifics of honey plants.

The multiple importance and role of bees is evidenced by the fact that just one bee colony greatly increases the income of the surrounding agricultural crops through a significant increase in total yields. Srđan Stanković from the ecological organization Supernatural commented on their immeasurable contribution to the maintenance of the ecosystem, as well as the importance of the participation of the private sector in green actions.

"Cooperation of all social actors is necessary in order to transform the current, linear and long-term unsustainable economic system that functions according to the "buy-consume-throw" model into a sustainable, circular one based on clean energy sources and biodegradable materials. That is why the support that OTP bank has been providing for many years to many green programs is a real example of responsible behavior of the private sector. Launching OTP Village as a project dedicated to bees and the very act of planting 1,000 honey plants is extremely important to us. We are proud to bring the wonderful world of bees closer to people, because bees, due to their role as pollinators, are the most important creatures on the planet," concluded Stanković.

The OTP Village project is implemented through environmental education programs for employees and their children. In 2023, several ecological workshops were organized at the location of OTP Village, as well as at the Bank's premises.

Art competition

The bank organized the internal "How I save my planet" art competition for children of employees who in their own unique and creative way, showed how important ecology is to them, as well as the importance of protecting nature together.

The competition was extremely successful and exceeded all our expectations. We received a large number of creative, inspiring and imaginative works and a lot of positive comments for the launched initiative.

We are happy that through the drawings, we realized that our children recognize how important ecology is, see what are the ecological challenges of today and understand why it is important that we all have knowledge of how to save the planet.

Their works inspired us to use the motive from drawings to create promotional material. We made canvas bags, bookmarks, stickers, key rings, which, together with a book on the topic of ecology ("Help the world - save the planet" by Nemanja Potrebić or "Climate change" by Jean-Marc Jankovissy), which we donated to each child who sent us a drawing. An exhibition was also organized in the Bank's premises at 48v Zoran Đinđić Boulevard, in Belgrade.

Generator of good deeds

We organized the fourth "Generator of Good Deeds" Social and Sustainable Entrepreneurship Fair in the Ušće Shopping Center, during which six domestic small businesses based on sustainable and social business exhibited their ecological and recyclable products and presented the concepts of work and action in society.

As a Bank, we have been supporting the development of entrepreneurship in Serbia for many years, and green transition, i.e. commitment to sustainable business and ecological projects is one of the key strategic directions. On this occasion, Milena Mićanović, head of Communications and Public Relations of OTP Bank, spoke about why we advocate the visibility and strengthening of domestic social enterprises and small businesses: "We strive to initiate activities throughout the year that contribute to the development of entrepreneurship and the green economy, and with each new cycle of the Generator of Good Deeds, we want to draw attention to companies and small businesses that, through their business models, education, products, encourage and invest in environmental projects or socially vulnerable groups. We believe that creating positive changes in the modern age requires the involvement of all of us, both citizens and entrepreneurs as well as the corporate sector, which is also a key message that we want to convey through such initiatives," said Mićanović.

Visitors were able to familiarize with the products of the new fashion brand Friends of the Danube, which creates t-shirts, sweatshirts and bags, and thus promote the protection of biodiversity of the Danube, i.e. of its riverbed, emphasizing the education of young people. Cozy2wear is a fashion brand focused on the use of natural, biodegradable and organic materials in the fashion industry. The social enterprise Naša kuća enables people with disabilities to become independent and earn money in a unique and innovative way - by recycling cigarette packs and creating a wide variety of paper products from them, while the Youth Integration Center raises awareness of the plight of street children through various initiatives and sales of creative products. All Nut is a brand focused on organic and natural cosmetics in the broadest sense, whose business is based on zero waste principles. Credo casa toys presented its concept of educational, ecological, open-ended toys. These toys, in addition to the function they have in directing attention and developing fine motor skills in children, provide the possibility of independent intellectual and artistic development.

Also, during the fair, the participants had the opportunity to share their previous experience at the Eco workshop with Srđan Stanković, a representative of the ecological organization Supernatural.

Three fairs have been held since 2019, when the Generator of Good Deeds initiative was created. The first supported six social enterprises, while the second, despite the pandemic, was organized in an online environment at the beginning of 2021, and five small businesses presented their recyclable, innovative and organic products. In 2023, the Fair was held for the first time in Novi Sad at Trg slobode, where there were seven exhibitors who, through their actions, protect the environment, speak and advocate in favour of socially vulnerable groups.

2.9.2. Financial education

Acquiring new financial knowledge is necessary on the way to better management of personal finances. At a time when financial technologies are advancing rapidly, OTP banka wants to give all citizens the opportunity to become better acquainted with certain banking products and concepts, and thus be more confident in making important life decisions.

With that goal in mind, we have created several educational materials that are available on the Bank's website. The Lexicon of financial terms refers to products and services that clients use most often, as well as other key financial terms. In addition to definitions formulated in a way that is receptive to the general population, the Lexicon provides illustrative examples and references to other useful tools. The advantages of using electronic and mobile banking is an educational material that helps citizens become familiar with the activation method, the main functionalities and advantages available to them, in order to safely, easily and quickly perform their financial transactions. In addition to materials intended for natural persons, there is also an educational material for small and medium-sized enterprises available Five reasons why digitization is a lifesaver for small and medium-sized businesses, which is especially important in the context of the accelerated transition to digital business channels during and after the coronavirus pandemic.

Support to the „Financial literacy" project

For the Bank, financial education and inclusion represent important and major topics in the segment of corporate responsibility, especially when it comes to children and young people, as a particularly important social group. Through the "Financial Literacy" project supported by our Bank, which is implemented with the support of partners who share a commitment to improving general and specific financial knowledge, 500 students from 13 secondary schools in 12 cities in Serbia will learn how to make smart financial decisions and why it is important that they understand all terms from the world of banking, telecommunications and insurance. The program is implemented by the Education Group consisting of Junior Achievement Serbia, Nordeus Foundation, Center for the Promotion of Science and the "Digital Serbia" Initiative.

Numerous educated business mentors from companies that support the initiative work with the students, including our colleagues Miljan Lazarević, Ana Planinčić, Igor Nedeljković and Jasmina Nikolić. As a first step, teachers in schools participating in the program and business mentors went through the program material together and prepared to enter the classrooms.

During the year, several workshops were held in schools throughout Serbia. Students at the School of Economics and Business in Kikinda had the opportunity to learn from our Miljan Lazarevic, director of the Zrenjanin branch as an educated business mentor, during three workshops, why it is important to budget well and how to analyze different life situations at the moment when important financial decisions need to be made. During the workshops, which were held together with Professor Mirjana Sekulin, the most important financial terms, products and concepts were discussed.

Igor Nedeljković, senior sales manager for the economy at OTP Bank also participated in this program as business mentor and educator, and shared his impressions: "My idea was to explain to children in a receptive and age-appropriate way, using real examples, how finances are managed and what are the key financial terms. I tried to motivate them through interesting tasks to independently get a real picture of how correct financial decisions are made, how calculations are made and solutions are found in given situations. It was a great pleasure for me to participate in the "Financial Literacy" program, especially because the children showed a high degree of involvement and great interest in this topic. I am sure that projects dedicated to increasing financial knowledge among young people are beneficial for society as a whole on the long run".

2.9.3. Investment in culture

Investing in cultural heritage and supporting the best individuals, projects and institutions in the field of culture is one of the most important and beautiful investments of the Bank. We are proud of our partnerships with recognized institutions that allow us to direct support and contribution to this area in the best way.

In partnership with Booka Publishing House, in 2023, the second cycle of the award competition for the best, original and unpublished novel in the Serbian language was held. We are extremely proud that this competition, although still young, has already become a synonym of discovery of new, talented writers. The incredible success of last year's and the first winner, Mirjana Drljević, whose novel "No one is forgotten and nothing is remembered" became a bestseller with more than 7,000 copies sold, proof that this kind of competition is very much needed by the literary scene in Serbia.

Over 350 applications were received for the second cycle of the contest, and the jury's decision declared Mladen Milinov and his novel "Silence" as winner. Ivan Bevc, editor-in-chief of Booka publishing house, expressed his satisfaction with the fact that in the second annual competition, just like in the first, a new, fresh literary voice was discovered: "After the phenomenal success of the first competition, we faced a serious challenge. The number of manuscripts received promised that this time too we will discover a new literary voice, which is exactly what happened. In the fierce competition of several really excellent manuscripts, the exceptional novel "Silence" by Mladen Milinov stood out, mature, conceptually and narratively rounded and painfully current, and linguistically superior to the extent that it can be compared with the best regional works from this year's production. "Silence" is a great literary discovery, and its author, Mladen Milinov, is a rare talent. Once again, the contest that we held with the great support of our partners from OTP Bank confirmed its importance for the local literary and cultural scene", said Bevc.

The winner will receive a cash prize in the amount of 250,000 dinars, publication of the book in a circulation of 3,000 copies, with distribution in the region with intensive promotion of the author and the winning novel.

"OTP Bank will remain committed to the field of culture, as well as supporting writers, because we truly believe in the power of stories to connect people. We are extremely glad that we share the same values with Booka publishing house," said our Milena Mićanović, head of communications and public relations, when announcing the winner.

OTP Bank traditionally supports the awarding of the "Politikin Zabavnik" prize for the best work intended for young people in the Serbian language. For the year 2023, by the unanimous decision of the expert jury, the prize for the best work went to Olivera Zulović, the author of the novel "Handbook for a Solid Life". The book tells the story of two teenagers, Ljuba and Ljubica, who become friends in the moments when they both the family is going through big breaks. All the characters in the book are real, and the thread that connects the main characters is that they become better because of each other.

The bank also supported the organization of a classical music concert by the Royal Strings of St. Đorđe, which was held at the White Palace on October 31, 2023, while the Bank's clients also attended the concert. The Royal Strings of St. George is a chamber orchestra, whose concertmaster is our celebrated violinist Sreten Krstić. The orchestra has been operating under this name since 1998, when it received the title of the Royal House of Karađorđević as a prominent ensemble in Serbia.

2.9.4. Support to sports

OTP Bank has been the biggest sponsor and official bank of the Olympic Committee of Serbia for more than 20 years. This cooperation represents by far the longest sponsorship in Serbian sports, and is often an example of fruitful, inspiring and successful cooperation between the business sector 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 nurture these values in our everyday business life. In addition, for many years, OTP Bank's Visa Olympic Card has enabled our clients to become donors themselves, because a part of the funds for each of their transactions, at the expense of the bank, is allocated to the fund for investing in sports.

As part of this long-term partnership, we responded with great pleasure to the invitation and donated funds for the construction of a state-of-the-art training hall in Mali Iđoš, in which all conditions for the preparation of athletes have been met.

During the opening of the training hall, Predrag Mihajlović, our CEO and President of the Executive Board, recalled that this is the sixth consecutive Olympic cycle since OTP has become the official bank of the Olympic Committee of Serbia and pointed out that the bank will always proudly support the promotion of sports, especially among young people: "This donation best reflects our shared desire of us and our partners from the

Olympic Committee of Serbia to bring sports closer to everyone, as well as to enable the creation of atmosphere and conditions in small communities that will give birth to more champions like Adriana Vilagoš. We are sure that the new hall will contribute to its form remaining at the world level. We eagerly follow all of Adriana's competitions and wish her many more successes, medals and broken records. I would also like to thank the Olympic Committee of Serbia for recognizing us as a partner for such initiatives, and we hope that our support during these years has had at least a little influence in us becoming part of the greatest moments of Serbian sport," Mihajlović said.
srpskog sporta", rekao je Mihajlović.

Adriana Vilagoš, our most successful javelin thrower, the current vice-champion of Europe for seniors, as well as the world junior champion, also participated in the "Olympic training with OTP bank", which we traditionally organize together with our friends from the Olympic Committee of Serbia. The goal of this event is for children to fall in love with sports, learn the rules of sports and be active. We have been successfully implementing this project for over ten years in cities across Serbia, and in 2023 we visited Vršac.

Adriana shared her competitive spirit and love for sports with the students at the volleyball, athletics, handball, and basketball fields. Elementary school students from the schools Paja Jovanović, Vuk Karadžić, Mladost, Olga Petrov Radišić, Jovan Sterija Popović, competed and collected points in the foregoing sports, but also through the Olympic knowledge quiz, and the Jovan Sterija Popović Elementary School was the most successful, and was awarded with sports equipment and props in the value of 180,000 dinars.

In June 2023, the European Games were held in Krakow, and the Serbian team achieved an excellent result - 16 medals won. The Olympians delighted us with as many as 3 gold, 6 silver and 7 bronze medals. Our colleagues Jovana Kljutić, Olga Kovačević, Aleksandar Vukmirović, Đorđe Stefanović and Stefan Cvijetić cheered on the athletes from the stands, who could feel what the Olympic spirit and Olympic values mean on the spot, see "fair play" at work and cheer their country.

Traditionally, we participated in the Olympic Day, which marked the 129th birthday of the International Olympic Committee. Together with the Olympic Committee of Serbia and other sponsors and partners, we competed in the sponsors' relay race. Our team consisting of Jelena Živković, Sonja Mikavica, Svetlana Đenić, Vladimir Pavlović, Đorđe Petrušić and Despot Đorđević won the third place.

2.9.5. Support to local communities

In supporting the local community, OTP Bank focuses on support to most vulnerable social groups, as well as smaller and undeveloped communities.

During 2023, the Bank's branches in Pirot, Babušnica, Svrljig, Bor and Zaječar held "Open Days" for graduates of secondary economic schools, during which young people had the opportunity to learn about the way the bank works, as well as specialized products and youth services. The bank responded to the call of the director of the "Žarko Zrenjanin" high school in Vrbas, which is one of the oldest high schools in our country, for a donation of funds to equip the math cabinet - benches, chairs, cabinets, chairs, geometry accessories and printers.

The bank also participated in the reconstruction of the yard of the primary school in Dubona, which belongs to the largest school in the municipality of Mladenovac, "Momčilo Živojinović", at the invitation of the director of the school and the Mladenovac municipality, and on the occasion of the unprecedented tragedy that happened there. The collected funds are intended for the reconstruction of the yard, of the field and the wooden eco-house.

We also supported the national "World Robot Olympiad" competition for children in robotics held in the Hall of Sports in Subotica. The goal of the competition is to bring children and young people closer to science and scientific subjects through the construction and programming of robots, as well as to encourage them to choose engineering and IT as a career. The "World Robot Olympiad" was held for the fourth time, and the organizers are the Faculty of Teachers in the Hungarian teaching language and the Edutus faculty. This year, 82 teams from all over Serbia applied for the competition, with a total of more than 300 participants.

One of the examples of listening to the needs of the community is the donation of used and spent capital assets of the bank, including office furniture that was used in our branches, as well as computers and printers. In the course of 2023, over 340 expended basic funds were donated, which helped 19 beneficiaries, including primary and secondary schools, preschool institutions, health centers, hospitals, pensioners' associations, trade unions, as well as many other associations throughout Serbia.

During 2023, the Bank supported a number of cultural, sports and humanitarian events of local and regional importance in Novi Bečej, Zrenjanin, Užice, Vršac and Gornji Milanovac.

New Year donation of employees

An internal celebration for all employees of the Bank was organized in the context of joint humanitarian activities symbolically dubbed "When you know how to shine with your heart".

All bank employees are invited to donate food, toys and clothes on a voluntary basis and brighten up the holidays of the country's poorest families, as well as of children with mental and intellectual disabilities. Employees responded in high numbers: 2 tons of donated goods were collected and handed over to the Food Bank Association, whose primary activity is the fight against poverty, hunger and food waste, and to the MaliVeliki Association, which deals with improving the quality of life of children with developmental disabilities living in homes in less developed parts of the country.

The Bank strives to nurture the spirit of community among employees and to encourage them to join in, depending on their abilities, philanthropic activities and broader social importance.

New Year donation

At the end of the successful year, OTP banka signed an agreement with the Ministry of Health on a medical donation worth five million dinars. OTP Bank will thus directly contribute to the improvement of emergency medicine in Serbia, by donating defibrillators to hospitals in major cities and portable defibrillators to health centers in remote rural areas.

The donation agreement was signed by Danica Grujičić, Minister of Health of the Republic of Serbia, and our Branimir Spasić, CFO and member of the Executive Board of OTP Bank, who emphasized that this act represents another step towards improving health conditions in Serbia.

"We want to mark the coming holiday period as a sign of humanitarian donations, when we will remember and give gifts to those who need support. This year, instead of buying New Year's gifts for clients and partners, we opted for a donation. We are very pleased that, in cooperation with the Ministry of Health, we will directly contribute to the well-being of the community where we work. We learned that there is a great need for defibrillators in hospitals all over Serbia, but also for portable ones used in health centers, especially outside of Belgrade, and that is the reason why we directed the donation to the provision of these devices. What makes us particularly happy is the realization that portable models, which will be delivered to health centers far from central hospitals, have the potential to literally save people's lives. We will actively strive to contribute to the social environment not only in the year ahead, but also in the years yet to come," said Spasić.

Volonteer club

In addition to financial support, OTP Bank is committed to promoting and fostering volunteer activism, with the aim of building a more humane social environment. In 2023, the Bank launched the Volunteer Club for employees and adopted the Policy on Corporate Volunteering. Last year, the Bank's volunteers took part in the volunteer action of cleaning 300 m of the Danube bank, which the Bank organized together with the "Supernatural" association, as well as in the action of greening urban areas in Novi Sad, which was organized by the City Administration. Apart from "green" volunteer activities, one of the bank's priorities is the engagement of employees in the field of helping and improving the quality of life for socially marginalized groups.

We created volunteering programs with the intention of achieving a higher standard of sustainability, social and environmental responsibility together with our employees.

GRI indeks

Statement of use	OTP banka Srbija a.d. Novi Sad has reported the information cited in this GRI content index for the period 01.01.2023. – 31.12.2023. with reference to the GRI Standards. Reporting cycle: annual
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Annual Report of OTP banka Srbija a.d. Novi Sad for the year that ended on December 31, 2023 is approved by the management of the OTP banka Srbija a.d. Novi Sad on March 15, 2024.

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